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FISCAL IMPACT REPORT

ORIGINAL DATE 01/23/09
 SPONSOR Miera LAST UPDATED 02/16/09 HB 3/aHEC
 SHORT TITLE Education Appropriation Act SB _____
 ANALYST Aguilar

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	\$2,572,205.3	Recurring	General Fund
	\$850.0	Recurring	Driver's License Fund
	\$12,492.7	Recurring	Other State Funds
	\$2,000.0	Recurring	Inter-Agency Funds/TANF
	\$517,296.9	Recurring	Federal Funds
	\$8,150.0	Non Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Conflicts with Appropriations in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of HEC Amendment

The House Education Committee amendment to House Bill 3 adds principals and assistant principals to those licensed personnel that the secretary of public education must certify as having been evaluated under the statewide principal evaluation system.

The amendment makes funding changes above the line increasing funding for elementary physical education and amends total accounting for the changes.

The amendment removes earmarked funding for the operating budget and management system at PED, increases funding for the statewide cyber academy, makes technical corrections to duplicate appropriations and adds funding for the Rural Revitalization initiative, the NM Outdoor Classroom and the GRADS program.

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The amendment includes language setting aside \$250 thousand to provide professional development for middle and high school teachers and to purchase site-licenses for web-based mathematics learning resources for students with the highest proportion of students in need of academic improvement in five designated districts. (Albuquerque, Las Cruces, Gadsden, Gallup-McKinley and Zuni.)

The amendment includes nonrecurring funding for emergency supplemental support and the operating budget management system.

The amendment makes technical corrections to language.

Synopsis of Original Bill

House Bill 3 reflects the Legislative Education Study Committee (LESC) recommendation for the state equalization guarantee and appropriates \$2.389 billion from the general fund, \$850 thousand from the driver's license fund and recognizes \$462.4 million in federal flow through for the purpose of funding the 89 schools districts and charter schools.

Additionally, \$133 million is provided in categorical support for a total general fund recommendation for public school support of \$2.521 billion. The appropriation to the Public Education Department provides \$16.6 million from the general fund, \$1.2 million in other state funds and 29.8 million in federal funds. An additional \$36.8 million from the general fund and \$2 million in TANF funding is appropriated for related, recurring appropriations and \$270 thousand for related, non recurring funding. HB-3 further appropriates \$1.2 million from the general fund, 11.3 million in other state funds and \$25.1 million in federal funds to the nine regional educational cooperatives.

FISCAL IMPLICATIONS

The appropriation of \$2.581 billion contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2010 shall revert to the general fund.

According to the December 2008 revenue estimate, FY10 recurring revenue will only support a base expenditure level that is \$293 million, or 2.6 percent, less than the FY09 appropriation. All appropriations outside of the general appropriation act will be viewed in this declining revenue context.

SIGNIFICANT ISSUES

The state equalization guarantee (SEG), also known as the "funding formula" is used to distribute funds to public schools and charter schools. HB-3 increases funding to the SEG by \$4.9 million or 0.2 percent, well above the projected decline in revenues in FY10.

For FY09, student enrollment dropped by approximately 2,800 students, well below both FY08 and FY07 levels. This drop appears to result in a reduction of more than 8,000 units over the number of units assumed in developing the FY09 appropriation, or potentially resulting in almost \$32 million in over appropriation for FY09.

House Bill 3 – Page 3

The appropriation recommendation in the bill assumes a reduction of \$23.8 million in program cost to account for reduced revenues in FY10 and includes \$12.2 million for “opening the door” costs, \$2.6 million to increase the minimum salary for educational assistants to \$13,000 contingent on a statute change, \$12.1 million for the fifth year increase in the employers share of contributions to the educational retirement board and \$4.5 million to grow elementary physical education.

Appropriations in the bill estimate projected credits of \$59.4 million from the 0.5 percent local mill levy, federal forest funds and the operational portion of federal impact aid and \$850 thousand from the driver’s license fund.

Transportation funding is decreased by \$5.6 million primarily as a result of a significant decrease in the cost of diesel fuel since summer and lower estimates for FY10. Categorical appropriations include \$2 million in emergency supplemental funding, \$16.6 million in instructional materials for the cost of out-of-cycle materials and the cost of books for new students. The appropriation assumes a one year delay in the adoption of new materials and assumes a switch in the adoption cycle to keep elementary reading and language arts on schedule for adoption in FY11. Other categorical funding includes \$1.5 million for the cost of dual credit instructional materials contingent on enactment of legislation, \$24 million for education technology, \$2 million for Indian Education with a \$500 thousand set-aside for the Save the Children literacy intervention program for native American students, and \$2.5 million for the schools in need of improvement fund.

In related, recurring appropriations, the bill includes \$36.9 million to the public education department (see attached summary). These appropriations include among others \$8.5 million each for kindergarten-three-plus and pre-kindergarten, \$2 million for advanced placement, \$1.5 million for beginning teacher mentorship, \$2.5 million for summer reading, math and science institutes, \$3.3 million for after school and 21st century programs and \$3.5 million for the elementary breakfast program.

ADMINISTRATIVE IMPLICATIONS

The bill contains language that directs the secretary to set an initial unit value to be used by the districts in developing school year 2009-2010 operating budgets and provides for an adjustment to the unit value before January 31, 2010 if needed,

Additional language contained in the bill provides that teacher be evaluated under the three-tiered licensure evaluation system to be eligible for minimum salaries.

CONFLICT

Historically House Bill 3 as introduced reflects the LFC recommendation. For the 2009 session, the bill reflects the LESC recommendation and conflicts with appropriations contained in the General Appropriations Act.

TECHNICAL ISSUES

On page 6, line 25, \$5 million is appropriated in recurring funding for emergency support to hold districts harmless from decreased revenue. The LESC recommendation table indicates that this should be a non-recurring appropriation.

House Bill 3 – Page 4

On page 6, line 15, \$1.2 million is appropriated for regional educational cooperative operations; this duplicates the appropriations on page 7 lines 13 through 22.

PA/mt