

HOUSE BILL 241

48TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2008

INTRODUCED BY

Mimi Stewart

FOR THE FUNDING FORMULA STUDY TASK FORCE AND FOR THE LEGISLATIVE EDUCATION
STUDY COMMITTEE

AN ACT

RELATING TO PUBLIC SCHOOLS; PROVIDING A NEW PUBLIC SCHOOL FUNDING FORMULA;
PROVIDING FOR MAINTENANCE AND PERIODIC RECALIBRATION OF THE FORMULA;
REQUIRING ACCOUNTABILITY; USING A CENSUS-BASED SPECIAL EDUCATION
IDENTIFICATION RATE FOR SCHOOL DISTRICTS; CLARIFYING FINANCIAL RESPONSIBILITY FOR
SPECIAL EDUCATION; CREATING A FUND; CHANGING REPORTING TIMES TO SPECIFIED
DATES; RECONCILING MULTIPLE AMENDMENTS TO THE SAME SECTIONS OF LAW IN A
SINGLE YEAR; AMENDING, REPEALING, ENACTING AND RECOMPILING SECTIONS OF THE
NMSA 1978.

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

Section 1. A new section of the Public School Code is enacted to read:

"[NEW MATERIAL] PURPOSE OF 2008 EDUCATION REFORM.--

A. The legislature finds that education reform in New Mexico has been a multiyear process that began in 1999 with the creation of the education initiatives and accountability

task force. That task force reported the results of its work to the 2001 legislative session, and the legislature passed a bill that was subsequently vetoed by the governor. In 2003, the legislature again passed the bill, commonly referred to as "House Bill 212", and the governor signed it. That bill enacted the first part of education reform, which was based on the need to attract and retain highly qualified teachers to teach New Mexico's multicultural student population and to hold teachers and administrators accountable for student success. That educational reform recognized the importance of integrating the cultural strengths of New Mexico into the curriculum with high expectations for all students. In 2007, the legislature and governor addressed the need for a rigorous and relevant high school curriculum, as expressed in House Bill 212, by enacting what is popularly known as "high school redesign". The goal of that legislation is to prepare students for success in college and the workplace.

B. The legislature finds that the next step toward true educational reform was taken in 2005, when the legislature passed, and the governor signed, legislation to appoint a task force of legislators and educators to direct an independent study of the state's funding formula.

C. The purpose of this 2008 act is to establish a new, simplified funding formula for public schools that is based on student need, grade composition and scale of operations for school districts and charter schools. The formula, and the attendant accountability that is provided, strengthen the goals of the overall education reform begun in House Bill 212 and specified in Section 22-1-1.2 NMSA 1978. This 2008 reform links the increased funding that will be provided through the adoption and implementation of the new funding formula to each school district's and charter school's educational plan for student success. The educational plan and the attendant site-specific school plans are the means to enliven statutory provisions such as the Assessment and Accountability Act, kindergarten plus and K-3 plus, high school redesign, the Indian Education Act, the Bilingual Multicultural Education Act, the Fine Arts Education Act, the Mathematics and Science Education Act and

other curricula-specific provisions of the Public School Code."

Section 2. Section 22-1-2 NMSA 1978 (being Laws 2003, Chapter 153, Section 3, as amended) is amended to read:

"22-1-2. DEFINITIONS.--As used in the Public School Code:

A. "academic proficiency" means mastery of the subject-matter knowledge and skills specified in state academic content and performance standards for a student's grade level;

B. "adequate yearly progress" means the measure adopted by the department based on federal requirements to assess the progress that a public school or school district or the state makes toward improving student achievement;

C. "cost factor demographic data" means a school district's or charter school's student-need data pertaining to poverty, English language learners, special education and mobility;

~~[C.]~~ D. "commission" means the public education commission;

E. "December enrollment" means the total enrollment in a public school or school district on the second Wednesday in December;

~~[D.]~~ F. "department" means the public education department;

~~[E. "forty day report" means the report of qualified student membership of each school district and of those eligible to be qualified students but enrolled in a private school or a home school for the first forty days of school;]~~

G. "educational plan" means the educational plan for student success of a school district or charter school;

H. "February enrollment" means the total enrollment in a public school or school district on the second Wednesday in February;

~~[F.]~~ I. "home school" means the operation by the parent of a school-age person of a home study program of instruction that provides a basic academic educational program,

including reading, language arts, mathematics, social studies and science;

[G.] J. "instructional support provider" means a person who is employed to support the instructional program of a school district, including educational assistant, school counselor, social worker, school nurse, speech-language pathologist, psychologist, physical therapist, occupational therapist, recreational therapist, interpreter for the deaf and diagnostician;

[H.] K. "licensed school employee" means teachers, school administrators and instructional support providers;

[I.] L. "local school board" means the policy-setting body of a school district;

[J.] M. "local superintendent" means the chief executive officer of a school district;

N. "October enrollment" means the total enrollment in a public school or school district on the second Wednesday in October;

[K.] O. "parent" includes a guardian or other person having custody and control of a school-age person;

[L.] P. "private school" means a school, other than a home school, that offers on-site programs of instruction and that is not under the control, supervision or management of a local school board;

[M.] Q. "public school" means that part of a school district that is a single attendance center in which instruction is offered by one or more teachers and is discernible as a building or group of buildings generally recognized as either an elementary, middle, junior high or high school or any combination of those and includes a charter school;

R. "qualified student" means a public school student who:

(1) has not graduated from high school; and

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

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

year or will be five years of age prior to 12:01 a.m. on September 1 of the school year if the student is enrolled in an extended-year kindergarten program that begins prior to the start of the regular school year; or

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

(5) has not reached the student's twenty-second birthday on the first day of the school year and is receiving special education in accordance with federal law;

[N.] S. "school" means a supervised program of instruction designed to educate a student in a particular place, manner and subject area;

[O.] T. "school administrator" means a person licensed to administer in a school district and includes school principals and central district administrators;

[P.] U. "school-age person" means a person who is at least five years of age prior to 12:01 a.m. on September 1 of the school year and who has not received a high school diploma or its equivalent. A maximum age of twenty-one shall be used for a school-age person who ~~[is classified as]~~ receives special education ~~[membership as defined in Section 22-8-21 NMSA 1978 or as a resident of a state institution]~~ as provided in Sections 22-13-5, 22-13-7 and 22-13-8 NMSA 1978;

[Q.] V. "school building" means a public school, an administration building and related school structures or facilities, including teacher housing, that is owned, acquired or constructed by the school district as necessary to carry out the functions of the school district;

[R.] W. "school bus private owner" means a person, other than a school district, the department, the state or any other political subdivision of the state, that owns a school bus;

[S.] X. "school district" means an area of land established as a political subdivision of the state for the administration of public schools and segregated geographically for taxation and bonding purposes;

[F:] Y. "school employee" includes licensed and nonlicensed employees of a school district;

[U:] Z. "school principal" means the chief instructional leader and administrative head of a public school;

[V:] AA. "school year" means the total number of ~~contract~~ instructional days offered by public schools in a school district during a period of twelve consecutive months;

[W:] BB. "secretary" means the secretary of public education;

CC. "special education" means the provision of services additional to, supplementary to or different from those provided in the general school program of a public school to students who are required by the federal Individuals with Disabilities Education Act to have an individualized education program, and including developmentally disabled three- and four-year-old children attending public school;

[X:] DD. "state agency" or "state institution" means the New Mexico military institute, New Mexico school for the blind and visually impaired, New Mexico school for the deaf, New Mexico boys' school, girls' welfare home, New Mexico youth diagnostic and development center, Sequoyah adolescent treatment center, Carrie Tingley crippled children's hospital, New Mexico behavioral health institute at Las Vegas and any other state agency responsible for educating resident children;

[Y:] EE. "state educational institution" means an institution enumerated in Article 12, Section 11 of the constitution of New Mexico;

FF. "student" means a school-age person who is a public school student;

[Z:] GG. "substitute teacher" means a person who holds a certificate to substitute for a teacher in the classroom;

[AA:] HH. "teacher" means a person who holds a level one, two or three-A license and whose primary duty is classroom instruction or the supervision, below the school principal

level, of an instructional program or whose duties include curriculum development, peer intervention, peer coaching or mentoring or serving as a resource teacher for other teachers;

[BB.] II. "certified school instructor" means a teacher or instructional support provider; and

[CC.] JJ. "certified school employee" or "certified school personnel" means a licensed school employee."

Section 3. Section 22-2-8.1 NMSA 1978 (being Laws 1986, Chapter 33, Section 2, as amended) is amended to read:

"22-2-8.1. LENGTH OF SCHOOL DAY--MINIMUM.--

A. Except as otherwise provided in this section, [~~regular~~] general students shall be in school-directed programs, exclusive of lunch, for a minimum of the following:

(1) kindergarten, for half-day programs, two and one-half hours per day or four hundred fifty hours per year, [~~or~~] and, for full-day programs, five and one-half hours per day or nine hundred ninety hours per year;

(2) grades one through six, five and one-half hours per day or nine hundred ninety hours per year; and

(3) grades seven through twelve, six hours per day or one thousand eighty hours per year.

B. Beginning with the 2011-2012 school year, general students shall be in school-directed programs, exclusive of lunch, for a minimum of the following:

(1) kindergarten, for half-day programs, two and one-half hours per day or four hundred sixty-two and one-half hours per year, and, for full-day programs, five and one-half hours per day or one thousand seventeen and one-half hours per year;

(2) grades one through six, five and one-half hours per day or one thousand

seventeen and one-half hours per year; and

(3) grades seven through twelve, six hours per day or one thousand one hundred ten hours per year.

[B.] C. Thirty-three hours of the full-day kindergarten program may be used for home visits by the teacher or for parent-teacher conferences. Twenty-two hours of grades one through five programs may be used for home visits by the teacher or for parent-teacher conferences.

[C.] D. Nothing in this section precludes a local school board from setting length of school days in excess of the minimum requirements established by Subsection A or B of this section.

[D.] E. The [~~state superintendent~~] secretary may waive the minimum length of school days in those districts where such minimums would create undue hardships as defined by the [~~state board~~] department."

Section 4. A new section of the Assessment and Accountability Act is enacted to read:

"[NEW MATERIAL] EDUCATIONAL PLAN FOR STUDENT SUCCESS--EDUCATIONAL PROGRAMMING.--

A. As used in this section:

(1) "demographic data" means a school district's funding formula cost factor demographic data and any other demographic data or health status data required by the department or collected by the school district for the purposes of determining educational programming and focusing the educational plan;

(2) "educational programming" includes curricula; support services, including library and media, school counseling, health services and athletic and activity programs; and academic improvement strategies, including extended instructional days and year, before- and after-school programs, credit recovery and summer school courses, tutoring

and other response to intervention or remediation programs;

(3) "local school board" includes governing bodies of charter schools; and

(4) "school district" includes charter schools.

B. The department shall adopt and promulgate rules to implement the provisions of this section.

C. The department shall verify, monitor and evaluate educational plans through the budget approval process and otherwise throughout the year. The department shall ensure that each educational plan is developed and implemented as provided in this section and the rules of the department and that results are evaluated for effectiveness each year.

D. Under the policy direction of the local school board, each school district shall:

(1) develop, implement and assess a district-level, student-centered "educational plan for student success" as a long-range strategic plan to improve academic achievement and success for all students;

(2) use a strategic planning model that is approved by the department; and

(3) include the required school plans of public schools that are part of the school district, excluding charter schools, and ensure that those plans are aligned with the educational plan.

E. The chartering authority shall approve a charter school's educational plan based on the plan's alignment with the charter.

F. The educational plan shall:

(1) be specific, measurable, realistic and attainable and include the school plan of each public school in the school district, excluding charter schools, and specify how each of the school plans shall be evaluated and aligned with the educational plan;

(2) solicit the input of school district staff, students, parents, businesses, post-secondary educational institutions, tribal governments within the school district and other

interested citizens in the community at large;

(3) address the major core issues identified through the public input process;

(4) implement the department's standards of excellence, including the content standards and benchmarks, and other programmatic requirements of state and federal law and rules adopted in accordance with those laws;

(5) include focus areas and goals that address student needs based on demographic data and student academic achievement data;

(6) identify areas of student need that must be addressed to ensure that students meet the educational benchmarks specified in the state content standards and benchmarks;

(7) identify resources to address student needs, including such items as:

(a) highly qualified teachers, academic coaches, resource teachers, interventionists, specialists, counselors, educational assistants and other instructional support personnel, and how staffing assignments of these personnel shall be used in a proactive manner to assist students in need of particular services;

(b) professional development and time for in-school collaboration for instructional staff;

(c) administrative and classroom technology and access to distance learning opportunities for students and staff;

(d) parental involvement and outreach initiatives;

(e) involvement by post-secondary educational institutions, tribal governments and the business community; and

(f) other resources identified by the school district or department;

(8) implement the state and district assessment systems;

(9) demonstrate student progress toward the educational plan's focus areas and goals;

(10) provide for a comprehensive and periodic evaluation of the educational plan by the school district; and

(11) be updated annually and submitted to the department by March 1 or another date determined by the department.

G. Each school district shall oversee the development, implementation, assessment and evaluation of all site-level school plans and shall ensure that those plans are aligned with the school district's educational plan.

H. School plans shall include:

(1) data-based strategies and activities to support each of the school district-level focus areas and goals;

(2) identification of persons responsible for the implementation of the strategies and activities;

(3) time lines for the start and completion of those strategies and activities;

(4) the educational programming targeted to the school's demographic data and student academic achievement;

(5) formal and informal professional development activities that support each of the school district-level focus areas and goals; and

(6) availability of school, district, community and family resources that support each of the school district-level focus areas and goals.

I. Each public school shall involve school staff, parents and community members in the development and evaluation of the school plan.

J. The educational plan shall include the cost factor demographic data of each public school and the school district and shall link educational programming to those and other

demographic data and the student academic achievement data reported pursuant to the Assessment and Accountability Act.

K. Educational programming shall be assessed through the educational plan. As part of the approval process of the educational plan and the operating budget of a school district, the department shall consider how the school district proposes to address specifically the needs of low-income students, students who are not proficient in English, students whose education is disrupted by mobility, students in need of special education and gifted students.

L. Based on the demographic profiles of students, student academic achievement data and the department's standards of excellence, the educational plan shall include educational programming for:

(1) bilingual and multicultural education, including culturally relevant learning environments, educational opportunities and culturally relevant instructional materials;

(2) health and wellness, including physical education, athletics, nutrition and health education;

(3) career-technical education;

(4) visual and performing arts and music;

(5) gifted education, advanced placement and honors programs;

(6) special education; and

(7) distance education.

M. The local school board shall approve the educational plan and submit it to the department.

N. The secretary shall disapprove an educational plan in whole or in part if it does not meet the requirements of this section or other provisions of the Public School Code. The secretary shall provide the local school board and the school district with a written report

that specifies which parts of the educational plan the secretary is disapproving, reasons for the disapproval and suggestions for improvement. The school district has thirty days to submit a revised educational plan, during which time the department shall assist the school district as requested.

O. If the local school board does not approve a revised educational plan or if the department does not recommend approval of the revised educational plan, the secretary shall hold a public hearing within twenty days after the revised educational plan was due.

P. The secretary shall appoint an impartial person to conduct the public hearing. All parties, including the public, shall be given an opportunity to present their views about the original educational plan and any revisions to that plan. The impartial person shall make recommendations to the secretary within ten days of the public hearing. The secretary shall make the final decision. The final educational plan shall be aligned with the department-approved operating budget."

Section 5. A new section of the Public School Finance Act is enacted to read:

"[NEW MATERIAL] 2009 FUNDING FORMULA--FINDINGS AND PURPOSE.--

A. The legislature finds that based on a two-year study to determine the best method of funding public education for New Mexico's children, the state, school districts and charter schools would be better served by a new funding formula that incorporates:

(1) a smaller and simplified set of student-needs weighting factors to achieve a more equitable distribution of the state's equalization guarantee;

(2) a simplified set of programmatic weights that accounts for grade level composition for elementary, middle and high school students; and

(3) a weighting schedule that accounts separately for the scale of school district and charter school operations.

B. The legislature finds further that the 2009 funding formula:

(1) avoids unnecessary complexity by focusing directly on the factors associated with student needs and scale;

(2) appropriately promotes and preserves both vertical and horizontal equity across school districts;

(3) minimizes incentives to pursue funding not directly linked to student needs; and

(4) captures components in the pre-2009 funding formula and is more precise in measuring student need and scale.

C. The legislature finds further that the cost factors used in the 2009 funding formula better measure need by addressing special cost differentials associated with students that have special educational needs as well as particular types of local educational agency. The poverty, English language learner and special education cost factors measure those federally recognized attributes that unambiguously reflect the special educational needs of students. The cost factor for mobility recognizes the significant impact of disruption on students' educational experience. The cost factors for grade level enrollment address the knowledge gained from educational research and experience that educating students becomes more expensive as they progress through the educational system from elementary through secondary school. Total school district or charter school enrollment is included as a cost factor that accounts for relative economies of scale in the delivery of educational services.

D. The legislature finds further that the federal No Child Left Behind Act of 2001 requires states to employ highly qualified teachers to teach students in core academic subjects. The federal Individuals with Disabilities Education Act requires highly qualified personnel to provide holistic services for students in need of special education, as well as staff who are qualified to intervene before students are classified as needing special education. To carry out these mandates, and to continue encouraging school districts to

hire and retain highly qualified teachers and instructional support providers, the 2009 funding formula replaces the training and experience index with an index of staff qualifications to provide the means to cover the costs associated with increased academic qualifications and experience for these personnel."

Section 6. Section 22-8-2 NMSA 1978 (being Laws 1978, Chapter 128, Section 3, as amended) is repealed and a new Section 22-8-2 NMSA 1978 is enacted to read:

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

A. "base per-student cost" means the reference value cost of providing an educational program to a qualified student attending the average size district with the average composition of enrollment across grade ranges kindergarten through five, six through eight and nine through twelve and with no formula adjustments applied;

B. "cost factor" means a measure of student need, grade level composition, scale of operations or staff qualifications;

C. "enrollment" means the number of qualified students on the current roll of a class or public school on a specified day;

D. "formula adjustment" means a component of the funding formula that accounts for a differential cost associated with a cost factor;

E. "governing body" means the governing body of a charter school;

F. "growth" means that a school district's or charter school's current-year October total enrollment is greater than its prior-year October total enrollment;

G. "head administrator" means the person responsible for the day-to-day operations of a charter school;

H. "mobility rate" means the district-level student-weighted average percentage of total enrollment that entered or left the school over the school year;

I. "operating budget" means the annual financial plan required to be submitted by a

local school board or governing body;

J. "public money" or "public funds" means all money from public or private sources received by a school district or governing body or officer or employee of a school district or governing body for public use;

K. "sufficient per-student cost" means the base per-student cost multiplied by the applicable formula adjustments;

L. "total enrollment" means the number of qualified students on a school's or charter school's roll on a specified day in all grade levels and in programs for three- and four-year-old developmentally disabled qualified students; and

M. "total program cost" means the sufficient per-student cost multiplied by the number of students in a school district or charter school."

Section 7. A new section of the Public School Finance Act is enacted to read:

"[NEW MATERIAL] ESTABLISHMENT OF ENROLLMENT.--The current roll of a class, public school and school district or charter school is established by the addition of original entries and re-entries minus withdrawals. Withdrawals of qualified students, in addition to qualified students formally withdrawn from the public school, include qualified students absent from the public school for as many as ten consecutive school days; provided that withdrawals do not include truants and habitual truants with whom the school district or charter school is required to intervene and keep in an educational setting as provided in Section 22-12-9 NMSA 1978."

Section 8. Section 22-8-6 NMSA 1978 (being Laws 1967, Chapter 16, Section 60, as amended by Laws 1999, Chapter 281, Section 21 and by Laws 1999, Chapter 291, Section 2) is amended to read:

"22-8-6. BUDGETS--SUBMISSION--FAILURE TO SUBMIT.--

A. Prior to April 15 of each year, each local school board shall submit to the

department ~~[and]~~ a proposed operating budget for the school district ~~[and any charter schools in the district]~~ for the ensuing fiscal year. Upon written approval of the ~~[state superintendent]~~ secretary, the date for the submission of the operating budget as required by this section may be extended to a later date fixed by the ~~[state superintendent]~~ secretary.

B. In order to receive final budget approval, the operating budget must be aligned to the school district's approved educational plan.

~~[B.]~~ C. The proposed operating budget required by this section may include:

- (1) estimates of the cost of insurance policies for periods up to five years if a lower rate may be obtained by purchasing insurance for the longer term; ~~[or]~~ and
- (2) estimates of the cost of contracts for the transportation of students for terms extending up to four years.

~~[C. The operating budget required by this section shall include a budget for each charter school of the membership projected for each charter school, the total program units generated at that charter school and approximate anticipated disbursements and expenditures at each charter school.]~~

D. If a local school board fails to submit ~~[a]~~ its budget pursuant to this section, the department shall prepare the operating budget for the school district for the ensuing fiscal year. A local school board shall be considered as failing to submit a budget pursuant to this section if the budget submitted:

- (1) exceeds the total projected resources of the school district ~~[or if the budget submitted];~~
- (2) does not comply with the law or with rules and procedures of the department;
or
- (3) except as provided in Subsection D of Section 22-8-11 NMSA 1978, is not

aligned with the school district's approved educational plan."

Section 9. Section 22-8-6.1 NMSA 1978 (being Laws 1993, Chapter 227, Section 8, as amended) is repealed and a new Section 22-8-6.1 NMSA 1978 is enacted to read:

"22-8-6.1. [NEW MATERIAL] CHARTER SCHOOL BUDGETS.--

A. Prior to April 15 of each year, the governing body of each state-chartered charter school shall submit its proposed operating budget to the charter schools division of the department for its approval or amendment pursuant to the Public School Finance Act and the Charter Schools Act. In order to receive final budget approval, the proposed budget must be aligned to the school's approved educational plan.

B. Prior to April 15 of each year, the governing body of each locally chartered charter school shall submit its proposed operating budget at the same time to the department and the school district that chartered it. In order to be approved, the proposed budget must be aligned to the school's approved educational plan. The budget shall be submitted to the local school board for approval. The approval authority of the local school board is limited to ensuring that sound fiscal practices are followed in the development of the budget and that the budget is within the allotted resources. The local school board shall have no veto authority over individual line items within the budget, but shall approve or disapprove the budget only in its entirety. The local school board shall notify the department of its approval or disapproval of the budget, including its reasons for disapproval.

C. Upon written approval of the secretary, the date for submission of a proposed budget may be extended to a later date fixed by the secretary. If the governing body fails to submit its proposed operating budget pursuant to this section, the department shall prepare the budget for the charter school for the ensuing fiscal year. A governing body shall be considered as failing to submit a budget pursuant to this section if the budget submitted:

(1) exceeds the total projected resources of the charter school;

(2) does not comply with the law or with rules and procedures of the department;

or

(3) except as provided in Subsection D of Section 22-8-11 NMSA 1978, is not aligned with the charter school's approved educational plan.

D. For the first year of operation, the proposed operating budget of a charter school shall be based on the projected enrollment and cost factor demographic data of that charter school and the index of staff qualifications of the school district in which the charter school is geographically located. The operating budget shall be adjusted based on the actual October enrollment and cost factor demographic data. For second and subsequent years of operation, the operating budget shall be based on the charter school's own cost factor demographic data and index of staff qualifications."

Section 10. Section 22-8-8 NMSA 1978 (being Laws 1967, Chapter 16, Section 62, as amended) is amended to read:

"22-8-8. BUDGETS--MINIMUM STUDENT [~~MEMBERSHIP~~] ENROLLMENT.--Without prior approval of the [~~state superintendent~~] secretary, no local school board or governing body shall maintain or provide a budget allowance for a public school having an [~~average daily membership~~] enrollment of [~~less~~] fewer than eight."

Section 11. Section 22-8-9 NMSA 1978 (being Laws 1967, Chapter 16, Section 63, as amended) is amended to read:

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

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

(1) a school year consisting of at least one hundred eighty full instructional days or the equivalent thereof, exclusive of any release time for in-service training; or

(2) a variable school year consisting of a minimum number of instructional hours

established by the ~~[state board]~~ department; and

(3) a pupil-teacher ratio or class or teaching load as provided in Section 22-10A-20 NMSA 1978.

B. Beginning with the 2011-2012 school year, a budget for a school district shall not be approved by the department that does not provide for a school year consisting of at least one hundred eighty-five full instructional days or the equivalent on a variable calendar. Teachers and instructional support staff shall be paid for at least four days additional to the school year for professional development or instructional planning.

~~[B.]~~ C. The ~~[state board]~~ department shall, by rule, establish the requirements for an instructional day, the standards for an instructional hour and the standards for a full-time teacher and for the equivalent thereof."

Section 12. Section 22-8-11 NMSA 1978 (being Laws 1967, Chapter 16, Section 66, as amended) is amended to read:

"22-8-11. BUDGETS--APPROVAL OF OPERATING BUDGET.--

A. On or before July 1 of each year, the department shall ~~[(1) on or before July 1 of each year]~~ approve and certify ~~[to]~~ the operating budget for each ~~[local]~~ school ~~[board]~~ district and ~~[governing body of a state-chartered]~~ charter school ~~[an operating budget for use by the school district or state-chartered charter school; and (2)].~~ The department may make corrections, revisions and amendments to the operating budgets fixed by the local school boards or governing bodies ~~[of state-chartered charter schools and the secretary]~~ to conform the budgets to the requirements of law and to the department's rules and procedures.

B. No school district or ~~[state-chartered]~~ charter school or officer or employee of a school district or ~~[state-chartered]~~ charter school shall make any expenditure or incur any obligation for the expenditure of public ~~[funds]~~ money unless that expenditure or obligation is made in accordance with an operating budget approved by the department. This

prohibition does not prohibit the transfer of ~~[funds]~~ money pursuant to the department's rules and procedures.

C. The department shall not approve and certify an operating budget of any school district or ~~[state-chartered]~~ charter school that ~~[fails to]~~ does not align with the educational plan and demonstrate that parental involvement in the budget process was solicited.

D. The department may approve a conditional operating budget if a school district's or charter school's educational plan is in the process of being approved as provided in Section 4 of this 2008 act. After the secretary's final decision on the educational plan, the conditional operating budget shall be aligned with the department-approved educational plan and become the operating budget for the applicable fiscal year."

Section 13. Section 22-8-12.1 NMSA 1978 (being Laws 1978, Chapter 128, Section 5, as amended) is amended to read:

"22-8-12.1. ~~[MEMBERSHIP]~~ SUFFICIENT PER-STUDENT COST PROJECTIONS AND BUDGET REQUESTS.--

A. Beginning with projections for the 2009-2010 school year, each ~~[local school board or governing body of a state-chartered]~~ school district and charter school shall submit annually, on or before October 15, to the department:

(1) an estimate for the succeeding fiscal year of:

(a) the ~~[membership of qualified students to be enrolled in the basic program]~~ enrollment by grade level;

(b) the full-time-equivalent ~~[membership of students to be enrolled]~~ enrollment in approved early childhood education programs; ~~[and]~~

(c) the ~~[membership of students to be enrolled]~~ enrollment in approved special education programs; and

(d) the cost factor demographic data by grade level;

(2) all other information necessary to calculate total program [~~costs~~] cost; and

(3) any other information related to the financial needs of the school district or [~~state-chartered~~] charter school as may be requested by the department.

B. All information requested pursuant to Subsection A of this section shall be submitted on forms prescribed and furnished by the department and shall comply with the department's rules and procedures.

C. The department shall:

(1) review the financial needs of each school district [~~or state-chartered~~] and charter school for the succeeding fiscal year; and

(2) submit annually, on or before November 30, to the secretary of finance and administration the recommendations of the department for:

(a) amendments to the public school [~~finance~~] funding formula;

(b) appropriations for the succeeding fiscal year to the public school fund for inclusion in the executive budget document; and

(c) appropriations for the succeeding fiscal year for [~~pupil~~] student transportation and instructional materials."

Section 14. Section 22-8-13 NMSA 1978 (being Laws 1974, Chapter 8, Section 3, as amended) is amended to read:

"22-8-13. REPORTS.--

A. Each public school [~~in a school district and each state-chartered charter school~~] shall keep accurate records concerning [~~membership~~] enrollment in the public school [~~The superintendent of~~].

B. The dates for which enrollment is reported are as follows:

(1) first reporting date, second Wednesday in October;

(2) second reporting date, second Wednesday in December; and

(3) third reporting date, second Wednesday in February.

C. The department may require enrollment or other reports at other times specified by the department.

D. Each school district or [~~head administrator of a state-chartered~~] charter school shall maintain the following reports for each [~~twenty-day~~] enrollment reporting period:

(1) the [~~basic program MEM~~] enrollment and cost factor demographic data by grade in each public school;

(2) the early childhood education [~~MEM~~] enrollment;

(3) the special education [~~MEM in each public school in class C and class D programs as defined in Section 22-8-21 NMSA 1978;~~

(4) the number of class A and class B programs as defined in Section 22-8-21 NMSA 1978; and] enrollment; and

[~~(5)~~] (4) the [~~full-time equivalent MEM for~~] bilingual multicultural education [~~programs~~] enrollment.

[~~B. The superintendent of~~] E. Each school district and [~~the head administrator of each state-chartered~~] charter school shall furnish all reports, including financial reports required by the department, to the department [~~reports of the information required in Paragraphs (1) through (5) of Subsection A of this section for the first forty days of the school year. The forty-day report and all other reports required by law or by the department shall be~~ furnished] within five days of the close of [~~the~~] each reporting period.

[~~C.~~] F. All information required pursuant to this section shall be on forms prescribed and furnished by the department. A copy of any report made pursuant to this section shall be kept as a permanent record of the school district or charter school and shall be subject to inspection and audit at any reasonable time.

[~~D.~~] G. The department [~~shall~~] may withhold up to one hundred percent of the

allotments of funds to any school district or [~~state-chartered~~] charter school [~~where~~] when the local superintendent or head administrator has failed to comply with the requirements of this section. Withholding may continue until the local superintendent or head administrator complies with and agrees to continue complying with the requirements of this section.

[E.] H. The provisions of this section may be modified or suspended by the department for any school district or [~~school or state-chartered~~] charter school operating under the Variable School Calendar Act. The department shall require [~~MEM~~] the reports consistent with the calendar of operations of [~~such~~] the school district or [~~school or state-chartered~~] charter school and shall calculate an equivalent [~~MEM~~] enrollment for use in projecting school district or charter school revenue."

Section 15. Section 22-8-14 NMSA 1978 (being Laws 1967, Chapter 16, Section 69, as amended) is amended to read:

"22-8-14. PUBLIC SCHOOL FUND.--

A. The "public school fund" is created in the state treasury. The fund consists of appropriations, earmarked revenue, income from investment of the fund and any other money credited to the fund.

B. The public school fund shall be distributed to school districts and state-chartered charter schools in the following parts:

- (1) state equalization guarantee distribution;
- (2) transportation distribution; and
- (3) supplemental distributions:
 - (a) out-of-state tuition to school districts;
 - (b) emergency; and
 - (c) program enrichment.

C. The distributions of the public school fund shall be made by the department within limits established by law. The balance remaining in the public school fund at the end of each fiscal year shall not revert to the general fund [~~unless otherwise provided by law~~].

D. Until the funding formula provided for in Section 17 of this 2008 act is implemented, all revenue dedicated to public school purposes by a law that is enacted or constitutional amendment that is approved after January 1, 2008 shall be credited to a separate account in the public school fund. Money sequestered in this separate account shall not be counted as part of a state reserve for bonding or any other purpose other than to provide the marginal cost of implementing the funding formula as provided in Subsection O of Section 17 of this 2008 act."

Section 16. Section 22-8-17 NMSA 1978 (being Laws 1974, Chapter 8, Section 7, as amended) is amended to read:

"22-8-17. TOTAL PROGRAM COST DETERMINATION--REQUIRED INFORMATION.--

A. The department shall calculate the total program cost for each school district and charter school [~~shall be determined by the department~~] in accordance with the provisions of the Public School Finance Act.

B. The department is authorized to require from each school district and charter school the information necessary to make an accurate determination of the district's or charter school's total program cost."

Section 17. Section 22-8-18 NMSA 1978 (being Laws 1974, Chapter 8, Section 8, as amended by Laws 2007, Chapter 347, Section 1 and by Laws 2007, Chapter 348, Section 2 and also by Laws 2007, Chapter 365, Section 1) is repealed and a new Section 22-8-18 NMSA 1978 is enacted to read:

"22-8-18. [NEW MATERIAL] PROJECTED SUFFICIENT PER-STUDENT COST CALCULATION FOR SCHOOL DISTRICTS AND CHARTER SCHOOLS--LOCAL RESPONSIBILITY.--

A. As used in this section:

(1) "ENR" means total enrollment;

(2) "exp" means the exponential function with its base being the mathematical constant e; and

(3) "ln" means natural logarithm.

B. The cost factors used to determine the sufficient per-student cost for a school district or charter school are:

(1) poverty, which is measured by the percentage of qualified students in a school who qualified for free or reduced-price lunch as of September 30 of the prior school year;

(2) English language learners, which is measured by the percentage of qualified students designated as English language learners based on a department-approved English language proficiency assessment;

(3) special education, which is measured by sixteen percent of the number of qualified students for school districts and by the percentage of qualified students who are required by the federal Individuals with Disabilities Education Act to have an individualized education program for the delivery of special education and includes developmentally disabled three- and four-year-old qualified students for charter schools;

(4) mobility, which is the mobility rate determined by the following formula: $1 - (1 \div (1 + \text{statewide mobility ratio}))$, where the mobility ratio is determined annually by the department;

(5) the percent of total district enrollment in grades six through eight;

(6) the percent of total district enrollment in grades nine through twelve;

(7) the total district enrollment; and

(8) the weighted index of staff qualifications.

C. The sufficient per-student cost for school districts is determined by multiplying the base per-student cost by a series of formula adjustments as follows:

"base per-student cost x

$[(1 + \text{percent free/reduced-fee lunch})^{0.375}] \times$

$[(1 + \text{percent English language learners})^{0.094}] \times$

$[(1 + \text{percent special education})^{1.723}] \times$

$[(1 + \text{mobility rate})^{0.190}] \times$

$[(1 + \text{enrollment percent in grades six-eight})^{0.291} \div 1.063] \times$

$[(1 + \text{enrollment percent in grades nine-twelve})^{0.608} \div 1.187] \times$

$[(\text{ENR})^{-0.575} \times \exp((\ln(\text{ENR}))^2)^{0.029} \div 0.062] \times$

weighted index of staff qualifications formula adjustment determined pursuant to Section 22-8-24 NMSA 1978".

D. The funding formula equation used to determine the sufficient per-student cost for charter schools is determined by multiplying the base per-student cost by a series of formula adjustments as follows:

"base per-student cost x

$[(1 + \text{percent free/reduced-fee lunch})^{0.375}] \times$

$[(1 + \text{percent English language learners})^{0.094}] \times$

$[(1 + \text{percent special education})^{1.723}] \times$

$[(1 + \text{mobility rate})^{0.190}] \times$

$[(1 + \text{enrollment percent in grades six-eight})^{0.291} \div 1.074] \times$

$[(1 + \text{enrollment percent in grades nine-twelve})^{0.608} \div 1.241] \times$

$[(\text{ENR})^{-0.307} \times \exp((\ln(\text{ENR}))^2)^{0.012} \div 0.288] \times$

weighted index of staff qualifications adjustment as determined pursuant to Section 22-8-24 NMSA 1978".

E. The exponents and denominators used in the formula adjustments shall remain constant until they are redetermined after the required periodic funding formula study.

F. Except as otherwise provided in this section, cost factor demographic data and total enrollment are based on the average of the prior year's total enrollment reported in December and February and the prior-year cost factor demographic data.

G. A school district or charter school that is experiencing growth may elect to use the greater of the prior-year average December and February total enrollment or the current-year October total enrollment, as determined by the difference in the prior-year October total enrollment and the current-year October total enrollment.

H. A new school district or charter school shall use the current-year October cost factor demographic data and total enrollment for the first year.

I. The special education formula adjustment for a school district is calculated using sixteen percent of the number of qualified students in the school district.

J. The special education formula adjustment for a charter school is calculated using the actual number of appropriately identified special education qualified students who are receiving special education on the October enrollment report. The legislature finds that charter schools are designed for unique populations and the range of variation in special education in charter schools is wider and often well below school district averages; therefore, it is rational and reasonable to differentiate between school districts and charter schools in the special education cost factor.

K. The department shall assist school districts to implement response to intervention strategies to lower their special education identification rates. It is the intent of the legislature that all school districts and charter schools accurately identify students needing special education and that they implement response to intervention strategies to provide students with the most appropriate services required for their educational success. The department shall report to the legislature by September 1 of each year on:

(1) the prior year's special education identification rates in school districts and charter schools; and

(2) the adoption and efficacy of response to intervention strategies for each school district and charter school.

L. To maintain the funding formula each year, the department shall:

(1) update the cost factors of each school district and charter school to determine their respective formula adjustments for that year; and

(2) adjust the base per-student cost according to legislative appropriation.

M. The department shall undertake a thorough funding formula study every ten years, or more frequently if the secretary or the legislature determines a need, to update the current funding formula to determine the formula's equation exponents and denominators.

N. The sufficient per-student cost is based on a comprehensive instructional program that includes the cost of core academic programs, career-technical education, gifted programs, bilingual-multicultural programs, arts and music, health and physical education and special education and appropriate staff. It is the responsibility of the local school board or governing body to determine its priorities in terms of the needs of the community served by that board or body. Money distributed through the provisions of the Public School Finance Act is discretionary to local school boards and governing bodies to provide the programs identified in their educational plans.

O. The legislature shall instruct the department to use the funding formula provided in this section as the method of distributing the state equalization guarantee as soon as approximately three hundred thirty-two million dollars (\$332,000,000) in recurring revenue is available to fund the marginal cost of implementation of the new funding formula, which shall be determined by a December state revenue forecast that indicates that the marginal cost can be met by considering dedicated recurring revenue streams to the separate account in the public school fund and increases in recurring general revenue over the prior

year; provided that, prior to implementation, appropriations to the state equalization guarantee distribution above the prior year, excluding legislatively determined inflation and salaries, shall be considered to reduce the marginal cost of implementation. If the provisions of this subsection are not met by July 1, 2012, this section is void."

P. Beginning with fiscal year 2010, the legislature and the department shall use the funding formula provided in this section as the method for determining the appropriation for and distribution of the state equalization guarantee; provided that funding for complete implementation of the provisions of this 2008 act may be phased in during a period not to exceed three years; and provided further that the funding formula shall not be initiated in fiscal year 2010 unless the 2010 appropriation is equal to at least one-third of the difference between the projected total program cost for fiscal year 2010 and the actual program cost for fiscal year 2009 inflated to fiscal year 2010. For the first two years of phase-in, if the total program cost for a school district or charter school is less than that of the prior fiscal year, the total program cost for the school district or charter school shall be calculated using the prior fiscal year's total program cost adjusted for inflation."

Section 18. A new section of the Public School Finance Act is enacted to read:

"[NEW MATERIAL] FORMULA PROGRAMMING.--

A. In using the funding formula, a school district or charter school shall use its state equalization guarantee pursuant to the budget approved by the department, for one or more of the following purposes that support the educational plan:

- (1) extending the instructional year one or more days;
- (2) extending the school day for teachers or extending contract days for teachers up to four days beyond the instructional year;
- (3) offering summer school, credit recovery and enhanced before- and after-school opportunities;
- (4) lower class sizes and student-teacher ratios;

(5) employing academic coaches, resource teachers and specialists, particularly in reading, mathematics and English language learning programs;

(6) enhancing intervention efforts for children who may be at risk of academic failure;

(7) enhancing remediation programs in language arts and reading, mathematics, science and social studies;

(8) improving truancy prevention and intervention strategies, including establishing or enhancing truancy tracking systems and employing truancy officers;

(9) establishing or enhancing bilingual-multicultural programs;

(10) offering visual and performing arts, music and physical education to more students;

(11) enhancing programs for gifted students;

(12) enhancing career-technical education programs;

(13) employing educational assistants, librarians, counselors, nurses, social workers and student support service staff;

(14) providing professional development opportunities for licensed school employees outside the instructional day or year;

(15) providing teaching English as a second language and bilingual endorsement courses for instructional staff;

(16) providing stipends for instructional staff who have a bilingual or teaching English as a second language endorsement;

(17) improving information technology services for students and staff, including employing information technology personnel or contracting with technical consultants;

(18) improving the district's ability to collect and analyze student and staff data to

improve education management;

(19) improving student and school safety; or

(20) other measures approved by the department that are tied to the educational plan.

B. The use to which increased funding is put pursuant to Subsection A of this section shall be incorporated into the school district's or charter school's educational plan and approved by the department. The educational plan shall provide detailed information:

(1) describing the purposes to which increased funding will be applied;

(2) the specific outcomes expected from such increased funding;

(3) the performance measures to be used to evaluate the efficacy of the purposes to which increased funding was applied; and

(4) any other information requested by the department to assist the department and the school district or charter school to evaluate its educational programs or administrative efficiency."

Section 19. Section 22-8-24 NMSA 1978 (being Laws 1974, Chapter 8, Section 15, as amended by Laws 1993, Chapter 91, Section 1 and also by Laws 1993, Chapter 237, Section 3) is repealed and a new Section 22-8-24 NMSA 1978 is enacted to read:

"22-8-24. [NEW MATERIAL] INDEX OF STAFF QUALIFICATIONS--NATIONAL BOARD CERTIFICATION STIPEND.--

A. For the purpose of calculating the index of staff qualifications, the following definitions and limitations apply:

(1) "instructional staff" means the personnel assigned to the instructional program of a school district or charter school, including instructional support providers, and excluding principals, substitute teachers, educational assistants, secretaries and clerks;

(2) the number of instructional staff to be counted in calculating matrix A and

C. The factors for each classification of academic training by years of experience are provided in the following matrix for other instructional staff:

Matrix of Staff Qualifications B - Other Instructional Staff

Academic Classification	Years of Experience				
	0-2	3-5	6-8	9-15	Over 15
Bachelor's degree or less	0.65	0.78	0.87	0.91	0.91
Bachelor's degree plus 15 credit hours	0.70	0.83	0.87	0.96	1.00
Bachelor's degree plus 45 credit hours or master's degree	0.74	0.87	0.91	1.00	1.04
Master's degree plus 15 credit hours	0.78	0.91	1.00	1.13	1.17
Master's degree plus 45 or post-master's degree	0.87	1.00	1.13	1.22	1.30

D. The index of staff qualifications for each school district and charter school shall be calculated in accordance with instructions issued by the secretary. The following calculation shall be made to compute the value of the index of staff qualifications:

(1) multiply the number of full-time-equivalent teachers in each academic classification and level in matrix A by the numerical factor in the appropriate "years of experience within the level" column provided in Subsection B of this section;

(2) multiply the number of full-time equivalent other instructional staff in each classification and level in matrix B by the numerical factor in the appropriate "years of experience" column provided in Subsection C of this section;

(3) add the adjusted full-time-equivalents calculated in Paragraphs (1) and (2) of

this subsection; and

(4) divide the total obtained in Paragraph (3) of this subsection by the total number of full-time-equivalent instructional staff.

E. If the result of the calculation of the index of staff qualifications for a school district or charter school is less than 1.0, its factor shall be 1.0.

F. If a new school district is created, the index of staff qualifications for that school district for the first year of operation shall be 1.0.

G. If a school district's or charter school's index of staff qualifications is greater than 1.0, the index of staff qualifications formula adjustment used to determine the sufficient per-student cost is equal to the amount determined in Subsection D of this section multiplied by the percentage of the prior year's budget for instructional staff salaries and benefits plus a factor equal to one hundred percent minus the percentage of the prior year's budget for instructional staff salaries and benefits.

H. In addition to the sufficient per-student cost, each school district and charter school shall calculate the amount of national board for professional teaching standards certification salary differential due to each national board-certified teacher employed by the school district or charter school on the October report date. The department shall calculate the amount of the salary differential for legislative appropriation based on the amount paid to board-certified teachers in the 2007-2008 base school year adjusted yearly by the same overall percentage increase in teacher salary provided by the legislature. The department shall verify the certification and current employment of board-certified teachers. Department approval of any allocations for this item shall be contingent on verification by the school district or charter school that these teachers will receive the one-time salary differential for the school year equal to the amount calculated."

Section 20. Section 22-8-25 NMSA 1978 (being Laws 1981, Chapter 176, Section 5, as amended) is amended to read:

"22-8-25. STATE EQUALIZATION GUARANTEE DISTRIBUTION--

DEFINITIONS--DETERMINATION OF AMOUNT.--

A. The state equalization guarantee distribution is that amount of money distributed to each school district to ensure that its operating revenue, including its local and federal revenues as defined in this section, is at least equal to the school district's total program cost. For [~~state-chartered~~] charter schools, the state equalization guarantee distribution is the difference between the [~~state-chartered~~] charter school's total program cost and the two percent withheld by the school district or the department for administrative services.

B. "Local revenue", as used in this section, means seventy-five percent of receipts to the school district derived from that amount produced by a school district property tax applied at the rate of fifty cents (\$.50) to each one thousand dollars (\$1,000) of net taxable value of property allocated to the school district and to the assessed value of products severed and sold in the school district as determined under the Oil and Gas Ad Valorem Production Tax Act and upon the assessed value of equipment in the school district as determined under the Oil and Gas Production Equipment Ad Valorem Tax Act.

C. "Federal revenue", as used in this section, means receipts to the school district, excluding amounts that, if taken into account in the computation of the state equalization guarantee distribution, result, under federal law or regulations, in a reduction in or elimination of federal school funding otherwise receivable by the school district, derived from the following:

(1) seventy-five percent of the school district's share of forest reserve funds distributed in accordance with Section 22-8-33 NMSA 1978; and

(2) seventy-five percent of grants from the federal government as assistance to those areas affected by federal activity authorized in

accordance with Title 20 of the United States Code, commonly known as "PL 874 funds" or "impact aid".

D. To determine the amount of the state equalization guarantee distribution, the department shall

~~[(1) calculate the number of program units to which each school district or charter school is entitled using an average of the MEM on the eightieth and one hundred twentieth days of the prior year; or~~

~~(2) calculate the number of program units to which a school district or charter school operating under an approved year round school calendar is entitled using an average of the MEM on appropriate dates established by the department; or~~

~~(3) calculate the number of program units to which a school district or charter school with a MEM of two hundred or less is entitled by using an average of the MEM on the eightieth and one hundred twentieth days of the prior year or the fortieth day of the current year, whichever is greater; and~~

~~(4) using the results of the calculations in Paragraph (1), (2) or (3) of this subsection and the instructional staff training and experience index from the October report of the prior school year, establish a total program cost of the school district or charter school;~~

~~(5) for school districts, calculate the local and federal revenues as defined in this section;~~

~~(6) deduct the sum of the calculations made in Paragraph (5) of this subsection from the program cost established in Paragraph (4) of this subsection;~~

(7) determine the total program cost for each school district and charter school and subtract the local and federal revenue. The department shall then deduct the total amount of guaranteed energy savings contract payments that the department determines will be made to the school district from the public school utility conservation

fund during the fiscal year for which the state equalization guarantee distribution is being computed and ~~[(8)]~~ deduct ninety percent of the amount certified for the school district by the department pursuant to the Energy Efficiency and Renewable Energy Bonding Act.

E. Reduction of a school district's state equalization guarantee distribution pursuant to the Energy Efficiency and Renewable Energy Bonding Act shall cease when the school district's cumulative reductions equal its proportional share of the cumulative debt service payments necessary to service the bonds issued pursuant to ~~[the Energy Efficiency and Renewable Energy Bonding]~~ that act.

~~[F. The amount of the state equalization guarantee distribution to which a school district is entitled is the balance remaining after the deductions made in Paragraphs (6) through (8) of Subsection D of this section.~~

G.] F. The state equalization guarantee distribution shall be distributed prior to June 30 of each fiscal year. The calculation shall be based on the local and federal revenues specified in this section received from June 1 of the previous fiscal year through May 31 of the fiscal year for which the state equalization guarantee distribution is being computed. In the event that a school district or charter school has received more state equalization guarantee funds than its entitlement, a refund shall be made by the school district or charter school to the ~~[state general]~~ public school fund."

Section 21. Section 22-8-41 NMSA 1978 (being Laws 1967, Chapter 16, Section 99, as amended) is amended to read:

"22-8-41. RESTRICTION ON OPERATIONAL FUNDS--EMERGENCY ACCOUNTS--CASH BALANCES.--

A. A school district shall not expend money from its operational fund for the acquisition of a building site or for the construction of a new structure, unless the school district has bonded itself to practical capacity or the secretary determines and certifies to the legislative finance committee that the expending of money from the operational fund

for this purpose is necessary for ~~[an adequate]~~ the public educational program and will not unduly hamper the school district's current operations.

B. A school district or charter school may budget out of cash balances carried forward from the previous fiscal year an amount not to exceed five percent of its proposed operational fund expenditures for the ensuing fiscal year as an emergency account. Money in the emergency account shall be used only for unforeseen expenditures incurred after the annual budget ~~[was]~~ is approved and shall not be expended without the prior written approval of the secretary.

C. In addition to the emergency account, school districts or charter schools may also budget operational fund cash balances carried forward from the previous fiscal year for operational expenditures, exclusive of salaries and payroll, upon specific prior approval of the secretary. The secretary shall notify the legislative finance committee in writing of the secretary's approval of such proposed expenditures. ~~[For fiscal years 2004 and 2005, with the approval of the secretary, a school district or charter school may budget so much of its operational cash balance as is needed for nonrecurring expenditures, including capital outlay.~~

~~D. Beginning with fiscal year 2007, prior to approval of a school district's or charter school's budget, the secretary shall verify that the reductions from the state equalization guarantee distribution have been taken pursuant to this section.~~

~~E. The allowable limit for a school district's or charter school's ending operational cash balance is:~~

~~(1) if the current year program cost is less than five million dollars (\$5,000,000), eighteen percent of the budgeted expenditures;~~

~~(2) if the current year program cost is five million dollars (\$5,000,000) or more but less than ten million dollars (\$10,000,000), twelve percent of the budgeted expenditures;~~

~~(3) if the current year program cost is ten million dollars (\$10,000,000) or more but less than twenty five million dollars (\$25,000,000), ten percent of the budgeted expenditures;~~

~~(4) if the current year program cost is twenty five million dollars (\$25,000,000) or more but less than two hundred million dollars (\$200,000,000), eight percent of the budgeted expenditures; and~~

~~(5) if the current year program cost is two hundred million dollars (\$200,000,000) or more, five percent of the budgeted expenditures.~~

~~F. Except as otherwise provided in this section, for the 2006 and subsequent fiscal years, the secretary shall reduce the state equalization guarantee distribution, calculated pursuant to Section 22-8-25 NMSA 1978, to each school district or charter school by an amount equal to the school district's or charter school's excess cash balance. As used in this section, "excess cash balance" means the difference between a school district's or a charter school's actual operational cash balance and the allowable limit calculated pursuant to Subsection E of this section. However:~~

~~(1) for a school district or charter school with a current year program cost that exceeds two hundred million dollars (\$200,000,000), if the excess cash balance is greater than twenty percent of the allowable, unrestricted, unreserved operational cash balance and the emergency reserve, the reduction pursuant to this subsection shall equal twenty percent of the allowable, unrestricted, unreserved operational cash balance and the emergency reserve; and~~

~~(2) for other school districts and charter schools, if the excess cash balance is greater than eighteen percent of the allowable, unrestricted, unreserved operational cash balance and the emergency reserve, the reduction pursuant to this subsection shall equal eighteen percent of the allowable unrestricted, unreserved operational cash balance and the emergency reserve.~~

G.] D. In developing budgets, school districts and charter schools shall not budget current year cash balances without the approval of the secretary. Cash balances shall be expended pursuant to the school district's or charter school's educational plan.

~~[H. A school district or charter school whose enrollment growth exceeds one percent from the prior year and whose facility master plan includes the addition of a new school within two years may request from the secretary a waiver of up to fifty percent of the reduction otherwise required by Subsection F of this section.~~

I.] E. Upon application by a school district or charter school, the secretary may ~~[waive all or a portion of the reduction otherwise required by Subsection F of this section if the secretary finds that the]~~ approve the use of a school district's [excess] or charter school's cash balance [is needed] to provide the local match required under the Public School Capital Outlay Act or to recoup an amount paid as the district's share pursuant to Section 22-24-5.7 NMSA 1978.

~~[J. Notwithstanding the provisions of Subsection F of this section, for fiscal year 2004, the reduction from the state equalization guarantee distribution shall be the greater of the amount calculated pursuant to that subsection or ten dollars (\$10.00) per MEM.~~

K. For the purposes of this section, "operational cash balance" means the allowable, unrestricted, unreserved operational cash balance and the emergency reserve.

L. For the purposes of this section, "allowable, unrestricted, unreserved operational cash balance and the emergency reserve" means the proportional share not attributable to revenue derived from the school district property tax, forest reserve funds and impact aid for which the state takes credit in determining a school district's or charter school's state equalization guarantee distribution.]"

Section 22. A new section of the Public School Finance Act is enacted to read:

"[NEW MATERIAL] SPECIAL EDUCATION CATASTROPHIC AID FUND--CREATED--
DISTRIBUTION--LOCAL EFFORT.--

A. As used in this section, "high-cost special education" means the provision of

special education and related services to a qualified student that exceeds the threshold amount above the base per-student cost as determined by the department pursuant to appropriation by the legislature.

B. The "special education catastrophic aid fund" is created as a nonreverting fund in the state treasury. The fund consists of appropriations, gifts, grants, donations, income from investment of the fund and any other money credited to the fund. The fund shall be administered by the department, and money in the fund is appropriated to the department to provide grants to school districts to assist them in paying costs associated with high-cost special education students.

C. A school district may apply to the department for a grant from the fund to help defray the cost of providing high-cost special education. The application shall be in a form approved by the department and shall include the documentation required by the department. A single grant shall not exceed seventy-five percent of the projected cost of providing the high-cost special education for a given school year.

D. Based on legislative appropriation each year, the department shall determine the threshold amount for high-cost special education."

Section 23. Section 22-13-1.7 NMSA 1978 (being Laws 2007, Chapter 348, Section 3) is amended to read:

"22-13-1.7. ELEMENTARY PHYSICAL EDUCATION.--

A. As used in this section:

(1) "eligible students" means students in kindergarten through grade six in a public school classified by the department as an elementary school; and

(2) "physical education" includes programs of education through which students participate in activities related to fitness education and assessment; active games and sports; and development of physical capabilities such as motor skills, strength and coordination.

B. Elementary physical education programs [that serve eligible students are eligible for funding if those programs] shall meet academic content and performance standards for elementary physical education programs and be taught by teachers with a license endorsement for physical education.

~~[C. In granting approval for funding of elementary physical education programs, the department shall provide that programs are first implemented in public schools that have the highest proportion of students most in need based on the percentage of students eligible for free or reduced fee lunch or grade level schools that serve an entire school district and in public schools with available space. If the department determines that an elementary physical education program is not meeting the academic content and performance standards for elementary physical education programs, the department shall notify the school district that the public school's failure to meet the academic content and performance standards will result in the cessation of funding for the following school year. The department shall compile the program results submitted by the school districts each year and make an annual report to the legislative education study committee and the legislature.]~~

D. As they become eligible for elementary physical education program funding, public schools shall submit to the department their elementary physical education program plans that meet academic content and performance standards and other guidelines of the department. At a minimum, the plan shall include the elementary physical education program being taught and an evaluation component. To be eligible for state financial support, an elementary physical education program shall:

(1) provide for the physical education needs of students defined in this section;

and

(2) use teachers with a license endorsement for physical education.

~~E. The department shall annually determine the programs and the consequent number of students in elementary physical education that will receive state financial support in accordance with funding available in each school year.]"~~

Section 24. Section 22-13-6.1 NMSA 1978 (being Laws 1994, Chapter 25, Section 2, as amended) is recompiled as Section 22-13-1.8 NMSA 1978 and is amended to read:

"22-13-1.8. GIFTED [~~CHILDREN~~] STUDENTS--DETERMINATION.--"

A. The department shall adopt standards pertaining to the determination of who is a gifted [~~child~~] student and shall publish those standards as part of the educational standards for New Mexico schools.

B. In adopting standards to determine who is a gifted [~~child~~] student, the department shall provide for the evaluation of selected [~~school-age children~~] students by multidisciplinary teams from each [~~child's~~] student's school district. That team shall be vested with the authority to designate a [~~child~~] student as gifted. The team shall consider information regarding a [~~child's~~] student's cultural and linguistic background and socioeconomic background in the identification, referral and evaluation process. The team also shall consider any disabling condition in the identification, referral and evaluation process.

C. Each school district offering a gifted education program shall create one or more advisory committees of parents, community members, students and school staff members. The school district may create as many advisory committees as there are high schools in the district or may create a single districtwide advisory committee. The membership of each advisory committee shall reflect the cultural diversity of the enrollment of the school district or the schools the committee advises. The advisory committee shall regularly review the goals and priorities of the gifted program, including the operational plans for student identification, evaluation, placement and service delivery and shall demonstrate support for the gifted program.

D. In determining

whether a [~~child~~] student is gifted, the multidisciplinary team shall consider diagnostic or other evidence of the [~~child's~~] student's:

- (1) creativity or divergent-thinking ability;
- (2) critical-thinking or problem-solving ability;
- (3) intelligence; and
- (4) achievement.

E. Nothing in this section shall preclude a school district from offering additional programs for students who fail to meet the eligibility criteria for gifted students."

Section 25. Section 22-13-5 NMSA 1978 (being Laws 1972, Chapter 95, Section 1, as amended) is amended to read:

"22-13-5. SPECIAL EDUCATION.--

A. School districts shall provide special education and related services appropriate to meet the needs of [~~all children~~] students requiring special education and related services. [~~Regulations~~] Rules and standards shall be developed and established by the [~~state board~~] department for the provision of special education in the schools and classes of the public school system in the state and in all institutions wholly or partly supported by the state. The [~~state board~~] department shall monitor and enforce the [~~regulations~~] rules and standards.

B. Except as otherwise provided in this section, the state institution in which a school-age person is detained or enrolled shall be responsible for providing educational services for the school-age person. A school-age person who is a client as defined in Section 43-1-3 NMSA 1978 in a state institution under the authority of the secretary of health has a right to attend public school in the school district in which the state institution in which the person is a client is located if:

- (1) the school-age person has been recommended for placement in a public

school by the educational appraisal and review committee of the school district in which the institution is located; or

(2) the school-age person has been recommended for placement in a public school as a result of the appeal process as provided in the special education rules of the department.

C. School districts shall also provide services

for three-year-old and four-year-old [~~preschool~~] children with disabilities, unless the parent [~~or guardian~~] chooses not to enroll [~~his~~] the child. If a child receiving services in the department of health's family infant toddler program has [~~his~~] a third birthday during the school year, the child's [~~parents~~] parent shall have the option of having the child complete the school year in the family infant toddler program or enrolling the child in the public school's preschool program. A child with a disability who enrolls in the public school's preschool program and who has [~~his~~] a third birthday during a school year may receive special education and related services from the beginning of that school year.

D. Services for students age three through twenty-one may include, but are not limited to, evaluating particular needs, providing learning experiences that develop cognitive and social skills, arranging for or providing related services as defined by the [~~state board~~] department and providing parent education. The services may be provided by [~~certified~~] licensed school [~~personnel~~] employees or contracted for [~~with other community agencies~~] and shall be provided in age-appropriate, integrated settings, including home, daycare centers, head start programs, schools or community-based settings."

Section 26. Section 22-13-7 NMSA 1978 (being Laws 1972, Chapter 95, Section 3, as amended) is amended to read:

"22-13-7. SPECIAL EDUCATION--RESPONSIBILITY.--

A. The ~~[state board]~~ department shall make, adopt and keep current a state plan for special education policy, programs and standards.

B. The department ~~[of education with the approval of the state board]~~ shall set standards for diagnosis and screening of and educational offerings for ~~[exceptional]~~ qualified students and school-age persons receiving special education in public schools; in private, nonsectarian, nonprofit training centers; and in state institutions under the authority of the secretary of health or the secretary of children, youth and families.

C. The ~~[state board]~~ department shall establish and maintain a program of evaluation of the implementation and impact of all programs for ~~[exceptional children]~~ qualified students receiving special education in the public schools. ~~[This]~~ The evaluation program shall be operated with the cooperation of ~~[local]~~ school districts, and portions of the evaluation program may be subcontracted ~~[and]~~. Periodic reports regarding the efficacy of educational programs for ~~[exceptional children]~~ qualified students receiving special education shall be made to the legislative education study committee.

D. The department ~~[of education]~~ shall coordinate programming related to the transition of ~~[persons with disabilities]~~ qualified students receiving special education from secondary and post-secondary education programs to employment or vocational placement."

Section 27. Section 22-13-8 NMSA 1978 (being Laws 1972, Chapter 95, Section 4, as amended) is amended to read:

"22-13-8. SPECIAL EDUCATION--PRIVATE.--

A. The responsibility of school districts, state institutions and the state to provide a free public education for ~~[exceptional children]~~ qualified students who need special education is not diminished by the availability of private schools and services. ~~[Whenever such schools or services are utilized, it continues to be]~~ It is a state responsibility to

[assure] ensure that all [exceptional children] qualified students who need special education receive the education to which [the] federal and state laws [of the state] entitle them whether provided by public or private schools and services.

B. A school district in which a private, nonsectarian, nonprofit training center or residential treatment center is located shall not be considered the resident school district of a school-age person in need of special education if residency is based solely on the school-age person's enrollment at the facility and the school-age person would not otherwise be considered a resident of the state.

C. For a qualified student or school-age person in need of special education who is placed in a private, nonsectarian, nonprofit training center or residential treatment center by a school district or by a due process decision, the school district in which the qualified student or school-age person lives, whether in-state or out-of-state, is responsible for the educational costs of that placement.

D. For a school-age person in need of special education placed in a private, nonsectarian, nonprofit training center or residential treatment center not as a result of a due process decision but by a parent who assumes the responsibility for such placement, the department shall ensure that the school district in which the facility is located is allocating and distributing the school-age person's proportionate share of the federal Individuals with Disabilities Education Act Part B funds, but the state is not required to distribute state funds for that school-age person.

E. The department shall determine which school district is responsible for the cost of educating a qualified student in need of special education who has been placed in a private, nonsectarian, nonprofit training center or residential treatment center outside the qualified student's resident school district. The department shall determine the reasonable reimbursement owed to the receiving school district.

[B-] F. A local school board, in consultation with the department, may make an

agreement with a private, nonsectarian, nonprofit educational training ~~[centers]~~ center or residential treatment center for educating ~~[exceptional children]~~ qualified students for whom the school district is responsible for providing a free appropriate public education under the federal Individuals with Disabilities Education Act and for providing ~~[for]~~ payment for ~~[such]~~ that education. All financial agreements between local school boards and private, nonsectarian, nonprofit educational training centers and residential treatment centers must be negotiated in accordance with ~~[regulations]~~ rules promulgated by the ~~[director]~~ department. Payment for education and services under ~~[such]~~ those agreements shall be made by the local school board ~~[of education]~~ in which the qualified student lives from available funds ~~[available]~~.

[C.] G. All agreements between local school boards and private, nonsectarian, nonprofit educational training centers and residential treatment centers must be reviewed and approved by the ~~[state superintendent]~~ secretary. The agreements shall ensure that all qualified students placed in a private, nonsectarian, nonprofit training center or residential treatment center receive the education to which they are entitled pursuant to federal and state laws. All agreements must provide for:

(1) diagnosis [and];

(2) an educational program for each [child which] qualified student that meets state standards for such programs, except that teachers employed by private schools are not required to be highly qualified;

(3) special education and related services in conformance with an individualized education program that meets the requirements of federal and state law; and

(4) adequate classroom and other physical space provided at the training center or residential treatment center that allows the school district to provide an appropriate education.

H. The agreements must also acknowledge the authority and responsibility of the

local school board and the department [~~of education~~] to conduct on-site evaluations of programs and [~~pupil~~] student progress to [~~insure~~] ensure that the education provided to the qualified student is meeting state standards.

~~[D. Exceptional children]~~ I. A qualified student for whom the state is required by federal law to provide a free appropriate public education and who is attending a private, nonsectarian, nonprofit training center or a residential treatment center is a public school student and shall be counted in the special education enrollment of the school district [as enrolled in the Class D special education program] that is responsible for the costs of educating the student as provided in the individualized educational program for the student.

J. The department shall adopt the format to report individual student data and costs for any school-age person attending public or private training centers or residential treatment programs and shall include those reports in the student teacher accountability reporting system by using the same student identification number issued to a public school student pursuant to Section 22-2C-11 NMSA 1978 or by assigning a unique student identifier for school-age persons, including those who are not residents of this state but who are attending a private training center or residential treatment program in this state. Every public and private training center and every public and private residential treatment program that serves school-age persons in this state shall comply with this provision.

K. The department shall promulgate rules to carry out the provisions of this section."

Section 28. Section 22-30-6 NMSA 1978 (being Laws 2007, Chapter 292, Section 6 and Laws 2007, Chapter 293, Section 6) is amended to read:

"22-30-6. DISTANCE LEARNING STUDENTS.--

A. A student must be enrolled in a public school or a state-supported school and

must have the permission of the student's local distance education learning site to enroll in a distance learning course. A distance learning student shall ~~[only]~~ be counted only in the student's primary enrolling district for the purpose of determining the ~~[membership]~~ enrollment used to calculate a school district's state equalization guarantee. A student shall have only one primary enrolling district.

B. A home school ~~[student]~~ school-age person may participate in the statewide cyber academy by enrolling for one-half or more of the minimum course requirements approved by the department for public school students in the school district in which the student resides; or, if the student is enrolled for less than one-half of the minimum course requirements, the student may participate in the statewide cyber academy by paying not more than thirty-five percent of the current ~~[unit value per curricular unit]~~ base per-student cost.

C. A student enrolled in a nonpublic school may participate in the statewide cyber academy if the school in which the student is enrolled enters into a contract with the school district in which the nonpublic school is located to pay the required tuition.

D. A student who is detained in or committed to a juvenile detention facility or a facility for the long-term care and rehabilitation of delinquent children may participate in the statewide cyber academy if the facility in which the student is enrolled enters into a contract with the school district in which the facility is located."

Section 29. Section 24-3B-4 NMSA 1978 (being Laws 1978, Chapter 211, Section 4) is amended to read:

"24-3B-4. FUND CREATED--USE--CALCULATION.--

A. There is created the "department of health ~~[and environment department]~~ education fund" in the state treasury.

B. The fund shall be used solely to provide educational services to institution-bound residents of the state institutions under the authority of the secretary.

C. The secretary shall distribute the fund to institutions under ~~[his]~~ the secretary's authority within limits established by law.

D. The secretary shall determine the allocation to each institution from the fund according to the annual program cost of that institution as calculated on September 15 of the fiscal year.

E. The annual program cost for each institution shall be determined by the following calculation:

$$\frac{\text{number of institution-bound residents} \times 3.9 \times \text{annual dollar value per program unit cost}}{\text{sufficient per-student cost}} = \text{program cost.}$$

F. The dollar value per program unit shall be the same as the dollar value ~~[per program unit as]~~ of sufficient per-student cost established by the legislature for the state equalization guarantee.

G. Each director of each state institution under the authority of the secretary shall submit annually, on or before October 15, to the secretary an estimate for the succeeding fiscal year of the number of institution-bound residents and any other information necessary to calculate annual program cost.

H. The secretary shall submit annually, on or before November 15, to the department of finance and administration the recommendations of the department regarding the fund for the succeeding fiscal year, for inclusion in the executive budget document."

Section 30. TEMPORARY PROVISION--ENROLLMENT REPORTS--MEM--STATUTORY REFERENCES.--

A. References in the Public School Code to the fortieth day membership shall be deemed to be references to

the total enrollment on the second Wednesday in October.

B. References in the Public School Code to the eightieth day membership shall be deemed to be references to the total enrollment on the second Wednesday in December.

C. References in the Public School Code to the one hundred twentieth day membership shall be deemed to be references to the total enrollment on the second Wednesday in February.

D. References in the Public School Code to MEM or membership shall be deemed to be references to enrollment.

Section 31. TEMPORARY PROVISION--PROJECTIONS AND BUDGET PREPARATION--PRE-2010 FORMULA.--

A. Section 22-8-13 NMSA 1978 notwithstanding, the public education department may institute new reporting dates for the 2008-2009 school year as follows:

- (1) first reporting date, second Wednesday in October;
- (2) second reporting date, second Wednesday in December; and
- (3) third reporting date, second Wednesday in February.

B. The public education department may require enrollment or other reports at other times specified by the department.

Section 32. TEMPORARY PROVISION--IMPLEMENTATION COMMITTEE.--

A. The "funding formula accountability and implementation assistance committee" is created to advise and assist school districts and the public education department in the implementation of the funding formula and other provisions of this 2008 act.

B. The legislature finds that a collaborative effort among the public education department, the legislature, school districts and interested persons will support and enhance the implementation of this 2008 act. The legislature finds further that a dialogue between the secretary of public education and the other members of the

committee will assist in identifying and making recommendations regarding issues related to full implementation of the provisions of this 2008 act, including the application of federal and other state law; department staffing requirements; and accountability, including the educational plan process, the budget approval process, statewide program requirements and the use of regional resources in implementation.

C. Members of the committee shall be:

(1) the voting members of the funding formula study task force and the project advisory panel of the task force;

(2) one superintendent of schools from a rural, high-poverty, high English language learner school district, appointed by the speaker of the house of representatives;

(3) one superintendent of schools from an urban school district, appointed by the president pro tempore of the senate;

(4) the secretary of public education;

(5) the chairperson of the legislative education study committee;

(6) the chairperson of the Indian education advisory council;

(7) the president of the New Mexico association of bilingual educators;

(8) the chairperson of the New Mexico charter schools coalition;

(9) the chairperson of the Individuals with Disabilities Education Act Part B advisory committee; and

(10) a representative of a statewide parent organization appointed by the New Mexico legislative council on the recommendation of the secretary of public education.

D. The co-chairs of the funding formula study task force shall be the co-chairs of the funding formula accountability and implementation assistance committee.

E. Members who are not state employees are entitled to receive per diem and mileage expenses as provided in the Per Diem and Mileage Act.

F. Staff for the committee shall be provided by the legislative council service, the legislative education study committee, the legislative finance committee, the public education department and the office of education accountability. The legislative council service or other staff may contract for expert and technical assistance for the committee as needed.

G. The committee shall:

(1) develop a work plan and budget for approval by the New Mexico legislative council;

(2) advise, assist and monitor the progress of school districts and the public education department in the planning phase of this 2008 act;

(3) meet with and provide assistance to the public education department's staff or other planning and implementation groups established by the secretary of public education;

(4) provide regular reports to the legislative education study committee, the legislative finance committee and the governor, which reports may be in person or written as requested; and

(5) report its findings and recommendations, including recommendations for statutory changes, to the legislature and the governor by January 15, 2009.

Section 33. REPEAL.--Sections 22-8-3, 22-8-7.1, 22-8-19, 22-8-20 through 22-8-23.8, 22-8-25.1 and

22-13-6 NMSA 1978 (being Laws 1988, Chapter 64, Section 14; Laws 1993, Chapter 224, Section 1; Laws 1974, Chapter 8, Section 9; Laws 1991, Chapter 85, Section 3; Laws 1969, Chapter 180, Section 17; Laws 1974, Chapter 8, Section 13; Laws 1975, Chapter 119, Section 1; Laws 1990 (1st S.S.), Chapter 3, Sections 7 and 8; Laws 1993, Chapter 237, Section 2; Laws 1997, Chapter 40, Section 7; Laws 2003, Chapter 144, Section 2 and Laws 2003 Chapter 152, Section 9; Laws 2003, Chapter 144, Section 3 and Laws

2003, Chapter 152, Section 8; Laws 2006, Chapter 94, Section 15; Laws 2007, Chapter 348, Section 1; Laws 2007, Chapter 365, Section 2; Laws 1985 (1st S.S.), Chapter 15, Section 17; and Laws 1972, Chapter 95, Section 2, as amended) are repealed.

Section 34. EFFECTIVE DATE.--

A. The effective date of the provisions of Sections 2, 4, 5, 8, 9, 10, 11, 12, 13, 22 and 28 of this act is July 1, 2008.

B. The effective date of the provisions of Sections 3, 6, 7, 14, 16, 17, 18, 19, 20, 23, 24, 29, 30 and 33 of this act is the beginning of the fiscal year for which the legislature has provided in the general appropriation act or similar legislation for the implementation of the funding formula provided for in Section 17 of this 2008 act.

C. The effective date of the provisions of Sections 1, 15, 21, 25, 26, 27, 31, 32 and 34 of this act is May 14, 2008.