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FISCAL IMPACT REPORT

ORIGINAL DATE 02/18/14

SPONSOR Miera **LAST UPDATED** _____ **HM** 99

SHORT TITLE Adult Education Program Funding Formula **SB** _____

ANALYST Armstrong

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY14	FY15		
	Minimal	Nonrecurring	HED, LFC, LESC operating budgets

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

House Memorial 99 requests that the Higher Education Department (HED), the Legislative Education Study Committee (LESC), and the Legislative Finance Committee (LFC) form a work group to study the feasibility of fully funding the formula for adult education programs. The work group would include representatives from the New Mexico Adult Education Association, the National Council of the State Directors of Adult Education, community-based adult education organizations, the New Mexico Association of Community Colleges, community college finance offices, the director of institutional research at the University of New Mexico, the Adult Basic Education (ABE) Division of HED, LFC, and LESC.

The staff for the work group would come from HED, LESC, and LFC. The memorial tasks the work group with compiling data regarding the need for adult education services in New Mexico, base funding costs per program, cost per student served, and performance-based funding incentives. HM 99 also requests that the work group recommend a fully funded formula based on a full workload that is adjusted annually, and present it to the LESC by August 1, 2014.

FISCAL IMPLICATIONS

The memorial does not include an appropriation. Costs associated with forming the working group and addressing the memorial's other requests would be absorbed by existing resources.

The ABE program administered by HED received \$5.2 million in state general fund support for FY14. The appropriation plus an amount recorded for in-kind services satisfies the non-federal match requirement of \$6.7 million to receive an estimated \$4 million in federal funds.

For FY15, both the LFC and Executive recommended nearly \$5.4 million in general fund support for the program. The HAFRC committee substitute for HB 2 (and SB 313) includes this level of funding for the program for FY15. Should House Bill 281, appropriating \$4 million to ABE, and the current appropriation level in HB 2 (SB 313) be enacted, state general fund support for ABE would increase to \$9.4 million with a total program budget of \$13.4 million for FY15, including an estimated \$4 million in federal funds.

A portion of ABE funding is distributed through a performance formula. In FY12 and FY13, HED distributed 10 percent and 15 percent, respectively, of total funding based on program performance. With flat federal FY14 funding, the department suspended the planned increase of distributing 20 percent of funds based on performance.

SIGNIFICANT ISSUES

The memorial requests data on the need for and cost of ABE, information that is already available. Based on testimony before the Legislative Education Study Committee (LESC) and HED's annual report, nearly 450 thousand adults, or 21 percent, in New Mexico need adult basic education programming. Currently, the state serves about 5 percent, or 20,000 individuals, of the eligible population (ages 16 and older) needing services. More than one thousand are on a waiting list for services and 24 communities or community organizations requesting ABE services. In general, ABE programs help adults:

- Learn basic literacy and numeracy skills
- Earn an alternative high school credential
- Learn English as a second language (ESL) and study civics in English
- Prepare for and enter postsecondary education and careers
- Obtain and retain employment.

HED reports that the average amount of total funding spent per student is \$775 annually, with the state supporting 39 percent, or \$300, of student expenditures. This amount is significantly lower than the amount spent annually on K-12 students (\$9.6 thousand/student) or postsecondary students (\$6 thousand/student).

According to the New Mexico Adult Education Association (NMAEA), more than 400 thousand adults are limited due to their lack of education or English-speaking skills, of which 240 thousand of these have not finished high school. The state contracts with 26 ABE programs that have experienced growing enrollments for those seeking high school diploma-equivalent certificates and ESL services.

RELATIONSHIP

The General Appropriation Act includes \$4 million for HED's policy development and institutional financial oversight program.

OTHER SUBSTANTIVE ISSUES

HED and NMAEA report a high return on investment, estimating the state receives \$25.6 million in savings on public welfare services and increased income taxes for its \$5.2 million general fund appropriation.

JA/ds