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FISCAL IMPACT REPORT

BILL NUMBER: House Bill 161

SHORT TITLE: Change K-12 Program Unit Calculation

SPONSOR: Sena Cortez

LAST ORIGINAL
UPDATE: _____ **DATE:** 02/03/26 **ANALYST:** Liu/Joyce

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
SEG	Choose an item.	\$27,746,950.2	\$27,746,950.2	\$55,493,900.4	Recurring	General Fund
Total	Choose an item.	\$27,746,950.2	\$27,746,950.2	\$55,493,900.4	Recurring	General Fund

Parentheses () indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 119 and House Bill 253

Sources of Information

LFC Files
Legislative Education Study Committee (LESC) Files

Agency or Agencies Providing Analysis
Public Education Department (PED)

SUMMARY

Synopsis of House Bill 161

House Bill 161 (HB161) changes the K-12 plus program unit formula to generate additional funding for schools exceeding a certain number of instructional hours rather than instructional days. The effective date of this bill is July 1, 2026.

FISCAL IMPLICATIONS

The bill does not contain an appropriation but changes how the K-12 plus program unit calculation is computed in the school funding formula. Currently, public schools are generating about 25.6 thousand K-12 plus program units in the FY26 funding formula, equivalent to \$174.4 million in the state equalization guarantee (SEG) distribution to schools when multiplied by the current unit value of \$6,801.35 per unit. Total FY26 statewide program units, including K-12 plus units, amount to 660.9 thousand units, meaning K-12 plus units account for approximately 4

percent of all units in the funding formula.

Provisions of this bill would generate an estimated 4.1 million program units for K-12 plus schools, based on preliminary FY26 enrollment, which would fundamentally change the makeup of the funding formula. These changes would increase total program units to 4.7 million units, meaning K-12 plus units would now account for approximately 87 percent of all units in the funding formula. Effectively, school calendars would be the main factor determining a school district's or charter school's SEG distribution. To keep the current unit value of \$6,801.35 flat, the addition of 4.1 million units would require a \$27.7 billion appropriation to the SEG distribution.

Absent an appropriation, PED would need to revise the unit value down to about \$950 per unit, which would effectively reallocate SEG distributions to the schools with the most K-12 plus units. For example, APS's share of SEG would increase from 22 percent to 29 percent, essentially growing their allocation from \$1 billion to \$1.3 billion. In contrast, Des Moines (which does not have a K-12 plus program) would see their share of SEG decrease from 0.07 percent to 0.01 percent, shrinking their allocation from \$3.1 million to \$438.5 thousand. The main variable driving the enormous increase in K-12 plus program units is the multiplication of "the number of instructional days" in the new formula, found on line 14 of page 2 (see Technical Issues).

SIGNIFICANT ISSUES

Currently, school districts and charter schools generate K-12 plus program units for each student receiving instructional days over 180 days at 5-day week schools or over 155 days at 4-day week schools. The K-12 plus formula has two multiplier tiers of 0.012 units per student per day for the first 10 days added and 0.016 units per student per day for the next 15 days added in 5-day week schools or 10 days added in 4-day week schools.

	Current K-12 Plus Formula	HB161 Formula
5-day school week	$Units = 0.012(Md_A) + 0.016(Md_B)$ <p><i>M</i> = student membership in K-12 plus school <i>d_A</i> = instructional days provided between 181 days and 190 days <i>d_B</i> = instructional days provided between 191 days and 205 days</p>	$Units = \frac{0.012(MDh_A)}{5.5} + \frac{0.016(Mh_B)}{5.5}$ <p><i>M</i> = student membership in K-12 plus school <i>D</i> = total instructional days <i>h_A</i> = instructional hours provided between 1,140 hours and 1,195 hours <i>h_B</i> = instructional hours provided between 1,195 hours and 1,277.5 hours</p>
4-day school week	$Units = 0.012(Md_C) + 0.016(Md_D)$ <p><i>M</i> = student membership <i>d_C</i> = instructional days provided between 156 days and 165 days <i>d_D</i> = instructional days provided between 166 days and 175 days</p>	$Units = \frac{0.012(MDh_A)}{5.5} + \frac{0.016(Mh_C)}{5.5}$ <p><i>M</i> = student membership in K-12 plus school <i>D</i> = total instructional days <i>h_A</i> = instructional hours provided between 1,140 hours and 1,195 hours <i>h_C</i> = instructional hours provided between 1,195 hours and 1,250 hours</p>

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Provisions of this bill would allow school districts and charter schools to generate K-12 plus units if they provide more than 1,140 instructional hours and more than 180 days for 5-day week schools or more than 155 days for 4-day week schools. Any school exceeding 1,140 hours (i.e. minimum statutory hours) would then be considered a K-12 plus school and eligible for K-12 plus units, regardless of the number of days added beyond the 180 day threshold for 5-day week or 155 day threshold for 4-day week schools.

Like the original formula but using instructional hours instead of days, the bill proposes two multiplier tiers of 0.012 units per student per hour for the first 55 instructional hours added and 0.016 units per student per hour for the next 82.5 hours added in 5-day week schools or 55 hours added in 4-day week schools. The units are then divided by 5.5 (close to the number of instructional hours per school day). Presumably, the bill was intended to mirror the original K-12 plus formula but with days converted into hours; however, the first 55 instructional hours are further multiplied by the number of instructional days, which appears duplicative and is the primary reason for the substantial fiscal impact of the bill.

PERFORMANCE IMPLICATIONS

In general, research suggests both the quantity and quality of instructional time matters for student academic achievement. Prior to the pandemic, LFC studies found large learning gaps existed among New Mexico’s most at-risk students. K-3 Plus extended school year programs were shown to improve student performance relative to peers when programs were executed correctly. Numerous LFC evaluations and early childhood reports showed students who participated in K-3 Plus and prekindergarten were more likely to perform on grade level, and the benefits of K-3 Plus were even more pronounced for low-income students and Native American students. These findings were similar to the 2015 Utah State University independent evaluation of the K-3 Plus program. The evaluation assessed students over four years and found students enrolled in K-3 Plus the summer prior to kindergarten were more ready for school and outperformed their peers.

A 2022 LESC analysis of New Mexico statewide assessments found the more time students spent in school, the more likely they were to score higher on standardized tests. Even when controlling for the impact of economic poverty, districts and charter schools with more instructional hours were more likely to see higher academic outcomes. The analysis further noted academic benefits of more instructional hours were more pronounced for middle school students, and the report recommended the Legislature consider increasing the minimum statutory instructional hours and providing ample time for professional work time to improve instructional quality.

ADMINISTRATIVE IMPLICATIONS

Provisions of this bill would require PED to recalculate how K-12 plus program units are generated in the funding formula and adjust calculations for the unit value in FY27.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill relates to House Bill 119, which amends the funding formula to generate units for teachers with bilingual license endorsements and House Bill 253, which amends the funding formula to change units generated by distance learning programs.

TECHNICAL ISSUES

The significant fiscal impact of this bill is primarily due to the multiplication of “the number of instructional days (page 2, line 14)” with the K-12 plus unit formula for the first 55 instructional hours above the 1,140 hour threshold. Unlike the formula for the instructional hours above the 1,195 hour threshold, this additional variable in the formula appears to be extraneous. For example, the estimated unit calculation for a hypothetical K-12 plus school with 1,000 students on a 5-day week schedule at 1,200 instructional hours and 185 instructional days would be:

$$\text{HB161 Formula} = \frac{0.012(1,000)(\mathbf{185})(1,195 - 1,140)}{5.5} + \frac{0.016(1,000)(1,200 - 1,195)}{5.5} = 22,215 \text{ units}$$

Compared to the current K-12 plus formula in statute:

$$\text{Current Formula} = 0.012(1,000)(\mathbf{185} - 180) + 0.016(1,000)(0) = 60 \text{ units}$$

The substantial difference in the two formulas is mostly attributable to the factor of days (185 days bolded in red for this example) in HB161’s current formula. Removing this factor would result in a similar product to the current K-12 plus formula in statute:

$$\text{HB161 Formula (sans days)} = \frac{0.012(1,000)(1,195 - 1,140)}{5.5} + \frac{0.016(1,000)(1,200 - 1,195)}{5.5} = 184.5 \text{ units}$$

OTHER SUBSTANTIVE ISSUES

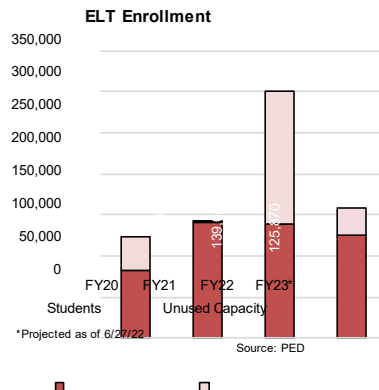
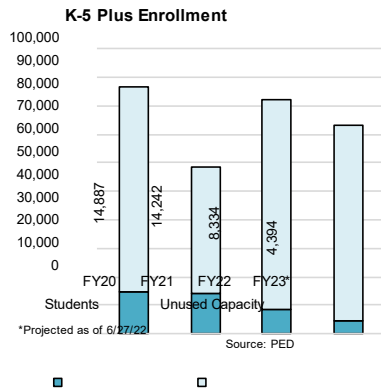
In 2008, the Legislature commissioned the American Institutes for Research (AIR) to study and determine the cost of a sufficient education for all public schools in New Mexico. Findings suggested at the time state support for public schools should increase by \$335.8 million to extend the school year, add afterschool hours, provide summer programs, reduce class sizes, and hire appropriate school personnel. The most expensive component of AIR’s cost proposal was extending the school year to include 185 instructional days for students and four planning days for teachers (about 1,512 hours).

In 2009, the Legislature appropriated \$14 million to the state equalization guarantee (SEG) distribution for schools to add one additional instructional day. However, a 2018 LFC evaluation found school calendars shrunk by about 3 days between FY09 and FY18. Despite funding to expand the school year, schools shortened calendars by moving from five-day school week to four-day school week schedules or by decreasing total days while adding minutes to each day.

In 2018, the 1st Judicial District Court ruled in the *Martinez-Yazzie* lawsuit that New Mexico’s education system was not constitutionally sufficient nor uniform for all students. The court found evidence-based interventions that added instructional time—like prekindergarten, K-3 Plus extended school year, summer school, afterschool, and extended learning time programs—could help students close achievement gaps. However, the state had not provided sufficient funding to

cover programming for all students needing intervention, and administrative hurdles and timing of funds limited some participation in the interventions.

In response to the court’s findings, the Legislature significantly increased at-risk funding, educator pay, and early childhood programming in FY20. Additionally, the state expanded its existing instructional time intervention, K-3 Plus (now K-5 Plus), which allowed elementary schools to add 25 days, and created a new Extended Learning Time (ELT) program, which allowed any school to add 10 days, afterschool programming, and 80 hours of professional development. Despite these investments, participation in K-5 Plus and ELT fell short of



appropriation levels for multiple years.

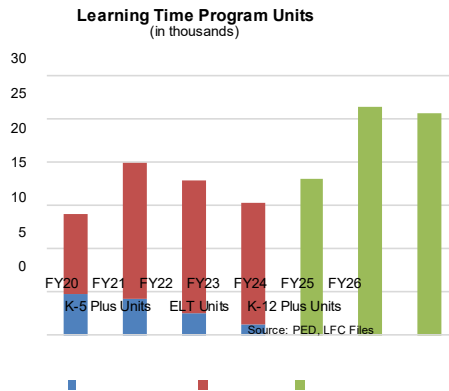
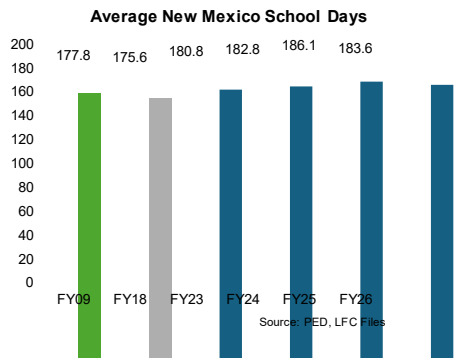
Declining participation in K-5 Plus and ELT programs resulted in nearly \$576 million of unspent capacity, leading to enormous reversions for these interventions. School closures during the Covid-19 pandemic reduced instructional time for all students and further exacerbated existing achievement gaps for at-risk student groups. Despite this lost instructional time, attempts to require statewide participation failed, and schools continued to opt out of both programs.

School districts cited the need for flexibility in the form of adding instructional hours rather than adding days, sometimes with very small increments. For example, 10 days, or 60 hours, could be spread evenly as 20 minutes each day within a 180-day calendar. Converting 25 days would yield about 50 minutes daily. However, lengthening the day may result in some exceptionally long school days, particularly in rural areas where students have longer commute times.

In response to declining participation in K-5 Plus and ELT programs, the state repealed both programs and replaced them with a new K-12 plus program formula factor and a new 1,140 instructional hour minimum in FY24. As part of the 1,140 hour requirement, the Legislature authorized schools to count 60 hours of professional work time as instructional hours for elementary schools and 30 hours for secondary schools, blurring the distinction between classroom time with students and learning time for teachers.

As a result of “blending” instructional time requirements with professional work hours, PED flagged in FY24 that nearly half of districts and charter schools had reduced the number of

school hours and days in their calendar that year. Many schools had already provided more instructional time than the new minimums and reduced time in response to the new law. Others began counting more professional work time as instructional time based on the new definition and provided fewer classroom hours with students. Still, about half of schools increased instructional days and hours.



In response, PED proposed a new rule requiring schools to provide at least 180 days of instruction if they failed to meet reading proficiency and growth targets. In response, The New Mexico School Superintendents Association, in conjunction with 53 school boards and four charter school governing boards, filed for a temporary restraining order and injunction of PED’s 180-day rule. On February 3, 2025, the 5th Judicial District Court ruled in favor of the superintendents, nullifying the department’s rule because of conflicts with existing statutes and legislative intent. PED expressed an intent to file an appeal; however, the absence of court action since the ruling means the 180-day rule remains inactive.

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