

<b>LFC Requester:</b>	<b>Sunny Liu</b>
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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)**

*and*

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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 3/11/2017  
**Original**        **Amendment**        **Bill No:** SB305/SFCS  
**Correction**        **Substitute**   

**Sponsor:** Senate Finance 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		
	(\$3,692.5)	(\$3,692.5)	Recurring	Virtual Charter School Operating Revenue

(Parenthesis ( ) Indicate Expenditure Decreases)

**SECTION III: NARRATIVE**

**BILL SUMMARY**

Synopsis:

SB305/SFCS amends the Public School Finance Act to include a definition of a virtual charter school and requires a separate calculation of program cost for virtual charter schools by only applying early childhood education, basic education, special education and national board for professional teaching standards certification units in the calculation of a virtual school's program cost and omitting the application of the instructional staff training and

experience index.

## FISCAL IMPLICATIONS

In FY 17, the state had three charter schools operating that appear to match the definition criteria under SB305/SFCS. If the provisions of SB305/SFCS had been in place in FY 17, the estimated additional savings would have been approximately \$3.6 million. The \$3.6 million would have been distributed to the remaining state education entities.

SB305/SFCS IMPACTS ON PROGRAM COST

Virtual School	Existing Law Total Units	Existing Law Program Cost	CS/SB 305 Total Units	CS/SB 305 Program Cost	CS/SB 305 Reduction
Pecos Connections	503.769	\$2,004,814.23	400.165	\$1,560,658.47	(\$444,155.76)
New Mexico Virtual Academy	718.108	\$2,857,804.14	675.338	\$2,633,843.45	(\$223,960.69)
New Mexico Connections	2,257.677	\$8,984,719.12	1,528.260	\$5,960,271.15	(\$3,024,447.97)
<b>TOTAL</b>	<b>3,479.554</b>	<b>13,847,337.490</b>	<b>2,603.763</b>	<b>10,154,773.070</b>	<b>(\$3,692,564.42)</b>

## SIGNIFICANT ISSUES

The provisions of this bill ignore the fact that the New Mexico Public School Funding Formula allocates units based on individual student needs and not to meet a cost allocation mechanism. Changing this makes fundamental changes to the underpinning assumptions of the funding formula. This should be considered as significant consequences could be tied to these changes, in particular the disparity calculation.

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.

SB305/SFCS recognizes the argument of differences in funding and reduces the funding based upon awarding virtual schools SEG on limited units; however it ignores the significant negative impacts of modifying the funding formula to meet discreet concerns. SB305/SFCS seeks to define the educational units for which the state believes a virtual charter school experiences costs, and those for which it does not, again ignoring the fundamental tenets of the funding formula.

The provisions of SB305/SFCS 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.