

# Permanent Education Emergency Reserve (PEER) Fund

## What is the Permanent Education Emergency Reserve (PEER) Fund?

- A new, constitutionally protected, emergency fund to protect public education funding during drastic economic downturn in New Mexico. The funds appropriated from PEER Fund shall only be distributed to public schools.

## When do we know we have an “emergency” in public school funding?

- Per the constitution, the Legislature may **ONLY** access this fund when state revenue declines by 5% or more in a single fiscal year. These emergencies have occurred less than five times in the last 25 years and truly represents revenue crisis in the state.
- Upon legislative approval, the PEER Fund could alleviate budget cuts to public schools during economic downturn.

## How would we initially invest in the PEER Fund?

- Due to an incredibly positive revenue outlook for FY2020, we propose using a portion of the new revenue to make a one-time, non-recurring transfer of \$50 million to a “holding account.”
- If approved by the Legislature, the voters of the State of New Mexico have the option of approving the PEER Fund during the 2020 General Election in November. If the voters approved the creation of the fund, on January 1, 2021 the state treasurer would transfer the \$50 million to the PEER Fund which would become the corpus of the fund.
- If the voters did not approve the PEER Fund, the Legislature would choose what to do with the \$50 million during the 2021 Legislative Session – it could go to reserves, be placed in the Tax Revenue Stabilization Fund, etc.

## How would the corpus of the PEER Fund grow?

- The State Investment Council would invest the PEER Fund in the same way it invests the Land Grant Permanent Fund (LGPF).
- Average returns for the LGPF are 5%. If not used due to steep declines in state revenue, the PEER fund would grow to approximately \$81 million by the end of the 10<sup>th</sup> year of investment, or December 31, 2030.

## Things to consider...

- Establish a floor which the PEER Fund could not drop below.
- Definition of “emergency” set at revenue decline of 5%.
- Other revenue in stabilizing education funding:
  - Reversions from the State Equalization Guarantee.
  - Additional one-time general operating dollar transfers when strong revenue projections.
- Supplanting v. supplementing education dollars in times of crisis.