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HOUSE BILL 77

**54TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2019**

INTRODUCED BY

Roberto "Bobby" J. Gonzales

AN ACT

RELATING TO PUBLIC SCHOOL FINANCE; LIMITING THE GROWTH OF ADMINISTRATIVE EXPENDITURES BY SCHOOL DISTRICTS AND CHARTER SCHOOLS; DECLARING AN EMERGENCY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

**SECTION 1.** Section 22-8-2 NMSA 1978 (being Laws 1978, Chapter 128, Section 3, as amended) is amended to read:

"22-8-2. DEFINITIONS.--As used in the Public School Finance Act:

A. "ADM" or "MEM" means membership;

B. "administrative expenditures" means expenditures for general administrative support services, central services, operation and maintenance of plants and other support services designated as the 2300, 2500, 2600 and 2900 functions in the department's chart of accounts for expenditures;

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1            C. "consumer price index" means the average of the  
2 monthly consumer price indexes for a calendar year for the  
3 entire United States for all items as published by the United  
4 States department of labor;

5            [~~B-~~] D. "membership" means the total enrollment of  
6 qualified students on the current roll of a class or school on  
7 a specified day. The current roll is established by the  
8 addition of original entries and reentries minus withdrawals.  
9 Withdrawals of students, in addition to students formally  
10 withdrawn from the public school, include students absent from  
11 the public school for as many as ten consecutive school days;  
12 provided that withdrawals do not include students in need of  
13 early intervention and habitual truants the school district is  
14 required to intervene with and keep in an educational setting  
15 as provided in Section 22-12-9 NMSA 1978;

16            [~~G-~~] E. "basic program ADM" or "basic program MEM"  
17 means the MEM of qualified students but excludes the full-time-  
18 equivalent MEM in early childhood education and three- and  
19 four-year-old students receiving special education services;

20            [~~D-~~] F. "cost differential factor" is the numerical  
21 expression of the ratio of the cost of a particular segment of  
22 the school program to the cost of the basic program in grades  
23 four through six;

24            [~~E-~~] G. "department" or "division" means the public  
25 education department;

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1           ~~[F.]~~ H. "early childhood education ADM" or "early  
2 childhood education MEM" means the full-time-equivalent MEM of  
3 students attending approved early childhood education programs;

4           ~~[G.]~~ I. "full-time-equivalent ADM" or "full-time-  
5 equivalent MEM" is that membership calculated by applying to  
6 the MEM in an approved public school program the ratio of the  
7 number of hours per school day devoted to the program to six  
8 hours or the number of hours per school week devoted to the  
9 program to thirty hours;

10           ~~[H.]~~ J. "operating budget" means the annual  
11 financial plan required to be submitted by a local school board  
12 or governing body of a state-chartered charter school;

13           ~~[I.]~~ K. "program cost" is the product of the total  
14 number of program units to which a school district is entitled  
15 multiplied by the dollar value per program unit established by  
16 the legislature;

17           ~~[J.]~~ L. "program element" is that component of a  
18 public school system to which a cost differential factor is  
19 applied to determine the number of program units to which a  
20 school district is entitled, including MEM, full-time-  
21 equivalent MEM, teacher, classroom or public school;

22           ~~[K.]~~ M. "program unit" is the product of the  
23 program element multiplied by the applicable cost differential  
24 factor;

25           ~~[L.]~~ N. "public money" or "public funds" means all

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1 money from public or private sources received by a school  
2 district or state-chartered charter school or officer or  
3 employee of a school district or state-chartered charter school  
4 for public use;

5 ~~[M.]~~ O. "qualified student" means a public school  
6 student who:

7 (1) has not graduated from high school;

8 (2) is regularly enrolled in one-half or more  
9 of the minimum course requirements approved by the department  
10 for public school students; and

11 (3) in terms of age:

12 (a) is at least five years of age prior  
13 to 12:01 a.m. on September 1 of the school year;

14 (b) is at least three years of age at  
15 any time during the school year and is receiving special  
16 education services pursuant to rules of the department; or

17 (c) has not reached the student's  
18 twenty-second birthday on the first day of the school year and  
19 is receiving special education services pursuant to rules of  
20 the department;

21 ~~[N.]~~ P. "staffing cost multiplier" means:

22 (1) for fiscal year 2019, the instructional  
23 staff training and experience index;

24 (2) for fiscal year 2020, the weighted average  
25 of the instructional staff training and experience index at

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1 seventy-five percent and the teacher cost index at twenty-five  
2 percent;

3 (3) for fiscal year 2021, the weighted average  
4 of the instructional staff training and experience index at  
5 fifty percent and the teacher cost index at fifty percent;

6 (4) for fiscal year 2022, the weighted average  
7 of the instructional staff training and experience index at  
8 twenty-five percent and the teacher cost index at seventy-five  
9 percent; and

10 (5) for fiscal year 2023 and subsequent fiscal  
11 years, the teacher cost index; and

12 [θ-] Q. "state superintendent" means the secretary  
13 of public education or the secretary's designee."

14 SECTION 2. A new section of the Public School Finance Act  
15 is enacted to read:

16 "[NEW MATERIAL] LIMITING THE GROWTH OF ADMINISTRATIVE  
17 EXPENDITURES.--

18 A. For the 2019-2020 school year operating budget  
19 and subsequent school year budgets, a school district or  
20 charter school's administrative expenditures shall not exceed  
21 the prior year's administrative expenditures plus the lesser  
22 of:

23 (1) a percentage of the prior year's  
24 administrative expenditures less than or equal to the consumer  
25 price index for the prior calendar year; or

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1 (2) a percentage of the prior year's  
2 administrative expenditures less than or equal to the  
3 percentage increase in the state equalization guarantee  
4 distribution for the current fiscal year compared with the  
5 prior fiscal year.

6 B. The department may waive the limitation on  
7 growth of administrative expenditures for a school district or  
8 charter school that either:

9 (1) has administrative expenditures per  
10 student that are lower than the administrative expenditures of  
11 ninety percent of similarly sized districts or charter schools;  
12 or

13 (2) is ranked in the top ten percent of school  
14 districts or charter schools for student performance.

15 C. Prior to requesting a waiver from the  
16 department, the school district or charter school shall hold a  
17 public hearing and the local school board or governing body  
18 shall approve the waiver request by an affirmative vote of at  
19 least two-thirds of the local school board or governing body  
20 members.

21 D. By December 1 of each year, the department shall  
22 issue a report on the percentage of each school district's and  
23 charter school's spending that consisted of administrative  
24 expenditures during the prior school year. The report shall  
25 also include a list of school districts or charter schools that

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1 received a waiver on the limitation on growth of administrative  
2 expenditures. The report shall be prominently posted on the  
3 department's website.

4 E. The department may promulgate rules to implement  
5 the provisions of this section."

6 SECTION 3. Section 22-8-9 NMSA 1978 (being Laws 1967,  
7 Chapter 16, Section 63, as amended) is amended to read:

8 "22-8-9. BUDGETS--MINIMUM REQUIREMENTS.--

9 A. A budget for a school district shall not be  
10 approved by the department that does not provide for:

11 (1) a school year and school day as provided  
12 in Section 22-2-8.1 NMSA 1978; [~~and~~]

13 (2) a pupil-teacher ratio or class or teaching  
14 load as provided in Section 22-10A-20 NMSA 1978; and

15 (3) the limitation on growth of administrative  
16 expenditures as provided in Section 2 of this 2019 act.

17 B. The department shall, by rule, establish the  
18 requirements for an instructional day, the standards for an  
19 instructional hour and the standards for a full-time teacher  
20 and for the equivalent thereof."

21 SECTION 4. EMERGENCY.--It is necessary for the public  
22 peace, health and safety that this act take effect immediately.