

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

**WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:**

**[LFC@NMLEGIS.GOV](mailto:LFC@NMLEGIS.GOV)**

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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 2/16/17  
**Original**        **Amendment**        **Bill No:** SB135sec/s  
**Correction**        **Substitute**   

**Sponsor:** Senate Education Committee    **Agency Code:** 924  
**Short Title:** CHARTER SCHOOLS IN SCHOOL DISTRICTS    **Person Writing:** Matt Pahl  
**Phone:** 470-9909    **Email:** Matt.pahl@state.nm.u

**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY17	FY18		

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY17	FY18	FY19		

(Parenthesis ( ) Indicate Expenditure Decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:  
 Duplicates/Relates to Appropriation in the General Appropriation Act

**SECTION III: NARRATIVE**

**BILL SUMMARY**

Synopsis:

CS/SB 135 applies public school funding formula credits for federal revenues to state-chartered charter schools when determining the state equalization guarantee (SEG) distribution.

**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. These funds would be made available to all entities by flowing back through the formula.

<b>Charter School</b>	<b>Operational Impact Aid</b>	<b>SB135 SEG Credit</b>
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
<b>Total</b>	<b>\$1,037,687</b>	<b>\$778,265</b>

## **SIGNIFICANT ISSUES**

### **PERFORMANCE IMPLICATIONS**

### **ADMINISTRATIVE IMPLICATIONS**

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.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

### **TECHNICAL ISSUES**

SB 135 as introduced included language on page 2, lines 2 through 4, that struck the words "is the difference between the state-chartered charter school's program cost and" and inserted "that is distributed to each charter school shall be reduced by" to allow for the two percent administrative withholding, as well as the federal revenue credits. This is a necessary change if the state is to take credit for charter school Impact Aid payments, as currently one section of law indicates that the SEG is the program cost less the two percent administrative holding and another indicates the SEG should reflect a credit for federal revenues. Without this revision to statute, the public school funding formula would contain an internal conflict.

PED still feels this proposed 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.

### **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.

### **ALTERNATIVES**

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

### **AMENDMENTS**

The sponsor may wish to include the language from SB 135 as introduced on page 2, lines 2 through 4, that struck the words "is the difference between the state-chartered charter school's program cost and" and inserted in its place "that is distributed to each charter school shall be reduced by" to allow for the two percent administrative withholding as well as the federal revenue credits.