

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: SB 637

52nd Legislature, 1st Session, 2015

Tracking Number: 200454.1

Short Title: Adult Basic Education Programs

Sponsor(s): Senator Pete Campos

Analyst: Travis Dulany

Date: March 10, 2015

Bill Summary:

SB 637 makes an appropriation for adult basic education (ABE) programs.

Fiscal Impact:

\$2.5 million is appropriated from the General Fund to the Higher Education Department (HED) for expenditure in FY 16. Any unexpended or unencumbered balance remaining at the end of FY 16 shall revert to the General Fund.

Fiscal Issues:

According to HED's bill analysis:

- for FY 15, New Mexico's ABE program received \$5.37 million;¹
- in order to avoid a reduction in federal funding, the minimum reported state expenditure required for maintenance of effort (MOE) under the *Workforce Investment Act of 1998* (WIA) is \$5.49 million;
- the minimum required for MOE is computed at 90 percent of the FY 12 state contribution of \$6.1 million, which includes in-kind contributions from sub-grantees; and
- in order to maintain MOE, HED has included the value of contributions in kind to raise the non-federal contribution to the required level.

HED also indicates that:

- the department has developed a funding formula that utilizes performance, in addition to need and headcount, to determine the distribution;
- the formula was first applied in FY 11, with 5.0 percent of funding based on performance; and
- this performance-based portion of the formula has increased steadily over time, with 20 percent of funding assigned to ABE program performance in FY 15.

On this last point, HED's bill analysis notes that additional funding could allow the department to reserve a portion of funding to reward high performance under the ABE funding formula.

¹ Although the bill analysis indicates \$5.37 million, HED officials, as well as an adult education working group document, indicate that the FY 15 state appropriation was \$5.39 million (see Table 1 on p. 2).

Currently, according to the department, high performance can be rewarded only by reducing the funding for sub-grantees who may be performing well, but less well than the high performers.

The table below illustrates New Mexico ABE funding from various sources in the current and previous fiscal years.

Table 1

SOURCE	FY11	FY12	FY13	FY14	FY15
State	\$5,670,300	\$5,629,715	\$5,186,800	\$5,375,200	\$5,399,724
Federal	\$4,163,000	\$4,217,000	\$4,125,000	\$4,091,000	\$4,124,000
Instructional Materials	\$183,569	\$209,775	\$349,169	\$277,300	\$275,024 ²
TOTAL	\$10,016,828	\$9,813,561	\$9,860,955	\$9,743,500	\$9,774,224

Source: HED³

During the 2014 interim, a representative of HED summarized the findings and recommendations of an adult education working group. Among other items, the working group recommendations suggested an increase in adult education funding of approximately \$2.6 million (see “Background,” below).

According to the University of New Mexico (UNM) bill analysis, New Mexico ABE programs operate at approximately one-third the national average for per-student funding. UNM further notes that, at current funding levels, ABE programs in New Mexico “lack adequate resources, professional development, and highly qualified full-time faculty to improve services and meet the demands [of] our high-tech society.”

UNM suggests that increased funding to programs would provide:

- computer technology necessary to prepare and administer the GED test and other computer-based exams for high school equivalency⁴ and work skills exams such as WorkKeys;
- quality professional development for instructors;
- new curricula, including software, to meet current demands for college- and career-readiness (UNM notes that current instructional material funds do not adequately meet current needs);
- more full-time professional ABE instructors (to improve services, instructors who are trained to specifically address the needs of low-skilled adult students are necessary, according to UNM);
- support and resources to aid students in their transition into postsecondary education and the workforce; and
- the ability to maintain or expand services in communities in need.

² Provisions in the Instructional Material Law of the *Public School Code* provide for the ABE allocation to be based on the prior year’s full-time equivalency multiplied by .25.

³ State funding reported in this table indicates legislative appropriations and does not reflect in-kind contributions that the state uses in order to meet federal MOE requirements.

⁴ Effective January 1, 2015, New Mexico’s Public Education Department has selected two exams for the High School Equivalency Credential: the GED test and the High School Equivalency Test (HiSET). Although the GED test is only available on computers, the HiSET is available on both computers and in a paper-based version.

Substantive Issues:

The New Mexico State University (NMSU) bill analysis indicates that the funding contained in SB 637 may help ABE programs transition to the new requirements of the federal *Workforce Innovation and Opportunity Act of 2014* (WIOA), which replaces the WIA effective July 1, 2015.

Among the key changes incorporated in the WIOA is the requirement of a single, unified state plan covering all core programs. The plan must describe the state's overall strategy for workforce development and how the strategy will meet identified skill needs for workers, job seekers, and employers. Local plans must be aligned to the strategy described in the state plan and must describe how services provided at the local level will be aligned to regional labor markets. These changes signal a more cooperative workforce development system among HED, the Department of Workforce Solutions, and other entities as well as a potential retooling of current programs to comply with the state plan (see "Background," below).

According to HED's *2013-2014 New Mexico Adult Education Fact Sheet*, ABE programs:

- served 16,796 students across 26 adult education programs;
- served a variety of populations, including:
 - 2,701 students in basic literacy (grade equivalent: 0 through 3);
 - 6,435 students in basic education (grade equivalent: 4 through 8);
 - 1,215 students in adult secondary and High School Equivalency Credential preparation (grade equivalent: 9-12); and
 - 6,445 students in English as a second language; and
- provide services including:
 - learning basic literacy and numeracy skills;
 - earning a High School Equivalency Credential;
 - learning English as a second language;
 - preparing for college and career; and
 - obtaining and keeping a job.

NMSU reports that current ABE programs serve only 5.0 percent of those in need of ABE services.

Background:

During the 2014 interim, the Legislative Education Study Committee (LESC) received a report from a working group established pursuant to HM 99 (2014), *Adult Education Program Funding Formula*. Noting the return on investment and importance of adult education programs, the memorial requested that HED, in cooperation with the LESL and Legislative Finance Committee, form a work group to study the feasibility of fully funding the formula for adult education programs.

During the November 2014 meeting of the LESC, a representative of HED summarized the working group's findings and recommendations, outlined below:

- **Finding:** state funding levels have been reduced by approximately 20 percent since FY 09. **Recommendation:** the Legislature should appropriate core funds to adult education to bring the level of funding to \$6,735,000, which would require an additional \$1.38 million, according to the working group's final report.
- **Finding:** current performance-based funding destabilizes local planning efforts, discourages innovation, and harms adequately performing programs. According to the working group report, 20 percent of funding in FY 15 is based on performance measures and "[p]erformance-based funding that is deducted from core funding further deprives programs of the stability necessary to do long-range planning and discourages the very innovation necessary for continuous program improvement." **Recommendation:** in order to offset the impact of performance-based funding, the work group recommended that the Legislature should appropriate an additional \$1.0 million as a set-aside incentive for performance, while core funding should be tied to inflation.
- **Finding:** adult education will be required to absorb the cost of several Integrated Basic Education Skills Training (I-BEST) programs after the expiration of a federal Trade Adjustment Assistance Community College and Career Training grant that was awarded in 2011 to Santa Fe Community College. **Recommendation:** "[t]he [L]egislature should appropriate funding at a level that the state can maintain at least at the MOE required rate of 90 [percent] to pay for I-BEST basic skills instruction," which amounts to an additional \$182,000 for the 14 existing I-BEST programs.
- **Finding:** developing and implementing statewide Adult Education Content Standards to align with College and Career Readiness standards is a requirement of the recently enacted WIOA. This will require stipends for practitioners, travel two times per year, and a visit from mentor-state professionals. **Recommendation:** an additional \$27,000 to cover the cost of developing these standards.

In all, the working group's funding recommendations totaled approximately \$2.6 million in addition to the current state appropriation.

Committee Referrals:

SEC/SFC

Related Bills:

SB 171 *Higher Ed Workforce Development Programs*
SB 255 *Valencia County Off-Campus Center*
SB 357 *High School Equivalency Credentials*
SB 361a *Expand School Equivalency for Incarcerated*
SJM 26 *School Equalization Guarantee for Some Adults*
SM 119 *"Adult Education & Literacy Day"*