

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 2/27/17
Original **Amendment** **Bill No:** SB305sec/s
Correction **Substitute**

Sponsor: Senate Education Committee **Agency Code:** 924
Short CHARTER SCHOOL **Person Writing** Aguilar/Craig
Title: EQUALIZATION **Phone:** 505-827-6519 **Email** Paulj.aguilar@state.nm.us
GUARANTEE

SECTION II: FISCAL IMPACT

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY17	FY18	FY19		
	(\$3,392,595.74)	(\$3,392,595.74)	Recurring	Virtual Charter School Operating Revenue

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

CS/SB 305 amends the Public School Finance Act to include a definition of a virtual charter school and require a separate calculation of program cost for virtual charter schools by reducing program units generated by 25 percent.

FISCAL IMPLICATIONS

In FY 17, the state had three charter schools operating that appear to match the definition criteria under CS/SB 305. If the provisions of CS/SB 305 had been in place in FY 17, the estimated additional savings would have been approximately \$3.4 million. The \$3.4 million would have been distributed to the remaining state education entities.

SB 305 IMPACTS ON PROGRAM COST

Virtual School	Existing Law Total Units	Existing Law Program Cost	Existing Law SEG (less 2%)	SB 305 Total Units	SB 305 Program Cost	SB 305 SEG (less 2%)	SB 305 Reduction
Pecos Connections	503.769	\$2,004,814.23	\$1,964,717.95	377.827	\$1,503,611.66	\$1,473,539.43	(\$491,178.52)
New Mexico Virtual Academy	718.108	\$2,857,804.14	\$2,800,648.06	538.581	\$2,143,353.11	\$2,100,486.05	(\$700,162.01)
New Mexico Connections	2,257.677	\$8,984,719.12	\$8,805,024.74	1,693.258	\$6,738,540.33	\$6,603,769.52	(\$2,201,255.22)
TOTAL	3,479.554	13,847,337.490	\$13,570,390.74	2,609.666	10,385,505.100	\$10,177,795.00	(\$3,392,595.74)

Note: Uses FY 17 Final Unit Value of \$3,979.63

ADMINISTRATIVE IMPLICATIONS

The provisions of CS/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 researchers have different views on the associated costs for the models. Many virtual school advocates argue in favor of outcomes-based funding that seeks resource allocations to be tied to performance, and deter funding efforts based upon seat time. Whatever the merits of such a change may or may not be, the current state education funding model is based upon resource inputs and seeks to allocate educational units to offset educational costs. It is unlikely that our current funding formula awards educational units to a virtual school in proportion to their cost.

CS/SB 305 recognizes the differences in funding and reduces the funding based upon a set percentage. This has some benefits and challenges associated with its approach. CS/SB 305 ensures that a virtual charter school receiving excess funds under the current funding model no longer receives a windfall. However, it assumes that virtual schools have costs that are exactly 75 percent of a traditional public school with the same characteristics, which may or may not be true. Whether or not the costs of the virtual school fluctuate, virtual schools will generate this set amount regardless of circumstances.

ALTERNATIVES

Implement alternate funding mechanisms that better match resources to costs; either by awarding educational units on a different basis or creating a different funding structure.