

LFC Requester:	Sunny Liu
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**AGENCY BILL ANALYSIS
2017 REGULAR SESSION**

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{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply: **Date** February 6, 2017
Original **Amendment** _____
Correction _____ **Substitute** _____
Bill No: SB135

Sponsor: Senator George K. Munoz **Agency Code:** 924
Short Title: CHARTER SCHOOLS IN SCHOOL DISTRICTS **Person Writing:** Aguilar/Craig
Phone: 505-827-6519 **Email:** Paulj.aguilar@state.nm.us

SECTION II: FISCAL IMPACT

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		(\$778.2)	(778.3)	(\$2,334.6)	Recurring	Charter School Operating Budgets

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

SB 135 seeks to apply public school funding formula credits for local and federal revenues to charter schools when determining the state equalization guarantee (SEG) distribution by including charter schools in a definition of school district.

FISCAL IMPLICATIONS

In fiscal year 2016 (FY16) there were seven state chartered charter schools that received Impact

Aid awards for which the state would take credit. These entities and amounts that would be credited to the state's support in the SEG are shown in the table below. The state does not take credit for the portions of Impact Aid payments related to special education, Native American education or construction. Credits have always been applied to the payments in lieu of taxes (PILT) portion of the awards, commonly termed Operational awards. The total amount of reduced state SEG payments to the impacted entities for the Impact Aid credits would be \$778.2 thousand.

Charter School	Operational Impact Aid	SB135 SEG Credit
East Mountain Charter HS	\$9,764	\$7,323
McCurdy Charter	\$164,839	\$123,629
Southwest Aeronautics, Math and Science	\$2,456	\$1,842
Southwest Intermediate	\$416	\$312
Southwest Primary	\$604	\$453
Southwest Secondary	\$4,466	\$3,350
Walatowa Charter HS	\$855,142	\$641,356
Total	\$1,037,687	\$778,265

Locally chartered charter schools do not receive Impact Aid funds directly. This is relevant when discussing the significant issues in SB 135 as outlined below.

SIGNIFICANT ISSUES

There are many issues related to implementation of applying Impact Aid credits to charter schools by changing the definition of school district for this section and using that definition to apply to credits. For example, the insertion of locally chartered charter schools in the definition of school district could cause confusion on the application of credits.

Some locally chartered charter schools receive a disbursement or allotment from their local school district authorizer for Impact Aid funds. This distribution is not subject to credits under current law because if it were to be, the state would in effect be taking credit twice, once at the school district level and again at the locally chartered charter school level. Another example when addressing the question of how to address charter schools, receiving local mill levy funds, and if so, whether or not the state would be taking double credit for those funds.

ADMINISTRATIVE IMPLICATIONS

The language in on page 2 lines 2 through four is a necessary change if the state is to take credit for charter school Impact Aid payments, and should be considered a needed change regardless of the merits of Impact Aid credits for charter schools. The proposed language in SB135 on page 2 line 2 through 4 better reflects the administrative procedures at PED's School Budget and Finance Analysis Bureau for how SEG and administrative withholding is calculated and distributed.

School districts understand the need to communicate to PED the receipt of Impact Aid vouchers. PED receives Impact Aid vouchers from the USDE Office of the Impact Aid. Together, the dual

communication ensures we accurately calculate credits. For charter schools, there is not clear understanding of the need to report Impact Aid payment vouchers to PED. The ability of the PED to accurately track Impact Aid payments is dependent on one of the two entities reporting receipts in a timely manner. If SB 135 were to become law, PED would likely need to adjust its internal processes to ensure proper tracking. Any additional expense would be minimal.

TECHNICAL ISSUES

The language on page 4 lines 19 through 20 is unnecessary as the Energy Efficiency and Renewable Energy Bonding Act defines school district as a political subdivision of the state established for the administration of public schools, segregated geographically for taxation and bonding purposes and governed by the Public School Code. This Energy Efficiency and Renewable Energy Bonding Act therefore excludes charter schools and the language included in SB 135 is superfluous because there is no certified amount to take credit for charter schools.

OTHER SUBSTANTIVE ISSUES

This bill was not recommended by the Public Education Department to the Department of Finance and Administration as a proposed amendment to the public school finance formula pursuant to 22-8-12.1 Subsection C NMSA 1978.

AMENDMENTS

The sponsor may wish to strike lines 6 through 7 on page 2 in their entirety and instead insert “or state-chartered charter school” after school district in line 20. The sponsor may wish to correspondingly strike the language on page 4, lines 19 through 20.