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| 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

and

DFA@STATE.NM.US

{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** 2/10/17
Original **Amendment** **Bill No:** SB 305
Correction **Substitute**

Sponsor: Senator John M. Sapien **Agency Code:** 924
Short Title: CHARTER SCHOOL EQUALIZATION GUARANTEE **Person Writing:** Aguilar/Craig
Phone: 827-6519 **Email:** Paulj.aguilar@state.nm.us

SECTION II: FISCAL IMPACT

REVENUE (dollars in thousands)

| Estimated Revenue | | | Recurring or Nonrecurring | Fund Affected |
|-------------------|-----------|-----------|---------------------------|-----------------------------------|
| FY17 | FY18 | FY19 | | |
| | (3,184.9) | (3,184.9) | Recurring | Virtual Charter School Operations |
| | | | | |

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act: State Equalization Guarantee

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

SB 305 seeks to reduce a virtual school's state equalization guarantee (SEG) to 75 percent of the calculation provided for in current law. SB 305 defines a virtual charter school as a charter school that offers one or more kindergarten through grade twelve courses through the internet and one in which teachers and students are separated geographically and do not necessarily work

together in the same time frame.

FISCAL IMPLICATIONS

On page 5, lines 8 through 15, the proposed changes do not indicate that the state equalization guarantee (SEG) reduction is tied to the two percent administrative withholding allowed under law. This means that the total state commitment to these schools would be reduced by 23 percent, as the school district or division still retains its two percent of calculated program cost for administrative support and charter schools are not currently subject to any other credits.

SB 305 FISCAL IMPACT

| | A | B | C | = A - (B + C) |
|---|--------------------|-----------|-------------|--------------------|
| | PROJECTED FY17 SEG | 2% ADMIN | 75% SEG | SB305 |
| PECOS CONNECTIONS | \$2,004,814 | \$40,096 | \$1,503,611 | \$461,107 |
| NEW MEXICO VIRTUAL ACADEMY | \$2,857,804 | \$57,156 | \$2,143,353 | \$657,295 |
| NEW MEXCIO CONNECTIONS VIRTUAL (SANTA FE) | \$8,984,719 | \$179,694 | \$6,738,539 | \$2,066,486 |
| TOTAL STATE SAVINGS | | | | \$3,184,888 |

In FY 17, the state had three charter schools operating that appear to match the definition criteria under SB 305. If the provisions of SB 305 had been in place, the estimated additional savings would have been approximately \$3.1 million. This money would have been distributed to the remaining state education entities.

SIGNIFICANT ISSUES

The provisions of this bill will cause a dis-equalization of the funding formula, a core principle of school funding in New Mexico. This would create a situation when a child with certain needs would not be treated equally to other students with the same needs in different areas of the state, a concept known as horizontal dis-equalization.

The provisions of this bill ignore student needs in favor of school or district needs or public opinion. This is a serious departure from the equalization provisions of the funding formula, the core element of New Mexico's system of school funding.

ADMINISTRATIVE IMPLICATIONS

The provisions of SB 305 will require PED to determine which charter schools meet the proposed definition of virtual schools under the Charter Schools Act in order to be recognized for funding differences. Other administrative impacts would be minimal.

OTHER SUBSTANTIVE ISSUES

Virtual schools have different service delivery models than other public schools and therefore researchers have different view on associated costs for the different delivery model. Many virtual school advocates argue in favor of outcomes-based funding that seeks resource allocations to be based on performance, and deter funding efforts based upon seat time.