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FISCAL IMPACT REPORT

SPONSOR Lundstrom/Egolf/ Garcia/Johnson ORIGINAL DATE 2/06/2021 LAST UPDATED 3/16/2021 HB 6/aSEC

SHORT TITLE State Equalization Guarantee Distributions SB _____

ANALYST Liu

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$0.0 - \$51,667.5	\$0.0 - \$51,667.5	\$0.0 - \$103,335.0	Recurring	General Fund
Total		See Fiscal Implications			Recurring	Public School Capital Outlay Fund

(Parenthesis () Indicate Expenditure Decreases)

Conflicts with SB41

Relates to HB84, HB85, HB86, HB87, HB326, SB225, SB249

Companion to appropriation in the General Appropriation Act of 2021

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public School Facilities Authority (PSFA)

Indian Affairs Department (IAD)

No Response Received

Public Education Department (PED)

SUMMARY

Synopsis of SEC Amendment

The Senate Education Committee amendment to House Bill 6 (see Attachment 3):

- Authorizes the use of capital improvement (SB-9) levies, public school building (HB-33) levies, education technology notes, and local general obligation bond funds for teacher housing projects;
- Excludes enrollment growth program units from the calculation of save harmless units in the public school funding formula;
- Requires schools to report to PED through the educational plan how federal and local revenue is used to improve outcomes for students or improve building conditions;

- Requires schools to report to PED and tribal authorities on federally-mandated Impact Aid consultations;
- Requires PED to report to LESC and LFC on effective programs and strategies;
- Removes requirements to budget an amount of the state equalization guarantee (SEG) distribution equivalent to the 75 percent local and federal credit for purposes related to the Indian Education Act, Public School Capital Outlay Act, Public School Capital Improvements Act, Public School Buildings Act, and Community Schools Act (also replaces the reporting requirement for this earmark on the statewide online financial reporting system with reporting on local and federal revenue uses);
- Requires school operating budgets to prioritize federal and local revenue for purposes relating to the Indian Education Act, Public School Capital Outlay Act, Public School Capital Improvements Act, Public School Buildings Act, or at-risk student interventions;
- Requires the Public School Capital Outlay Council (PSCOC) to define unrestricted revenue (URR) by July 1, 2024, in consultation with school districts, PED, LESC, LFC, and Public School Capital Outlay Oversight Task Force (PSCOOTF); and
- Counts URR used for capital outlay as part of local capacity within the local-state match formula as follows:
 - For FY25, URR from the prior year multiplied by 0.2,
 - For FY26, average URR from the prior 2 years multiplied by 0.4,
 - For FY27, average URR from the prior 3 years multiplied by 0.6,
 - For FY28, average URR from the prior 4 years multiplied by 0.8, and
 - For FY29 and subsequent years, average URR from the prior 5 years.

Synopsis of Original Bill

House Bill 6 removes the 75 percent credit for federal Impact Aid, local half-mill property tax levy, and federal forest reserve fund revenues¹ from the public school funding formula and requires each school district and state-authorized charter school, or local educational agency (LEA), to budget an amount of the state equalization guarantee (SEG) distribution equivalent to the aforementioned 75 percent credit for purposes related to the Indian Education Act, Public School Capital Outlay Act, Public School Capital Improvements Act, Public School Buildings Act, and Community Schools Act. The bill also requires PED to report how LEAs budget this portion of the SEG distribution on the statewide online financial reporting system.

FISCAL IMPLICATIONS

The bill does not make an appropriation but eliminates \$83 million in recurring credits from the public school funding formula. Absent any appropriations to offset the loss of these credits, the formula would redistribute SEG allocations from LEAs with fewer credits to LEAs with significantly more credits. Because \$67 million, or 80 percent of all credits, within the formula is attributable to federal Impact Aid payments, Impact Aid LEAs would receive a larger share of redistributed SEG allocations, which would decrease SEG allocations for many non-Impact Aid LEAs.

¹ The funding formula takes credit for 75 percent of revenue earned by a local educational agency from these sources and deducts that amount from the agency's share of the state equalization guarantee, the pool of state funds that is distributed through a formula that attempts to treat similar students similarly, no matter their location.

However, the FY21 operating budget included a partial offset of \$31 million for Impact Aid credits (see “Other Substantive Issues”), and HB2/HAFCS includes \$52 million to eliminate local and federal credits. Together the two appropriations (totaling \$83 million) would offset the full fiscal impacts of this bill, mitigating the proportional shift of SEG distributions from non-Impact Aid LEAs to Impact Aid LEAs and increasing SEG distributions for all schools, particularly Impact Aid LEAs. Notably, nearly 60 percent of the appropriation would be allocated to the Gallup-McKinley County, Central, and Zuni school districts due to the significant amount of Impact Aid payments budgeted by these districts.

The SEC amendment further changes the Public School Capital Outlay Act formula that determines the local and state share of funding for public school capital outlay awards. Beginning in FY25, the amendment adds unrestricted revenues (URR) used for capital outlay expenditures into the local-state match calculation, effectively reducing the proportion of state aid for capital projects at LEAs that use unrestricted revenue for capital outlay, and gradually phases a larger share (20 percent to 100 percent) and sampling (1 year to 5-year average) of URR into the calculation over time. The bill would count any URR as part of a school district’s total capacity to finance projects (except for SB-9 and HB-33 expenses for teacher housing), increasing the local district’s proportion of funding for the costs of construction.

Increasing the local share within the formula could reduce state participation for each PSCOC project, potentially allowing the council to increase the number of capital outlay awards statewide. Changes to the local share of capital outlay projects would depend on the amount of unrestricted revenue budgeted by LEAs for capital expenditures. Technically, LEAs could forgo using unrestricted revenue for capital outlay and still receive the full state match for PSCOC projects – LEAs may instead choose to use unrestricted revenue to offset maintenance expenses covered by restrictive sources (like SB-9), which may allow them to circumvent changes to the local match formula. However, given delayed implementation of counting URR within the formula until FY25, LEAs are likely to expeditiously finance capital outlay projects using URR in the next few years before formula provisions of this bill become effective.

Eliminating credits from the public school funding formula would improve PED’s accuracy with setting the initial unit value by removing the need to project federal revenue receipts (which are sometimes late or delayed). An accurate preliminary unit value would maximize the funding schools could budget at the beginning of a fiscal year, subsequently reducing the potential for reversions to school cash balances that are attributable to mid-year unit value increases.

SIGNIFICANT ISSUES

Provisions of this bill would provide additional state aid for LEAs equal to the amount of credits in the public school funding formula for expenditures relating to capital outlay, capital improvements, Native American education, and community schools. The SEC amendment removes the requirement to budget these new revenues for the aforementioned purposes. This analysis assumes \$83 million is appropriated to completely offset distributional impacts and all LEAs receive additional SEG distributions for the aforementioned purposes.

Elimination of credits in the funding formula would substantially increase operational revenue for LEAs with significant local and federal revenue sources (see Attachment 1). Gallup-McKinley School District, the LEA with the most formula credits, would receive an additional \$22 million from eliminated credits, a 26 percent increase in SEG payments. In contrast, the

LEA with the fewest formula credits, Pecos Independent Schools, would receive an additional \$12.8 thousand, a 0.2 percent increase in SEG payments.

PSFA notes the bill has the potential to destabilize the state equalization guarantee distribution of operational funds to school districts and charter schools. Although the bill specifies uses of the uncredited revenue, PSFA notes SEG distributions as budgeted may not result in actual expenditures because school districts can adjust their budgets throughout the year and the budgeted items may not always result in actual expenditures of the budgeted items. Therefore, “how” the SEG distributions are to be used may not necessarily be transparent.

In addition, provisions of this bill could allow all schools to complete planning, design, and construction of infrastructure and facilities outside of the state funding process administered by the Public School Capital Outlay Council (PSCOC). Because PSCOC’s formula for grant assistance only considers nonoperational revenue sources in determining a school district’s ability to finance a capital project (and subsequently the amount of state aid for the project), Impact Aid school districts could receive a significant windfall for capital projects through continued PSCOC grant assistance and additional SEG distributions proposed in this bill. Although it should be noted that in the 1999 *Zuni* capital outlay adequacy lawsuit, the court found New Mexico’s public school capital outlay funding system, which relies primarily on local property tax wealth to fund public school capital outlay, violated the state constitution provision for a uniform and sufficient education system because property-rich schools could build facilities exceeding state standards but property-poor schools could not.

For example, Zuni Public Schools has virtually no taxable property within the district; therefore, PSCOC finances 100 percent of the district’s capital outlay projects. Eliminating formula credits would provide the Zuni school district over \$5 million in new SEG revenue for potential capital outlay funding to build beyond PSCOC’s full coverage of the project (based on statewide adequacy standards for school facilities). While provisions of this bill will significantly improve the capacity for property-poor Impact Aid districts to finance capital projects, it will not substantially increase capital outlay funding capacity for non-Impact Aid districts with low property values.

IAD notes many tribal nations in New Mexico advocate for eliminating the credit taken against federal impact aid grants within the SEG formula. The agency recommends that LEAs provide information to tribes on how funds are being spent. Additionally, tribes have requested more authority over the local school boards and districts to ensure that Native American students are being adequately served. Although consultation with tribes is required through the Indian Policies and Procedures rules of the federal Impact Aid law, IAD notes this process has not worked to the satisfaction of tribes.

The SEC amendment adds any unrestricted revenue (URR) used to make capital outlay expenditures and the amount of any interfund transfers from an unrestricted fund into a fund restricted to capital outlay expenditures as certified by PED, averaged over the 5 prior years (after full implementation in FY29), to the taxable land value for each district. The combined sum of values from URR and taxable land valuations represents a school district’s total capacity for funding their own capital expenditures and capital projects.

If a district has more taxable land valuation and/or access to URR that are used for capital projects, the district is potentially more able to expend local funds on capital projects, so these

districts will receive less state funding, as calculated by the state and local match funding formula. Including URR in the calculation to determine a district's state match percentage may encourage districts to use these unrestricted revenues for operational purposes, to improve educational outcomes, before expending these unrestricted revenues on capital projects. If a district regularly uses large amounts of unrestricted revenues for capital projects over a 5 year period, the district will have a lower state match percentage for capital projects. If a district uses small amounts of unrestricted revenues for capital projects less frequently (for example, once within a 5 year period) the reduction in the district's state match percentage will be less.

PERFORMANCE IMPLICATIONS

Provisions of this bill would allow all schools to make additional capital improvements into infrastructure like educational technology, address local needs (community schools), and provide academic, cultural, linguistic, social, and health supports for Native American students. Given the 1st Judicial District Court's findings in the *Martinez* and *Yazzie* education sufficiency lawsuit, which found significant achievement gaps for Native American students, this bill would indirectly provide more SEG funding to districts educating this specific student demographic.

Capital Improvements. Increased spending on capital improvements could improve performance relating to school facility conditions, assuming the schools exercise appropriate maintenance and upkeep practices (which are also eligible uses of the SEG set-aside). In light of school closures from the Covid-19 public health emergency, expansion of education technology infrastructure could increase access to online learning platforms and extend instructional time for students without devices or Internet connections. While multiple 2020 LFC evaluations on remote learning and school reopening found lower student engagement and lost learning time from school closures, the reports noted the lack of access to devices and Internet for at-risk students could further widen the achievement gap this year. A 2020 LFC presentation on broadband found many students lacking computers or Internet connectivity during school closures lived within Impact Aid districts and highlighted the need to target additional resources to these areas, particularly with the substantial amount of federal aid and growth in local school cash balances.

PSFA notes school districts could use the local and federal funding to complete planning, design, and construction of infrastructure and facilities that are not eligible for state funding through the Public School Capital Outlay Council (PSCOC) funding programs. PSCOC prioritizes capital outlay funds to schools with the greatest facility needs, and these improvements may impact the ranking of the improved school facilities, leading to future inequities in capital projects for school districts.

Indian Education Act. Provisions of this bill would allow all LEAs to fund programs that support provisions of the New Mexico Indian Education Act. Despite enactment of the act in 2003, the court in the *Martinez-Yazzie* lawsuit found the state did not meet its provisions, which require schools to provide equitable and culturally relevant learning environments, educational opportunities, and culturally relevant instructional materials for all Native American students.

A 2021 LFC evaluation on implementation of the Indian Education Act found Native American students continue to perform below their peers on state and national measures of achievement, despite recent improvements in their high school graduation rates, college attendance, and native language fluency. The evaluation noted a history of understaffing in PED's Indian Education Division, difficulties with utilizing Indian education funds, challenges with local collaboration at

the district level, and problems with ensuring funds were aligned to specific, targeted outcomes. Provisions of this bill increase revenue for LEAs, rather than the state, to implement programs for Native American students. Substantial local funds could improve implementation of the Indian Education Act, given the state’s limited capacity to drive improvements through smaller, statewide grants.

Community Schools. Provisions of this bill would allow all LEAs to fund programs that support provisions of the Community Schools Act. Research by the Learning Policy Institute, an education think tank, finds the community school approach meets the evidence-based standard for interventions under the federal Every Student Succeeds Act (ESSA), shows promise in meeting the needs of low-achieving students in high-poverty schools, and helps close the opportunity and achievement gaps for students from low-income families, students of color, English learners, and students with disabilities. Although strategies and designs can vary based on local needs, LPI notes most community schools typically exhibit four distinct pillars: (1) integrated student supports, (2) expanded learning time and opportunities, (3) family and community engagement, and (4) collaborative leadership and practices.

Although a 2019 joint LESC-LFC evaluation found New Mexico community schools with at least five years of operation increased student proficiency by 6 percentage points in reading and 3 percentage points in math between 2015 and 2018, the report noted statewide proficiency increased at the same rate – resulting in the same achievement gap over a four-year period. Additionally, while New Mexico community schools increased graduation rates, the gains did not keep pace with statewide growth in graduation rates over the same period. The report noted New Mexico community schools do not appear to be implementing all four key pillars with fidelity, which research shows to have the largest positive impact on student outcomes.

ADMINISTRATIVE IMPLICATIONS

Provisions of this bill require PED to develop a mechanism within the online statewide financial reporting system that reports how school sites and LEAs budget expenditure of the SEG distribution received from the elimination of formula credits.

Eliminating the Impact Aid credit in the funding formula would allow school districts to use federal operational Impact Aid payments for expenditures recommended through consultations with tribal government and communities as required under federal Indian Policies and Procedures for Impact Aid funds.

The SEC amendment would require LEAs to report how local and federal revenue is used to improve outcomes for students through their annual educational plan to PED. LEAs must include a comprehensive evaluation of how programs and services improved outcomes and demonstrate evidence of consultation with tribal entities if the LEA received federal Impact Aid revenue by October 1 of each year. Impact Aid LEAs must submit this report on spending and outcomes to the appropriate tribal authorities. Additionally, PED must compile this federal and local revenue outcomes report to the LESC and LFC by November 15 of each year.

The SEC amendment would also reverse a new PED rule that would have added enrollment growth units in the calculation of save harmless units within the public school funding formula beginning in FY22. The provision within the amendment effectively keeps the save harmless calculation the same as with previous years and would require PED to revise the rule through its

public rulemaking process.

The SEC amendment would require PSCOC to consult with school districts, particularly districts with low bonding capacity, PED, LESC, LFC, and PSCOOTF, on the definition of unrestricted revenue by July 1, 2024.

CONFLICT, COMPANIONSHIP, RELATIONSHIP

The SEC amendment adopts language from Senate Bill 41 but conflicts with the calculation of the local-state match formula given the change from a 10-year average of URR to a 5-year average of URR phased-in over a 5-year period.

This bill is a companion to HB2/H AFC, which holds \$83 million contingent on enactment of a bill amending the Public School Finance Act to remove local and federal revenue credits from the public school funding formula and allocate an amount equal to the removed revenue credits for public school capital outlay, capital improvements, information technology, and programs necessary to meet requirements of the Indian Education Act and Community Schools Act.

The bill also relates to House Bill 326, which authorizes the use of SB-9, HB-33, education technology notes, and local GOB for teacher housing; Senate Bill 225, which also eliminates credits in the funding formula but does not specify uses; and Senate Bill 249, which eliminates only the Impact Aid credit from the formula.

The bill also relates to the tribal remedy framework outlined in House Bill 84, House Bill 85, House Bill 86, and House Bill 87, which request funding for various tribal programs and infrastructure on tribal lands.

OTHER SUBSTANTIVE ISSUES

Overview of Federal Impact Aid. Congress has provided financial assistance to local school districts through the Impact Aid program since 1950. Impact Aid was designed to provide financial support to school districts that lack local revenue through property taxes, due to the presence of tax-exempt federal property (i.e., tribal trust lands and military bases). School districts with increased expenditures due to the enrollment of federally -connected children (i.e., children who reside on Indian lands, military bases, low-rent housing properties, and other federal properties, or have parents in the military or employed on eligible federal properties) are also intended recipients of these funds.

Most Impact Aid funds, except for the additional payments for children with disabilities and construction payments, are considered general aid to the recipient school districts. These funds may be used in whatever manner the school districts choose, so long as it is in accordance with local and state requirements. Most recipients use funding for daily expenditures, but recipients may use the funds for other purposes, such as capital expenditures. School districts are required by federal regulations to consult with tribal governments and parents under the Indian Policies and Procedures about how these monies are spent. LEAs receive Impact Aid funds directly from the federal government through an application process, so states do not receive nor process these funds.

The federal government authorizes a state to “credit,” or supplant, a portion of state aid to LEAs

that receive federal Impact Aid payments if the state can demonstrate that disparities in per-student spending or per-student revenues between LEAs in the 95th and 5th percentile are less than 25 percent (i.e., there are minimal differences in funding per student between LEAs). States must account for (and also credit) other federal and local revenues in the same manner. If the state’s funding methodology passes this disparity test, the U.S. Department of Education (USDE) classifies the state as having an “equalized” methodology and allows the state to adjust (credit) appropriations to minimize funding disparities between LEAs caused by differences in local or federal revenue sources.

Public School Capital Outlay. In 2000, the 11th Judicial District Court ruled in the *Zuni Public District v. State of New Mexico* lawsuit that New Mexico’s public school capital outlay system violated constitutional requirements and ordered the state to establish and implement a uniform funding system for capital improvements and for correcting past inequities. Since the *Zuni* lawsuit, the state has spent \$2.7 billion to build school facilities up to the approved statewide adequacy standards. Despite significant improvements in statewide facility conditions, the *Zuni* lawsuit was never closed, and in December 2020, the court ruled in favor of plaintiff school districts on new claims of inequity. The major claim of the plaintiffs was their inability to raise sufficient local capital outlay revenue to maintain capital assets and build facilities that were outside of the statewide adequacy standards like other districts with available local resources.

School districts that receive federal Impact Aid funds have argued these funds are essentially payments to replace lost property tax revenue because of federal activity. However, legislation has been enacted to provide additional state funding for school districts with low property tax bases. Laws 2018, Chapter 66, (SB30) changed PSCOC’s state and local match calculation to be based on the net taxable value for a school district for the prior five years, the maximum allowable gross square footage per student pursuant to the adequacy planning guide, the cost per square foot of replacement facilities, and each school district’s population density. Overall, plaintiff school districts’ facility conditions (as measured by PSFA’s facilities condition index) are comparable or better than the statewide average.

The state modified its method of funding public school capital outlay projects in FY19, earmarked \$34 million for Impact Aid districts to build teacher housing and facilities outside of the adequacy standards in FY20, and appropriated \$18.9 million to Impact Aid districts for maintenance and infrastructure in FY21. Between FY19 and FY21, PSCOC awarded over half of all standards-based construction awards, or \$262.4 million, to Impact Aid districts.

In 2019 and 2020, Impact Aid school districts received special appropriations for capital projects. As a result of these appropriations, these districts have received the following funding for capital projects and capital expenditures.

FY20 Outside of Adequacy Awards for Impact Aid Districts			
District	Project Type	Percent of Appropriation	Total Award Amount
Bernalillo	Baseball and Softball Field Renovations; Teacher Housing	5.89%	\$ 1,413,203
Bloomfield	Teacher Housing; Security Vestibule	1.07%	\$ 257,537
Central	HVAC Replacement; Teacher Housing	29.25%	\$ 7,021,194
Cuba	Cultural/Language Classrooms; HVAC Replacement; Teacher Housing	1.81%	\$ 435,483
Dulce	Teacher Housing; Drainage; Security Vestibules; Fencing	5.04%	\$ 1,208,908
Gallup-McKinley	HVAC Replacement; Teacher Housing	35.64%	\$ 8,554,610
Grants-Cibola	Bus Fleet Equipment; Baseball Field; Multi-purpose/Auxiliary Gym	4.71%	\$ 1,129,463
Jemez Mountain	HVAC Replacement; Teacher Housing	0.24%	\$ 58,777

Jemez Valley	Teacher Housing	1.67%	\$ 401,632
Los Alamos	Field House	0.67%	\$ 147,719
Los Lunas	Auditorium Remodel	0.35%	\$ 85,122
Magdalena	Teacher Housing	0.65%	\$ 156,361
Penasco	Shade Structures	0.04%	\$ 9,151
Pojoaque	Demolition; Teacher Housing	2.60%	\$ 622,941
Ruidoso	Teacher Housing	0.29%	\$ 68,739
Tularosa	Softball Field	0.48%	\$ 114,039
Zuni	Baseball and Softball Fields	10.00%	\$ 2,315,120
Total			\$24,000,000

FY20 Teacher Housing Awards for Impact Aid Districts	
District	Total Award Amount
Central Consolidated	\$ 757,796
Gallup-McKinley	\$6,351,775
Zuni	\$2,890,429
Total	\$10,000,000

USDE Determination. In FY20, the Gallup-McKinley County, Central, and Zuni school districts requested a USDE predetermination hearing to evaluate PED’s request to credit federal Impact Aid payments in the FY20 funding formula. The plaintiff districts argued that specific revenue sources, like “SB9” capital improvement funds and transportation distributions, should be considered operational revenue within New Mexico’s disparity test calculations. USDE sided with the plaintiff districts’ methodology, which caused New Mexico to fail the FY20 disparity test. As a result, USDE determined the state could not credit Impact Aid payments in FY20.

PED appealed and then withdrew its appeal of USDE’s FY20 determination. However, the department submitted a revised disparity test calculation for FY21, which incorporated the new revenue sources requested by plaintiff districts and a new methodology for crediting Impact Aid payments by LEA. The Gallup-McKinley County, Grants, and Zuni school districts filed an injunction to prohibit PED from providing inaccurate information to USDE for the FY21 determination; however, this motion was overturned by the 1st Judicial District Court.

During the 2020 first special legislative session, the Legislature appropriated \$31 million to partially offset the potential loss of the \$67 million Impact Aid credit within the FY21 funding formula. The recurring appropriation anticipated USDE’s ruling would prohibit the state from crediting Impact Aid in future years. PED has continued to credit Impact Aid payments in accordance with state law pending a final determination on the state’s ability to do so for FY20 and FY21.

Martinez-Yazzie Lawsuit. In FY21, the New Mexico Center on Law and Poverty, representing the Yazzie plaintiffs in the *Martinez-Yazzie* lawsuit, filed a new motion requesting further relief in the lawsuit for essential technology to at-risk students. The motion noted the state failed to provide students (particularly Native American students and students in rural districts) with reliable access to digital devices, high-speed Internet, and funding for district technical support and requested the court order the state to provide immediate funding for these purposes. In response, PED noted the state spent nearly \$46 million from federal CARES Act funds to close the digital divide, and the department is working with providers of satellite Internet to support connectivity in rural areas.

ALTERNATIVES

During the 2019 interim, LFC and LESC staff held regional stakeholder engagement sessions to

discuss ways to address concerns brought by Impact Aid districts. Some suggestions included

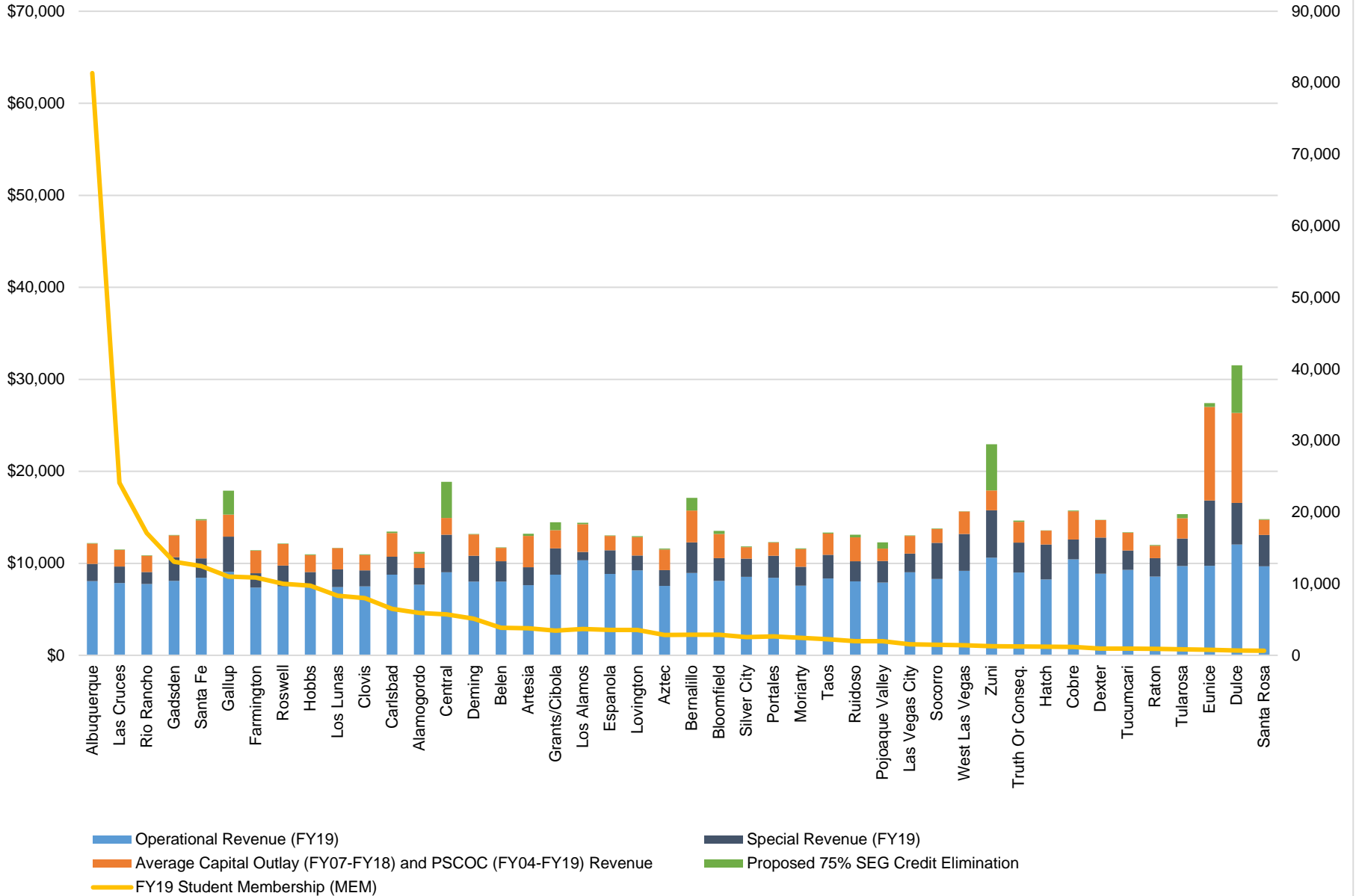
- Amending the Public School Capital Improvements Act (commonly known as SB9) to shift more state funding to low property wealth districts,
- Increasing the SB9 state program guarantee, allowing PED to advance SEG payments to cover delayed federal Impact Aid payments,
- Creating a new PSCOC program to retroactively update schools that received an early standards-based award (given the evolution of adequacy standards since 2003),
- Reprioritizing existing PSCOC programs to support facilities needed by Impact Aid schools,
- Increasing emergency support for schools with declining enrollment or property valuation (Central Consolidated Schools anticipates significant revenue loss from the closure of the San Juan Generating Station),
- Centralizing all capital outlay project funding and oversight through the state,
- Restricting expenditures to specified revenue sources, and
- Changing the public school funding formula, including increased funding for at-risk students and reducing SEG credits.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The \$31 million appropriation to offset potential elimination of Impact Aid credits will remain in the base of the SEG distribution, but \$52 million in the FY22 LFC budget recommendation for public school support will not be appropriated for purposes of eliminating credits within the formula. Additionally, PED will need to continue submitting disparity tests to USDE to credit Impact Aid payments in the formula.

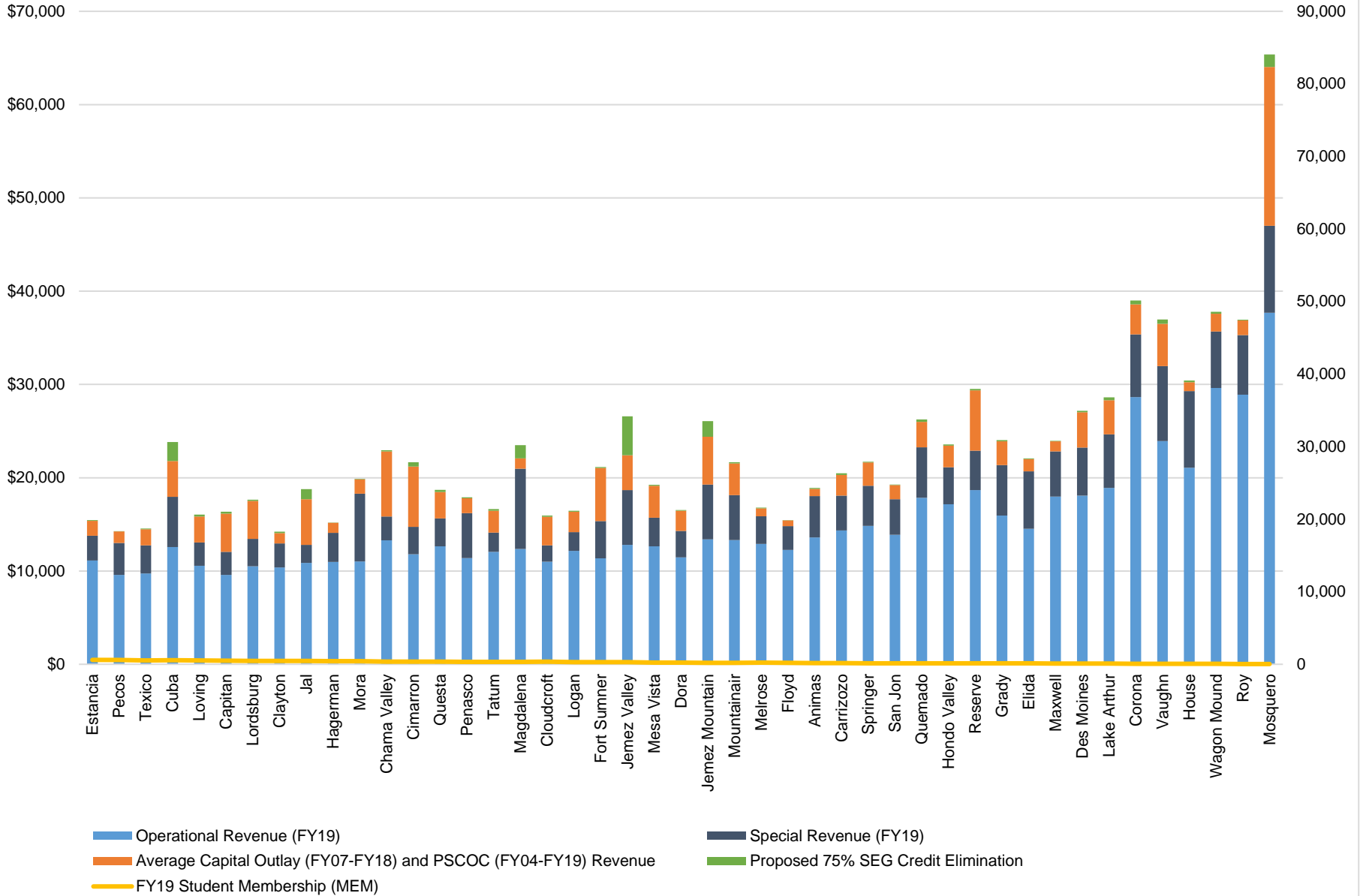
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Public School Revenue per Student

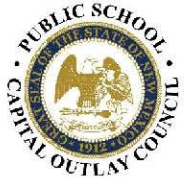


Source: PSFA and PED Files

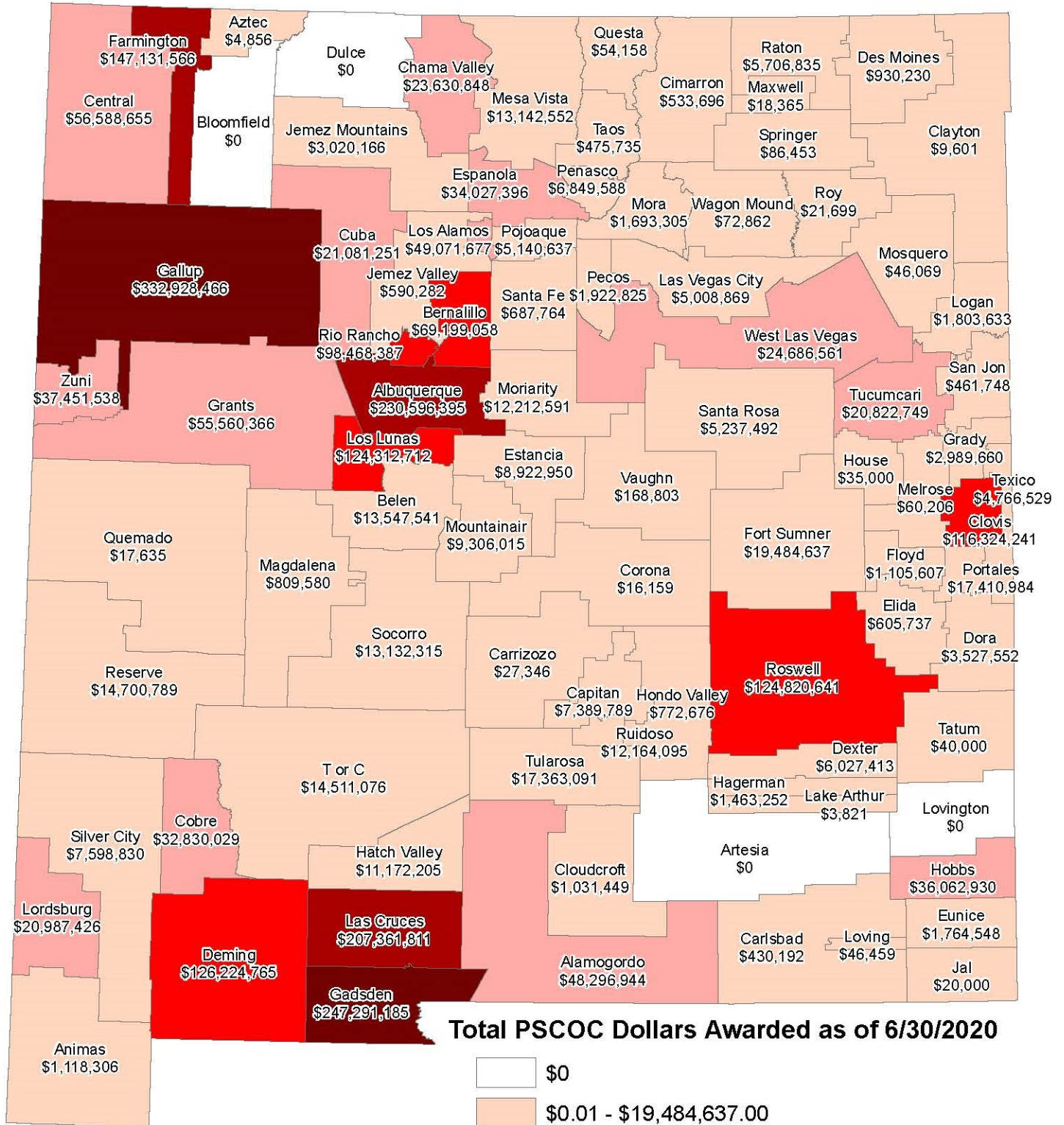
Public School Revenue per Student



Source: PSFA and PED Files



Total PSCOC Dollars Awarded



Total PSCOC Dollars Awarded as of 6/30/2020



State Total PSCOC Dollars Awarded
\$2,563,126,410

**Difference Sheet:
House Bill 6 and Senate Bill 41**

Provision	House Bill 6	Senate Bill 41	HB6/aSEC
75% Impact Aid, 0.5 Mill Levy, and Federal Forest Reserve Credit	Removes 75% credit for federal and local revenues in SEG calculation	Removes 75% credit for federal and local revenues in SEG calculation; Strikes federal and local revenue definitions and transfers to separate section related to reporting; Makes technical changes to maintain 2% charter school SEG withholding	Removes 75% credit for federal and local revenues in SEG calculation; Strikes federal and local revenue definitions and transfers to separate section related to reporting; Makes technical changes to maintain 2% charter school SEG withholding
Teacher Housing			Authorizes the use of SB-9, HB-33, Ed. Tech Notes, and GOB for teacher housing.
Other funding formula changes	None	Excludes enrollment growth program units from save harmless calculation	Excludes enrollment growth program units from save harmless calculation
Public School Utility Conservation Fund	Makes technical corrections in program cost calculation	Makes technical corrections in program cost calculation and adds reporting to LESC	Makes technical corrections in program cost calculation and adds reporting to LESC
Reporting and Accountability	Requires school reporting on SEG expenditures for purposes relating to the Indian education, capital outlay, capital improvement, school building, and community schools acts by school district and school site through the state transparency website.	Requires school reporting to PED through educational plan (and local evaluation) on how the district or charter used federal and local revenue to improve outcomes for students; school reporting to PED on federally-required Impact Aid consultations; school reporting to tribal authorities on spending and outcomes; and PED reporting to LESC and LFC on effective programs and strategies.	Requires school reporting to PED through educational plan (and local evaluation) on how the district or charter used federal and local revenue to improve outcomes for students and building conditions ; school reporting to PED on federally-required Impact Aid consultations; school reporting to tribal authorities on spending and outcomes; and PED reporting to LESC and LFC on effective programs and strategies. <u>Requires reporting on federal Impact Aid and local 0.5 mill levy uses on the state transparency website.</u>
Budgeting Requirements	Requires schools to budget a portion of SEG equal to 75% of federal and local revenue for purposes relating to the Indian education, capital outlay, capital improvement, school building, and community schools acts.	None	School operating budgets and educational plans must prioritize federal and local revenue for purposes relating to Indian education, capital outlay, capital improvements, school buildings, or at-risk interventions .
PSCOC local-state match formula	None	Counts use of any unrestricted funds for capital outlay toward local revenue component of PSCOC local matching formula based on the prior 10-year average.	Counts use of any unrestricted funds as defined by PSCOC for capital outlay toward local revenue component of PSCOC local matching formula as follows: <u>FY25 - prior year data x 0.2</u> <u>FY26 - 2-prior years average data x 0.4</u> <u>FY27 - 3-prior years average data x 0.6</u> <u>FY28 - 4-prior years average data x 0.8</u> <u>FY29 and beyond - 5-prior years average data</u>
State-support reserve fund	Makes technical corrections and removes local and federal credit provision	Makes technical corrections and removes local and federal credit provision	Makes technical corrections and removes local and federal credit provision
Effective date	7/1/2021	7/1/2021	7/1/2021