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FISCAL IMPACT REPORT

SPONSOR <u>Gonzales</u>	LAST UPDATED <u>2/25/25</u> ORIGINAL DATE <u>2/6/25</u>
SHORT TITLE <u>Public Ed. Reform Fund Uses</u>	BILL NUMBER <u>Senate Bill 201/aSEC</u>
ANALYST <u>Liu</u>	

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*

(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact	No fiscal impact	No fiscal impact	\$0	Recurring	Other state funds

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to House Bills 181 and 187

Companion to a \$82.5 million appropriation in the HAFC Substitute for House Bills 2&3

Sources of Information

LFC Files

Legislative Education Study Committee (LESC) Files

Agency Analysis was Solicited but Not Received From

Public Education Department (PED)

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of SEC Amendment to Senate Bill 201

The Senate Education Committee amendment to Senate Bill 201 (SB201) authorizes the Department of Finance and Administration (DFA), LFC, and the Legislative Education Study Committee (LESC) to approve instructions and require revisions by September 1 relating to the Public Education Department's (PED) accountability and evaluation plans rather than consult on these plans with DFA. The amendment further expands the reporting requirements to include a description of participating entities for each program, entity responsibilities, and the agency responsible for performing evaluations. The amendment expands the types of evaluations allowed beyond causal impact studies, expands the performance measures allowed beyond approved metrics pursuant to the Accountability in Government Act, and clarifies that DFA, LFC, and LESC will consider evaluations performed on the program or project on September 1 of the final year of appropriation to make recommendations regarding recurring funding.

Synopsis of the Senate Bill 201

SB201 requires PED to develop accountability and evaluation plans approved by, in consultation

with LFC and LESC, for programs funded by appropriations from the public education reform fund. The bill also moves the submission deadline for PED's public schools budget request, along with requests for appropriations from the reform fund, to an earlier date (September 1 rather than November 30).

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or June 20, 2025, if enacted.

FISCAL IMPLICATIONS

The bill does not contain an appropriation and has no additional estimated fiscal impacts. Costs for developing the accountability and evaluation plans are part of the normal operations of the participating agencies.

Provisions of this bill may lead to more robust evaluations of PED programs, which could affect program funding levels based on results. For FY25, PED has four programs with reform fund appropriations totaling \$54.5 million, including career and technical education (CTE) initiatives, community schools, literacy training for secondary educators, and grants to low-income schools (family income index pilot). The bill's research plan requirements would not apply to these programs but would be in place for any future programs with reform funding.

The largest revenue sources to the reform fund were unspent K-5 Plus extended school year and extended learning time program appropriations between FY19 and FY23. For FY24, the Legislature replaced both programs with a K-12 Plus formula factor, after schools had reverted over half a billion dollars into the reform fund. The Legislature has used balances in the reform fund for PED initiatives since reversions began occurring in FY20. As such, the reform fund no longer has a recurring revenue stream and has become depleted. DFA and LFC staff estimate remaining balances in the reform fund to be about \$15 million for FY26 from reversions of prior initiative funding.

The LFC and LESC budget recommendations included a \$150 million transfer to the public education reform fund, contingent on enactment of this bill. The committees propose using reform fund appropriations to study new PED initiatives. The House Appropriations and Finance Committee (HAFC) Substitute for House Bills 2&3 reduces this transfer to \$82.5 million.

SIGNIFICANT ISSUES

In 2018, the 1st Judicial District Court ruled in the *Martinez-Yazzie* lawsuit that New Mexico's education system was not constitutionally sufficient nor uniform for all students. The court found evidence-based interventions—like prekindergarten, extended learning time programs, smaller class sizes, research-based reading programs, and social support staff—could help students close achievement gaps. However, the state had not provided sufficient funding to cover programming for all students needing intervention, and administrative hurdles and timing of funds limited participation.

As part of the legislative response to the lawsuit in FY19, the state established the public education reform fund as a nonreverting fund for the purposes of implementing evidence-based public education initiatives related to high-quality teaching and school leadership, extended

learning opportunities for students, educational interventions for at-risk students, effective and efficient school administration or promoting public education accountability.

Initial deposits into the fund came from unspent K-5 Plus extended school year and extended learning time programs, which totaled \$567.5 million in reversions between FY20 and FY23. Since FY20, the Legislature has leveraged the reform fund as other state revenue for PED initiatives, most recently appropriating \$54.5 million from the fund in FY25 for PED programs related to CTE, community schools, secondary educator literacy training, and the family income index pilot.

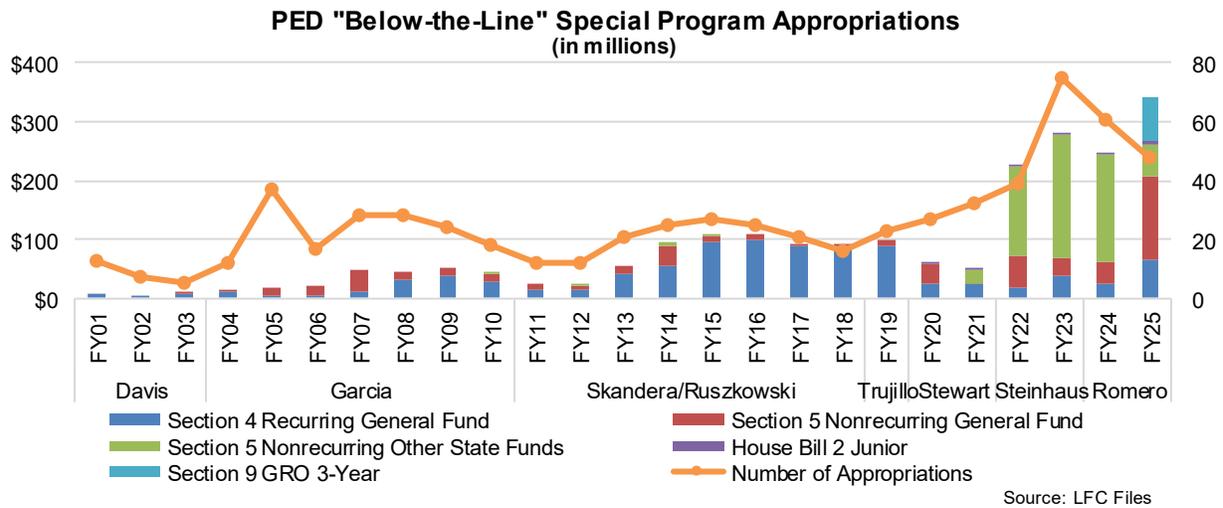
PED has spent appropriations from the public education reform fund on a wide variety of purposes, from IT projects to conferences. Some reform funds have covered FTE salaries, creating recurring costs through a nonrecurring revenue source. A 2024 joint LFC-LESC policy brief recommended categorizing PED initiatives into four categories to help policymakers prioritize resources effectively:

- **Interventions** – evidence-based programs backed by research that should be funded through operational sources and monitored by PED for fidelity of implementation;
- **Innovations** – promising programs with emerging evidence that should be funded over a specified set of years and evaluated by PED for effectiveness;
- **Base Operations** – annual operational costs (e.g. salaries) that, if funded, should be covered through recurring revenue sources; and
- **Nonrecurring** – one-time expenses that, if funded, should be covered through nonrecurring revenue sources.

Provisions of this bill would convert the public education reform fund into a fund for *innovations* and establish requirements for evaluation of these programs. PED would submit accountability and evaluation plans for approval by DFA, in consultation with LFC and LESC, for any education reforms and initiatives affecting performance measures pursuant to the Accountability in Government Act. Additionally, the bill would require PED to submit appropriation requests for programs receiving any reform funds and its budget request for public schools on September 1, the same date for all other agency budget requests. Separately, the bill authorizes PED to request any appropriation adjustments for enrollment growth units in the school funding formula by November 30.

PERFORMANCE IMPLICATIONS

Since the *Martinez-Yazzie* ruling, the state has increased recurring appropriations for public schools and PED programs by \$1.6 billion, or 58 percent. Alongside growth in operational dollars, PED initiatives have expanded from 20 programs at \$92 million to 48 programs at \$347 million. To date, PED has not shown evidence that changes in student outcomes are attributable to department initiatives in a statistically significant way.



Provisions of this bill would require PED to submit accountability and evaluation plans for public education reforms and initiatives affecting performance measures. Evaluations of reforms and initiatives may increase transparency on how state investments are affecting performance, which may result in the prioritization of funds toward programs that improve outcomes significantly.

ADMINISTRATIVE IMPLICATIONS

Provisions of this bill would change reporting deadlines for PED, requiring submission of their public school support budget request and special program (colloquially referred to as “below-the-line”) appropriation request on September 1 each year. Historically, PED submits its agency operating budget on September 1 to LFC and DFA but submits the public school support and PED special program appropriation requests later on November 30. The public school support (i.e., school funding formula and transportation distribution) request has previously been allotted more time in statute to accommodate data collection timelines and student enrollment changes that affect formula distributions.

PED special appropriations, however, are often competitive grants that are reimbursement-based, awarded by agency choice, and not usually governed by any statute or authority other than the General Appropriation Act. In 2024, the New Mexico Attorney General opined that PED must submit its annual special program appropriations request to LFC and DFA on or before September 1. Provisions of the bill enforce this requirement and set PED’s deadline to submit other public school support requests on September 1 as well. Additionally, PED must submit accountability and evaluation plans on or before June 15 to DFA, LFC, and LESC for programs receiving reform funds.

The accountability and evaluation plans for each program must (1) identify program goals and outcomes, (2) describe how program activities would achieve expected outcomes, (3) summarize evidence or research on program effectiveness, (4) include a plan for monitoring performance, (5) include an evaluation plan to assess causal impacts of the program, and (6) describe methods for statistical analysis and timelines for reporting results. By September 1 of the first year of the appropriation, DFA must approve the accountability and evaluation plans, after consultation with

LFC and LESC. These plans are currently developed with existing staff at these agencies.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill relates to House Bills 181 and 187, which require state agencies to submit accountability and evaluation plans for programs funded out of the government results and opportunity fund.

This bill is a companion to an \$82.5 million appropriation to the public education reform fund in the HAFC Substitute for House Bills 2&3.

OTHER SUBSTANTIVE ISSUES

Provisions of this bill require evaluations of reform fund programs to assess causal impacts on expected outcomes and planned statistical analyses. Causal impact evaluations help researchers determine the effect of a program or policy and are used to show if changes in outcomes are due to a program and not other factors (i.e. confounding variables like poverty). However, the higher standard of requiring counterfactual data for comparison may limit the topics of study due to ethical or cost-prohibitive reasons. Randomized controlled trials (RCT), often hailed as the gold standard by researchers, involve randomly assigning subjects to either a treatment group or control group, allowing researchers to observe differences caused by the treatment or intervention. Ethical concerns relating to RCTs in education typically center on equity issues, as studies could potentially deprive some students of beneficial interventions while others receive them.

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