F I S C A L   I M P A C T   R E P O R T

SPONSOR Maestas/Martinez, J./ Garcia Richard **ORIGINAL DATE** 1/19/18 **LAST UPDATED** 2/10/18 **HJR** 1/aHEC/aSEC

SHORT TITLE Land Grant Fund Distributions, CA **SB**

ANALYST Iglesias

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY18	FY19	FY20	FY21	FY22		
$0.0	$0.0	($159,069.0)	($167,439.0)	($175,986.0)	Recurring	LGPF
$0.0	$0.0	$40,608.0	$99,737.0	$149,755.0	Recurring	General Fund (Early Childhood)
$0.0	$0.0	$94,752.0	$42,745.0	$0.0	Recurring	General Fund (Educational)
$0.0	$0.0	$23,709.0	$24,957.0	$26,231.0	Recurring	Other LGPF Beneficiaries

Parenthesis ( ) indicate revenue decreases

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		$50.0		$50.0	Nonrecurring	Election Fund

Parenthesis ( ) indicate expenditure decreases

Related to HJR2, HJR3, HJR10, SJR2, SJR3, SJR7, SJR11, SJR15

SOURCES OF INFORMATION
LFC Files

Responses Received From
State Investment Council (SIC)
Attorney General's Office (NMAG)
State Land Office (SLO)
Children, Youth and Families Department (CYFD)
Public Education Department

Responses Not Received From
Department of Finance and Administration

SUMMARY

Synopsis of SEC Amendment

The Senate Education Committee amendment to House Joint Resolution 1 strikes lines 17 and 18 from page 5, which removes the requirement that early childhood educational services be provided by a school district or an entity of an Indian nation, tribe, or pueblo.

Synopsis of HEC Amendment

The House Education Committee amends page 4 of the bill to insert the words "of the average" on line 10 and line 21, and makes the same change to page 5, line 8. This amendment corrects a technical error by clarifying the intent is to distribute an additional 1 percent of the rolling five-year average of the fund.

Synopsis of Original Bill

House Joint Resolution seeks to amend Article 12, Section 7 of the state constitution, to provide additional yearly distributions of 1 percent from the Land Grant Permanent Fund (LGPF) to the funds beneficiaries. This brings the total distribution to 6 percent from the current level of 5 percent.

Additionally, the proposed amendment stipulates the amount of the additional distribution coming from the permanent school fund (which is the largest component of the land grant permanent fund allocated to support "common schools"), is to be earmarked for implementation and maintenance of educational and early childhood educational (ECE) services. The bill phases in this allocation according to the following schedule:

- FY 2020: 70 percent of the new distribution to educational programs, and 30 percent to ECE
- FY 2021: 30 percent of the new distribution to educational programs, and 70 percent to ECE
- FY 2022 and thereafter: 100 percent of the new distribution to ECE

The additional 1 percent distributions will not be made if the five-year average value of the LGPF falls below $10 billion. Similarly, legislators can vote to suspend the additional 1 percent distribution by a three-fifths majority of both House and Senate.

The constitutional amendment requires approval by voters in a statewide election, either in the 2018 general election or at a special statewide election held for this purpose. Subsequent approval by US Congress is also required before the amendment can be enacted.

There is no effective date of this bill. It is assumed that the effective date is 90 days after this session ends.

FISCAL IMPLICATIONS

The State Investment Council (SIC) indicates, in the short term, additional distributions from the LGPF will produce significantly more revenue to the general fund for public schools and the other LGPF beneficiaries. However, there is a trade-off. The additional distribution will lessen future earnings and reduce the significantly greater benefits that a larger fund would produce long-term at the lower distribution rate.

The long-term effect of foregoing investment earnings by increasing the distribution can be mitigated by higher inflows in the LGPF from investment returns and oil and gas royalty contributions. However, the opposite holds true as well, where depressed oil/gas prices, coupled with lower investment returns (which are predicted over the next decade) and a higher spending rate, have potential to negatively impact the health of the endowment long-term.

Over the next 7-10 years, SIC expects lower-than-historical investment returns, with a return target of about 7 percent. Though oil and natural gas prices are currently on an upswing, volatility remains a serious concern and prices remain far below their 2014 highs. While the Permian basin has seen resurgence in production and sizable capital expenditures from producers over the previous year, potentially signaling a new resource extraction 'boom' for the region, other factors related to global competition and long-term environmental concerns make the future less certain for the decades ahead.

Distributions Over a 12-Year Horizon. The following table provided by SIC shows projected values and fund distributions for fiscal years 2020-2031 at the current 5 percent distribution rate and at the proposed 6 percent rate. The table also uses a side-by-side comparison between increased LGPF distributions over 12 years and the corresponding diminishment of LGPF value over the same time period. Though this legislation does not contemplate a sunset for the new distribution amount it seeks, the 12-year time frame was chosen for a comparison basis to the 2003 constitutional amendment, which required additional distributions from the LGPF for the dozen years from FY05 to FY16, resulting in $747 million of additional pay-outs to LGPF beneficiaries during that time.

Calendar Year	Corresponding Fiscal Year	($B) LGPF Value Current (5%)	LGPF Distribution @5%	($B) LGPF Value w/HJR1 (6.0%)	LGPF Distribution @6.0%	Compounded Difference in 5% & 6% LGPF Distribution	Difference in LGPF Value ($B)
2017	2019	17.25	$747,170,300				
2018	**2020**	18.20	$795,345,513	18.20	$954,414,615	$159,069,102	$0
2019	**2021**	19.17	$841,966,786	19.09	$1,009,405,729	$326,508,045	**($0.08)**
2020	**2022**	20.17	$899,596,558	19.92	$1,075,583,091	$502,494,578	**($0.25)**
2021	**2023**	21.18	$959,722,158	20.75	$1,142,492,367	$685,264,787	**($0.44)**
2022	**2024**	22.22	$1,009,418,117	21.57	$1,194,377,115	$870,223,785	**($0.65)**
2023	**2025**	23.28	$1,060,212,308	22.41	$1,244,846,339	$1,054,857,816	**($0.87)**
2024	**2026**	24.37	$1,112,213,477	23.25	$1,294,787,892	$1,237,432,231	**($1.12)**
2025	**2027**	25.49	$1,165,469,531	24.11	$1,345,143,837	$1,417,106,537	**($1.38)**
2026	**2028**	26.64	$1,220,066,687	24.99	$1,396,074,674	$1,593,114,524	**($1.65)**
2027	**2029**	27.83	$1,276,151,656	25.89	$1,447,817,503	$1,764,780,371	**($1.94)**
2028	**2030**	29.05	$1,333,827,400	26.80	$1,500,531,572	$1,931,484,543	**($2.25)**
2029	**2031**	30.30	$1,393,141,924	27.73	$1,554,277,733	$2,092,620,352	**($2.57)**
2030	**2032**	31.59		28.68			**($2.91)**

SIC's projections are based on the following assumptions: estimated value of the LGPF as of 12/31/2017; State Land Office (SLO) contributions of $495 million for CY2018 increasing by 1.5 percent annually; and investment net-of-fee returns of 6.8 percent. The 10- and 15-year average contributions from SLO are $501 million and $440 million respectively, and last calendar year's LGPF contribution was $488 million. LGPF net investment returns for the 1/3/5/10 years ending November 2017 were 15.4 percent, 6.7 percent, 8.9 percent and 5.2 percent respectively over those time periods.

The projection provided by SIC does not take into account less-certain variables including potential growth of the state population, or potential impact high inflation would have on the real dollar value of the LGPF benefits. Neither does it consider possible market crashes such as those in 2008/2009, as well as compromised inflows from the State Land Office, as these potential factors are extremely difficult to quantify.
SIC notes the following points for consideration:

- After 12 years, the LGPF would deliver an additional $2.1 billion to beneficiaries at the 6 percent rate, or an average of $175 million more per year over the first 12 years.
- Due to lost earnings on the $2.1 billion, the LGPF corpus would be $2.9 billion less after the first dozen years of distributions at the 6 percent rate, an estimated $800 million in potential lost earnings.
- Looking forward, those estimated revenue losses grow and accelerate, with the smaller fund earning at least $198 million less for the state each year by 2030.
- That $198 million – a nine-figure annual opportunity cost in lost earnings – would continue to grow annually, and at an accelerating rate as investment earnings are compounded.
- Like the 2003 amendment, this legislation does not restrict the additional distributions from being used to supplant existing educational funding, potentially freeing-up replaced dollars for non-ECE or non-educational expenditures.

The scale of this legislation is similar to the 2003 constitutional amendment, given the relative sizes of the LGPF then and now. Analysis from the SIC's external fiduciary consultant RVK determined that had New Mexico not enacted its constitutional amendment in 2003, raising distributions from the previous base-rate of 4.7 percent (and temporarily to 5.8 percent and then 5.5 percent), the LGPF would be approximately $1.5 billion larger today. For CY17 an additional $1.5 billion would have generated another $223 million in net earnings for the fund, while also producing an additional $25 million in distributions (at the 5 percent rate) to LGPF beneficiaries for FY19.

The "Tipping Point". If the LGPF annual distribution increased by 1 percent indefinitely, as proposed under this legislation, within 26 years the distribution amount generated under 6 percent of a smaller fund would be less than the distribution amount generated from 5 percent of a larger fund. The trade-off is apparent in the bottom line. In those 26 years, the LGPF would have provided an additional $3.4 billion in funding to beneficiaries, but at a cost of $9.7 billion to the LGPF's corpus. While the fund would continue to grow under either spending policy, assuming normal inflows and investment returns, the net "opportunity cost" would be approximately $6 billion in forsaken earnings after the first 26 years, at which point the benefits provided by the 6 percent fund are surpassed by the 5 percent fund, which would have grown $9.7 billion – 18 percent larger than the fund using the higher spending policy.

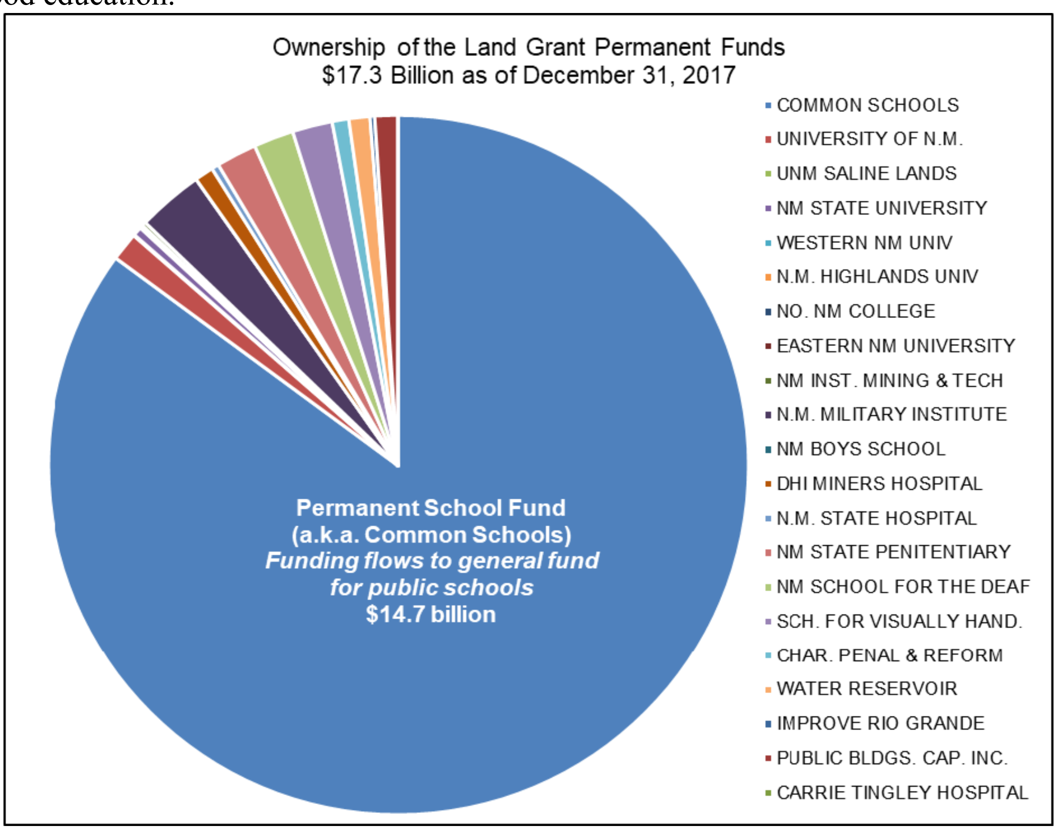
Similar to SIC's analysis, the State Land Office (SLO) states increased distributions from the LGPF increase the risk that the corpus of the LGPF will be diminished and that less money will be available in future years. In the long run, the increased distribution will have a negative impact on the LGPF and distributions to the beneficiaries.

The rate at which the fund is depleted will depend on new money contributed by the State Land Office from state trust land royalties and fluctuations in investment returns. SLO's internal financial analysis indicates that if all analytical variables other than the distribution rate were held constant, comparing a 5 percent distribution (current law) to a 6 percent distribution in FY2020 and thereafter (as proposed), the beneficiaries would receive approximately $1.6 billion more in total distributions during the next 10 years and would receive approximately $4.7 billion less in total distributions over the next 50 years. The analysis indicates that the beneficiaries will start to see a reduction in funds distributed within 26 years if this legislation is enacted and approved. The internal analysis also indicates that the value of the fund will be approximately $27.1 billion dollars higher in 50 years if current distribution rates remain in place as compared to those proposed in this legislation.

Election Costs. Section 1-16-13 NMSA 1978 requires the Secretary of State (SOS) to print the full text of each proposed constitutional amendment, in both Spanish and English, in an amount equal to 10 percent of the registered voters in the state. The SOS is also constitutionally required to publish the full text of each proposed constitutional amendment once a week for four weeks preceding the election in newspapers in every county in the state. According to Secretary of State, the most recent cost to print a constitutional amendment is $47.60 per word.

SIGNIFICANT ISSUES

Distribution Issues. It is important to note the "permanent school fund" and the "land grant permanent fund" are not the same. The permanent school fund is one component (the largest portion) of the land grant permanent fund, accounting for about 85 percent of the LGPF. The proposed amendment increases the distribution to all beneficiaries, and requires only that the additional distributions from the permanent school fund be used for educational programs and early childhood educational services. The additional distribution that flows to the other 20 beneficiaries of the LGPF does not appear to be earmarked for educational programs and early childhood education.



Education Issues. The Public Education Department (PED) states concern "that the increase in distributions to be used for the implementation and maintenance of educational programs administered by the state declines in FY21 and disappears in FY22. These programs are recurring annually and if expenditures for these programs are reduced or disappear, school districts and charter schools would be left 'holding the bag' for funding these programs and the associated staff tied to these programs. The legislative education committees have traditionally been adamant that unfunded mandates should not be considered. This has the potential of being an incredibly large unfunded mandate after the first two years of funding."

PED also points out the proposed amendment does not indicate specific programs that the additional funds distributed should be directed to. For example, it is unclear if the additional distribution for implementation and maintenance of educational programs administered by the state would flow through the State Equalization Guarantee (SEG) or be directed via the appropriation process. For the purposes of PED's analysis, the agency assumes it will flow through the SEG or be otherwise distributed to educational programs PED administers. Additionally, PED states that rapidly increasing funding for early childhood educational services administered by the state could cause increased competition for the dollars within existing programs or a rapid expansion of the program where quality may suffer.

Early Childhood Issues. New Mexico's early childhood care and education system begins prenatally and extends through age 8. Services for improving the health, safety, stability, and education of New Mexico's children span several state agencies, including the Children, Youth and Families Department (CYFD), the Department of Health (DOH), the Human Services Department (HSD), and the Public Education Department (PED).

Benefits of early childhood education include increased reading and math competency for low-income children, reduced special education designations, and more consistent utilization of early well-child visits, which should improve long-term outcomes for children. LFC's *2017 Early Childhood Accountability Report* found students who participated in New Mexico's prekindergarten program improved attendance and performance through the 5th grade. LFC has also found prekindergarten programs deliver a positive return on investment for New Mexico taxpayers based on improvement in test scores. Low-income students who participated in both prekindergarten and K-3 Plus closed the achievement gap by kindergarten entry.

In the last decade, appropriations for the Public Education Department's (PED) early childhood education programs have increased over tenfold, from about $5 million in FY07 for prekindergarten and K-3 Plus to $58.7 million for these two programs and an early reading initiative. For FY17, PED and the Children, Youth and Families Department (CYFD) were budgeted to serve 8,496 four-year-olds in state-funded prekindergarten. PED serves 5,273 children and CYFD serves 3,248. This does not include 997 three-year-olds served by CYFD in early prekindergarten.

K-3 Plus has been scientifically shown to improve student performance relative to peers when programs are executed correctly. However, there is concern the K-3 Plus program may not be implemented effectively at all schools. For increased gains, students should stay with the same teacher they had during the K-3 Plus program; however, this is not often the case. Further, more programs are now only making available 20 days of instruction rather than 25. LFC's *2017 Early Childhood Accountability Report* notes the intent of the program is not being followed and should raise concerns for policymakers that K-3 Plus is turning into summer school rather than a scientifically proven program to extend the school year for students from low-income families that need additional time-on-task to catch up to more affluent peers academically.

Additionally, the LFC report notes that currently, 3-year-old prekindergarten is only implemented by CYFD-funded private child care programs, and PED has raised concerns regarding the infrastructure and capacity of schools to expand prekindergarten to earlier ages and instead chose to focus on expansion of extended-day prekindergarten for 4-year-olds.

LFC estimates remaining statewide funding needs for all early childhood services is close to $190 million. To close service gaps and continue improving early childhood outcomes, targeted interventions are needed, such as focusing state-funded home-visiting services to at-risk, low-income families in high-need communities. Additional funding is needed to grow at a rate to both serve more clients and improve quality.

Despite a clear funding need, there is currently no master plan or specific details as to how the additional hundreds of millions of dollars made available through this legislation will be expended, or how the related benefits of those dollars will be measured and evaluated for effectiveness, in either the short- or long-term. Accountability, program effectiveness and a standard evaluation process should be important considerations when establishing long-term public policy related to such a sizeable investment of public dollars.

PERFORMANCE IMPLICATIONS

A higher distribution rate could pressure the State Investment Council to achieve higher rates of return on investment in order to maintain the value of the fund. This is a potentially challenging goal during periods of national or economic decline, and could lead SIC to take on greater investment risk in hopes of achieving higher returns in order to protect the earning power of the fund. The past few years the SIC has taken the opposite approach, however, by diversifying investments, and lessening its annual return target to a more realistic 7 percent return, from the previous 8.5 percent.

Over the next decade, SIC expects it will likely be one of both volatility and depressed investment returns, given high, or in some cases record valuations, currently seen among publicly-traded companies. Depending on LGPF inflows from the State Land Office, the rate of inflation (which we anticipate will rise in the years ahead), and uncertain investment returns, SIC claims it is a reasonable assumption that a 6 percent distribution rate would have a greater impact on the LGPF corpus more frequently than distributions have in the past.

ADMINISTRATIVE IMPLICATIONS

According to PED, the agency would be required to create additional personnel in the Literacy and Early Childhood, Procurement and Fiscal Grants Management Bureaus to support, monitor and fund additional early childhood programs.

This legislation defines early childhood educational services as nonsectarian and nondenominational services for children until they are eligible for kindergarten. Such services may be provided by a school district or an entity of an Indian nation, tribe or pueblo. Section 1.H sets forth " 'early childhood educational services' means nonsectarian and nondenominational services for children until they are eligible for kindergarten. Such services may be provided by a school district or an entity of an Indian nation, tribe or pueblo."

The Children, Youth, and Families Department (CYFD) indicates it is unclear if the term "may" cited above from is exclusive to only the entities cited following the use of the term. It is important to note that CYFD administers a significant portion of the State's early childhood services and those services are delivered through private contractors. It is unclear how this joint resolution would impact CYFD's and New Mexico's current structure for delivery of early childhood services.

This legislation states the additional distributions shall be used for public school educational programs and early childhood educational services administered by the state, as provided by law. As clarified in the Attorney General's opinion (see Other Substantive Issues section below), the funds from the Land Grant Permanent Fund cannot be used to support private schools (including private early childhood programs) but can be used for early childhood learning programs provided by the public schools. CYFD interprets that any distribution made pursuant to this joint resolution could only be used by the Public Education Department (PED) for early childhood programs exclusively under the control of the State. The majority of the PED's early childhood education services is provided through pre-kindergarten programs. Therefore, CYFD states the majority of the appropriations made through the distributions provided by this legislation would fund pre-kindergarten programs run by PED. CYFD notes this is in direct contradiction to the statutory provision at NMSA 1978, § 32A-23-9 requiring that any money appropriated for pre-kindergarten programs be divided equally between PED and CYFD.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

- Relates to HJR2, which seeks additional annual LGPF distributions by 0.5 percent for public safety.
- Relates to HJR3, which seeks additional annual STPF distributions by 0.5 percent for public safety.
- Relates to HJR10, which transfers 0.25 percent of the permanent school fund to create a new permanent education emergency reserve fund
- Similar to SJR2, which seeks to increase LGPF distributions by 1.5 percent, of which the amount from the permanent school fund is earmarked for early childhood education.
- Relates to SJR3, which seeks to create the Early Childhood Education Department.
- Similar to SJR7, which seeks to increase distributions by 0.8 percent from the STPF for early childhood education.
- Similar to SJR11, which seeks to increase distributions by 1 percent from the LGPF, of which the amount from the permanent school fund is earmarked for lengthening the school day.
- Relates to SJR15, which transfers an amount from the LGPF to create a new state trust beneficiary reserve fund.

TECHNICAL ISSUES

The Attorney General's Office (NMAG) noted that while this legislation defines "early childhood educational services," it is not clear what is included in "educational programs."

CYFD states the provisions of this legislation conflict with NMSA 1978, § 32A-23-9 requiring that "any money appropriated for pre-kindergarten programs shall be divided equally between the Public Education Department and the Children Youth and Families Department."

The State Investment Council notes the wording in the original bill regarding the additional 1 percent distribution is potentially problematic. In section G, paragraphs (1), (2), and (3) all indicate the additional distribution will be "…one percent of the year-end market values of the fund for the immediately preceding five calendar years…" However, the 2003 constitutional amendment, as well as other similar proposals have all sought "…an amount equal to (some)-percent of the average of the year-end market values of the fund for the immediately preceding five calendar years…" Unless the intent of HJR1 is to take 1 percent of the fund's market values for the total previous five years in aggregation, clarifying language is recommended, as it otherwise could be interpreted that this legislation is seeking 1 percent for each of the previous five years, not 1 percent of the rolling five-year average. This issue was corrected in the HEC amendment.

Additionally, the resolution includes an asset value "safety valve" intended to protect the fund from the burden of additional distributions during times of financial stress. The valve is designed to stop the additional 1 percent distribution should the five-year average of the fund drop below $10 billion at calendar end of any given year. The construction of the LGPF constitutional distribution policy by using a five-year fund average is intended to result in smooth, steady pay-outs that take year-over-year volatility largely out of the mix. This allows for greater legislative budgetary planning. Unfortunately, SIC states the intentional "smoothing effect" of this process also renders the "safety valve" concept ineffective. Using an extreme example, the LGPF could currently lose a quarter of its value every year for the next four years and still not trip the $10 billion average to automatically suspend the additional distributions. In this scenario, that would only occur when the LGPF value hit the $4.1 billion mark in year five of 25 percent reductions.

OTHER SUBSTANTIVE ISSUES

The Attorney General's Office (NMAG) notes both Section 8 of the Enabling Act of 1910 and Article XII, Section 3 of the New Mexico Constitution prohibit use of land grant permanent funds for any sectarian or private school and require that schools receiving such funds must remain under the exclusive control of the state.

NMAG references Attorney General Opinion No. 12 - 03, dated February 1, 2012, and notes the following:

- Unless Congress amends the Enabling Act, the Legislature has no authority to propose amendments to the constitution or enact laws that add a private or sectarian entity to the roster of designated land grant beneficiaries.
- Any proposed constitutional amendment to increase distributions from the Land Grant Permanent Fund for early childhood learning programs would only be permissible if the increased distributions were limited to those programs provided by the public schools.
- The prohibitions of the Enabling Act and the constitution apply to indirect as well as direct land fund grant distributions:
  - These prohibitions cannot be avoided by appropriating the funds to a state agency for the purpose of disbursing funds to, or executing contracts with, sectarian or private schools not under the exclusive control of the state.
  - Such a scheme would be "an artificial attempt to circumvent the prohibitions of the

act and the state constitution. Regardless of the number of intervening entities, the transaction would still amount to the use of permanent fund money or the support of private or sectarian schools contrary to the prohibitions of the Enabling Act and the constitution."

- In 1996, New Mexico voters adopted amendments to Article XII, Section 7 of the constitution, which were approved by Congress with amendments to the act, stating, "distributions from the trust fund shall be made according to Article XII, Section 7."
- Thus, it appears that changes to how the funds are distributed may be made as long as it is accomplished by amendments to Section 7 and the funds are used for purposes permitted by the Enabling Act.

ALTERNATIVES

The State Land Office (SLO) indicates an alternative way to fund early childhood education without increasing permanent fund distributions would be to add additional land to the trust (i.e., increase the corpus of the trust). SLO states, "this is precisely the concept driving the proposal to transfer unleased federal mineral estate to the state land office for the purpose of funding early childhood education."

The State Investment Council notes the vast majority of other states with permanent funds, as well as similar university endowments take a more conservative approach to endowment fund spending policies than New Mexico.

- Annual distributions by domestic sovereign wealth & educational endowment funds:
- Alabama: 5 percent of rolling 3-year average
- Alaska: income earned only;
- Idaho: 5 percent of previous 3-year average value
- North Dakota Legacy Fund: 25 percent of annual earnings, through 2039
- Wyoming: 5 percent of the 5-year average value
- Texas Permanent School Fund: 3.3 percent;
- Utah: may not exceed 4 percent
- Arizona: 2.5 percent of previous 5 year average value

DI/jle/sb/al/jle

APPENDIX A

Quick Facts on the Land Grant Permanent Fund

What is the Land Grant Permanent Fund?

- Established in 1912 through New Mexico's entry into statehood.
- Tied to the federal Enabling Act of 1910, which stipulated that such land grants were to be held in trust for the benefit of the public schools, universities, and other specific beneficiary institutions.
- The "land grant permanent fund" is really a collection of permanent funds.
  - The largest fund – representing about 85 percent of the total LGPF – is the Permanent School Fund, which is allocated for common schools and ultimately flows through the general fund for public school funding.
  - The other permanent funds belong to 20 different beneficiaries, including universities, hospitals, and other public institutions.
- Oil and gas revenues (rents, royalties, and bonuses) make up over 90 percent of contributions to the fund – 2016 contributions totaled about $371 million.
- One of the largest sovereign wealth funds in the country – about $17 billion as November 30, 2017.

Current Distributions from LGPF

Currently, 5 percent of the LGPF five-year average is distributed to 21 beneficiaries of the fund based on land-ownership. In FY18, total LGPF distributions to the beneficiaries will be about $689 million. About 85 percent of this amount (~$585 million) will go to the general fund for public schools.

Distribution History

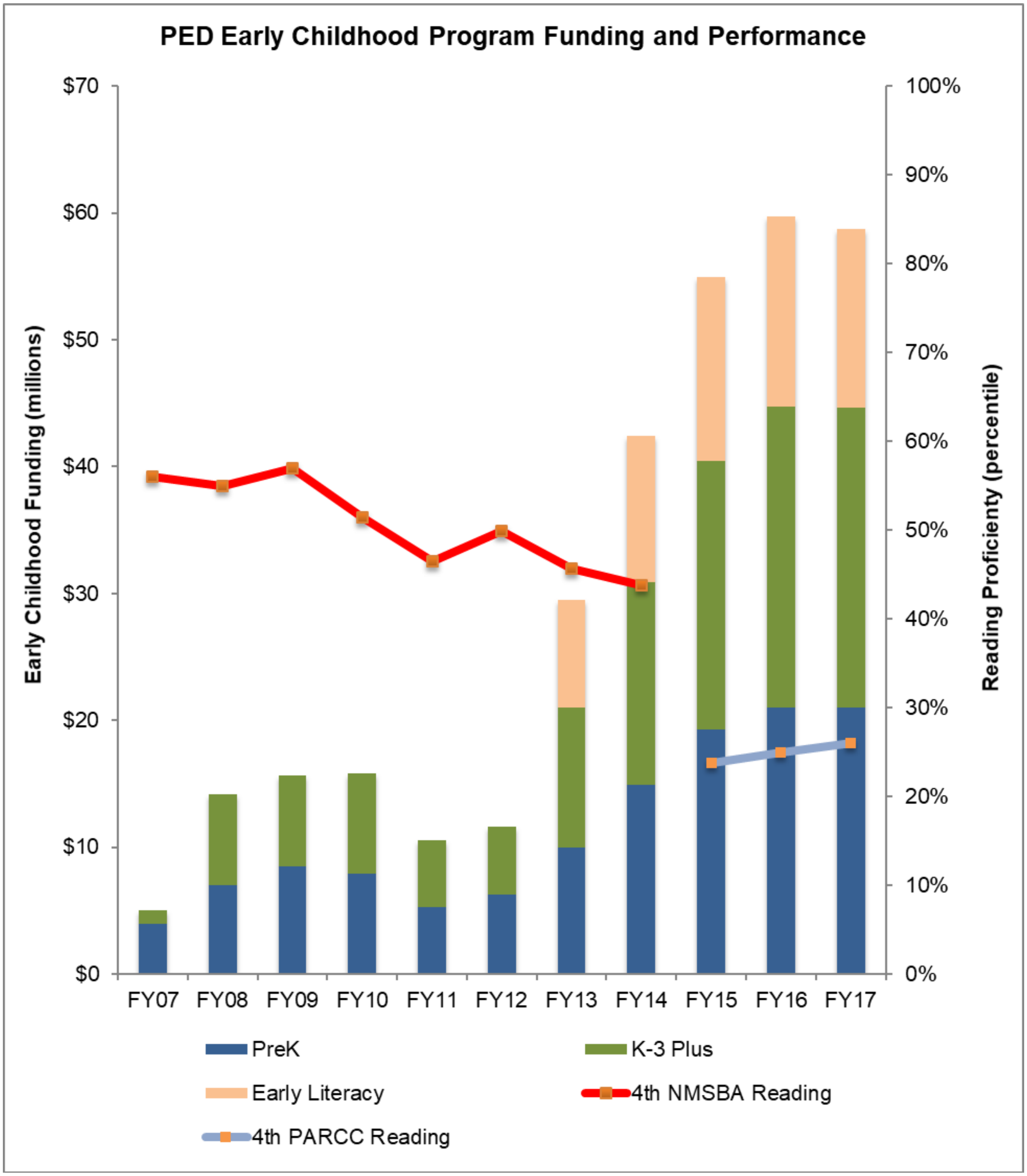
- Originally, only interest earnings were distributed to beneficiaries.
- 1996, voters passed a constitutional amendment to raise the distribution amount to 4.7 percent of the five-year average value of the fund.
- 2003, by a slim margin (92.2 thousand for, 92.0 thousand against), voters passed a constitutional amendment to:
  - Raise the annual distribution to 5 percent,
  - Provide an additional distribution of 0.8 percent from FY06 – FY12 (totaling 5.8 percent),
  - Reduce the additional distribution to 0.5 percent from FY13 – FY16 (totaling 5.5 percent),
  - Earmark the general fund portion of the additional distributions to implement educational reforms.
- FY17, the distribution reverted back to 5 percent.

Important Considerations

LGPF was established and is required by law to benefit public schools and other beneficiaries indefinitely. It is funded by income from non-renewable resources and is designed to provide for future generations of New Mexicans even when those resources are exhausted.

Land Grand Permanent Fund (LGPF) Beneficiaries Percent distribution as of December 1, 2017	
COMMON SCHOOLS	85.095328%
UNIVERSITY OF N.M	1.311620%
UNM SALINE LANDS	0.045397%
N.M. STATE UNIVERSITY	0.414673%
WESTERN N.M. UNIVERSITY	0.024367%
N.M. HIGHLANDS UNIVERSITY	0.024243%
NO. N.M. COLLEGE	0.019696%
EASTERN N.M. UNIVERSITY	0.076008%
N.M INST. MINING & TECH	0.186236%
N.M. MILITARY INSTITUTE	3.029412%
N.M. BOYS SCHOOL	0.005324%
DHI MINERS HOSPITAL	0.867286%
N.M. STATE HOSPITAL	0.333710%
N.M. STATE PENITENTIARY	1.866190%
N.M. SCHOOL FOR THE DEAF	1.844919%
SCH. FOR VISUALLY HAND.	1.841087%
CHAR. PENAL & REFORM	0.769716%
WATER RESERVOIR	0.968725%
IMPROVE RIO GRANDE	0.216647%
PUBLIC BLDGS. CAP. INC.	1.058073%
CARRIE TINGLEY HOSPITAL	0.001342%
Total	100%

APPENDIX B


PED Early Childhood Program Funding and Performance
$70
$60
$50
$40
$30
$20
$10
$0
Early Childhood Funding (millions)
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Reading Proficienty (percentile)
FY07 FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17
PreK
K-3 Plus
Early Literacy
4th NMSBA Reading
4th PARCC Reading