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## FISCAL IMPACT REPORT

SPONSOR Miera DATE TYPED 02/09/05 HB 3/a HEC

SHORT TITLE Education Appropriation Act SB \_\_\_\_\_

ANALYST Chabot

### APPROPRIATION

| Appropriation Contained |               | Estimated Additional Impact |      | Recurring or Non-Rec | Fund Affected         |
|-------------------------|---------------|-----------------------------|------|----------------------|-----------------------|
| FY05                    | FY06          | FY05                        | FY06 |                      |                       |
|                         | \$2,138,725.4 |                             |      | Recurring            | General Fund          |
|                         | \$1,300       |                             |      | Recurring            | Driver's License Fund |
|                         | 8,955.7       |                             |      | Recurring            | Other State Funds     |
|                         | \$392,761.5   |                             |      | Recurring            | Federal Funds         |

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Commission on Higher Education (CHE)  
 Corrections Department  
 Public Education Department (PED)

### SUMMARY

#### Synopsis of HEC amendment

The House Education Amendment to House Bill 3 increases the appropriation from the general fund by \$16.5 million by increasing the appropriation for growth (\$6.7 million), compensation (\$517 thousand), deletes the increased appropriation principals (\$783 thousand), decreases the increase in the employer share contribution to the Educational Retirement Board by \$300.9 thousand and moves it to Categorical Public School Support for transportation employees, decreases the appropriation for student assessment (\$47.6 thousand), adds physical education (\$4 million), and increases the appropriation for educational assistants (\$2.3 million). In related appropriations recurring, Kindergarten Plus is increased \$300.0 thousand. The amendment lists other special appropriation on page 2 and includes changes in recommended language on pages 1 through 3.

### Synopsis of Bill

House Bill 3 appropriates almost \$2 billion from the general fund, \$1.3 million from the drivers' license fund, and recognizes \$352 million in flow federal funds for the purpose of funding the 89 public school districts throughout the state. In addition, \$141.7 from the general fund is provided in categorical support for a total general fund recommendation for public school support of \$2.1 billion. The appropriation to the Public Education Department is \$11.6 million from general fund, \$671.7 from other state funds and \$16.9 million from federal funds. An additional \$6.7 million in recurring general fund is appropriated for related appropriations (see attached summary). Lastly, \$8.3 million from other state funds and \$23.8 million in federal funds is appropriated to the nine Regional Education Cooperatives.

### Significant Issues

The state equalization guarantee, also known as the "funding formula" is used to distribute funds to the public schools. The bill funds an increase from the general fund over the FY05 appropriation of \$128.9 million, or 6.5 percent. The bill includes \$10 million for growth, \$3.65 million for fixed costs, \$17.5 million for insurance, \$51.8 million for minimum salaries levels of \$40 thousand for level 2 and 3 teachers under three-tiered licensure, \$783 thousand for minimum principal salaries currently in statute, \$4 million to replace federal temporary assistance to needy families from the general fund, \$2 million for district student assessment costs, \$2.5 million for elementary education fine arts, and \$1.5 million to increase educational assistance minimum salaries. The bill also includes a 1.25 percent compensation increase for public school employee except teachers receiving salary increases as a result of minimum salary requirements of three-tiered licensure, and a .75 percent increase in the employer contribution to the educational retirement fund for all school employees.

The bill estimates projected credits of \$58.6 million from federal impact aid and \$1.3 million from the driver's license fund.

The bill provides an increase of \$2 million in transportation funding and a total of \$7.1 million in categorical distributions; most of the increase results from not taking a cash balance increase in the instructional material fund as was done in 2004.

The bill includes \$6 million for special appropriations to the Public Education Department for beginning teacher induction and membership (\$900 thousand), family and youth services (\$1.8 million), advanced placement (\$381.6 thousand), teacher loan for service (\$386.5 thousand), Indian Education Act (\$2.5 million), and kindergarten plus (\$100 thousand).

### **PERFORMANCE IMPLICATIONS**

The bill includes 9 performance measures concentrating on proficiency in reading and language arts and mathematics for 4<sup>th</sup> and 8<sup>th</sup> grade students, percent of classrooms being taught by "highly qualified" teachers, and stakeholder experiences with local schools. The measures are in line with federal No Child Left Behind requirements and are representative of improvements desired in public school outcomes.

## FISCAL IMPLICATIONS

The appropriation of \$2.1 billion contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of 2006 not distributed to school districts by the Public Education Department shall revert to the general fund.

PED points out the following difference in the bill compared to the Executive recommendation for public school support.

1. State Equalization Guarantee--\$1,963,826.8 which is \$42,960.5 higher than the Executive.
2. Public School Transportation--\$100,053.1 which is \$414.8 higher than the Executive.
3. Supplemental Distributions--\$2,380.0 which is \$2,715.0 lower than the Executive.
4. Instruction Materials Fund--\$32,324.8 which is \$1,824.8 higher than the Executive.
5. Education Technology Fund--\$5,000.0 which is the same as the Executive.
6. Incentives for School Improvement Fund--\$1,600.0 which is \$50.0 lower than the Executive.
7. Apprenticeship--\$650.0 which is the same as the Executive.
8. Beginning Teacher Induction and Mentorship--\$900.0 which is the same as the Executive.
9. Core Curriculum Framework--\$381.6 which is the same as the Executive
10. Family and Youth Services--\$1,800.0 which is the same as the Executive
11. GRADS—Teen Pregnancy Prevention (replace TANF)—no funding which is \$1,000.0 less than the Executive.
12. Charter School Stimulus Fund—no funding which is \$1,000.0 less than the Executive's non-recurring recommendation.
13. Indian Education Act--\$2,500.0 which is the same as the Executive.
14. Kindergarten Plus--\$100.0 which is the same as the Executive.
15. Pre-Kindergarten Initiative—no funding which is \$7,000.0 less than the Executive.
16. School-based Health Clinics—no funding which is \$3,000 less than the Executive.
17. Teacher Loan for Service (to CHE)--\$386.5 which is the same as the Executive.

The Executive recommended \$46.8 million in non-recurring funds for various education-related items that are not included.

The Executive recommended a base PED operating budget of \$29,473.3 of which \$11,783.1 is from the general fund. HB3 has \$29,252.4 of which \$11,636.2 is general fund.

There is no difference between the bill and the Executive recommendation for Regional Education Cooperatives.

## ADMINISTRATIVE IMPLICATIONS

After enactment of this bill, the Secretary, Public Education Department will set an initial unit value to be used by school districts in developing school year 2005-06 operating budgets and will set a final unit value not later than January 31, 2006.

**TECHNICAL ISSUES**

On page 2, line 11, the general fund appropriation should be reduced by \$300.9 thousand and be \$1,962,225.9 and page 2, line 13 increased by the same amount and be \$100,354.0 to properly reflect the .75 percent increased employer contributions to the education retirement fund for public school transportation employees.

PED points out on page 5, line 12, strike the second “94.0”.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?**

Public schools will be unfunded for school year 2005-06.

**GAC/sb/njw:lg  
Attachment**

**ATTACHEMNT**

|  | <b>FY 05<br/>APPROPRIATION</b> | <b>HB 3<br/>APPROPRIATION</b> |
|--|--------------------------------|-------------------------------|
| <b>PROGRAM COST</b>  | \$1,802,906.6                  | \$1,903,074.6                 |
| Adjustment for Overprojection of FY 04 Cash Balance Credit   | (\$11,600.0)                   |                               |
| Think New Mexico Credit  |                                |                               |
| Adjustment for Training and Experience   |                                |                               |
| Redirection of 4.0 percent from administration to classroom<br>for school districts with enrollment greater than 9,200 |                                |                               |
| Adjusted Program Cost  | \$1,791,306.6                  | \$1,903,074.6                 |
| ENROLLMENT GROWTH  | \$5,200.0                      | \$10,000.0                    |
| FIXED COSTS  | \$1,900.0                      | \$3,650.0                     |
| INSURANCE COSTS  | \$19,000.0                     | \$17,500.0                    |
| COMPENSATION for Public School Employees:  |                                |                               |
| Teachers   | \$19,276.0                     | \$6,144.4                     |
| Instructional Staff  | \$3,531.1                      | \$2,247.8                     |
| Other Certified and Non-certified  | \$7,991.7                      | \$5,098.0                     |
| Annualize FY 04 6.0 percent raise in FY 05 for Teachers & Instructional Staff  | \$25,830.5                     |                               |
| Minimum Salaries – Three-tiered Licensure Structure  |                                |                               |
| Levels 2 & 3 to \$35,000 in FY 05  | \$8,638.7                      |                               |
| Levels 2 & 3 to \$40,000 in FY 06  |                                |                               |
| Movement from Level 1 to Level 2 in FY 06  |                                |                               |
| Total FY 06 Three-tiered Licensure Structure   |                                | \$51,800.0                    |
| Minimum Salaries – Principals  |                                | \$783.0                       |
| Increase in Employer's ERB Contribution (.75 percent)  |                                | \$11,780.6                    |
| Full-day Kindergarten Phase V  | \$9,600.0                      |                               |
| Replace Full-Day Kindergarten TANF Funds <sup>1</sup>  |                                | \$4,000.0                     |
| Student Assessment CRTs/School District Costs  | \$1,800.0                      | \$2,047.6                     |
| National Board Certification   |                                |                               |
| Elementary Fine Arts (Year 3)  | \$4,000.0                      | \$2,500.0                     |
| Elementary Physical Education Program (Year 1 of 7-year Phase-in)  |                                |                               |
| Career Ladder for Educational Assistants (Year 2 of 4-year Phase-in)   | \$5,000.0                      | \$1,500.0                     |
| <b>PROGRAM COST</b>  | <b>\$1,903,074.6</b>           | <b>\$2,022,125.9</b>          |

House Bill 3/aHEC -- Page 5

|   |   |                      |
|---|---|----------------------|
|   | <b>Dollar Increase Over FY 05 Appropriation</b> | \$119,051.3          |
|   | <b>Percentage Increase</b>                      | 6.3%                 |
| LESS PROJECTED CREDITS                              | (\$61,000.0)                                    | (\$58,600.0)         |
| LESS OTHER STATE FUNDS (from driver's license fees) | (\$1,700.0)                                     | (\$1,300.0)          |
| <b>STATE EQUALIZATION GUARANTEE</b>                 | <b>\$1,840,374.6</b>                            | <b>\$1,962,225.9</b> |
|   | <b>Dollar Increase Over FY 05 Appropriation</b> | \$121,851.3          |
|   | <b>Percentage Increase</b>                      | 6.6%                 |

|  | FY 05<br>APPROPRIATION                          | HB 3<br>APPROPRIATION |
|--|---|-----------------------|
| <b>CATEGORICAL PUBLIC SCHOOL SUPPORT</b>   |   |                       |
| TRANSPORTATION   |   |                       |
| Operational  | \$84,717.8                                      | \$88,078.7            |
| School-owned Bus Replacements  | \$342.6   | \$176.4               |
| Rental Fees (Contractor-owned Buses)   | \$12,336.0                                      | \$11,296.5            |
| Compensation   | \$840.4   | \$501.5               |
| Increase in Employer's ERB Contribution (.75 percent)  |   | \$300.9               |
| <b>TOTAL TRANSPORTATION</b>  | <b>\$98,236.8</b>                               | <b>\$100,354.0</b>    |
| SUPPLEMENTAL DISTRIBUTIONS   |   |                       |
| Out-of-state Tuition   | \$495.0   | \$380.0               |
| Emergency Supplemental   | \$2,600.0                                       | \$2,000.0             |
| INSTRUCTIONAL MATERIAL FUND  | \$26,600.0                                      | \$32,324.8            |
| EDUCATIONAL TECHNOLOGY FUND  | \$5,000.0                                       | \$5,000.0             |
| INCENTIVES FOR SCHOOL IMPROVEMENT FUND   |   |                       |
| Adequate Yearly Progress Program (at least 60 percent)                                       | \$960.0   | \$1,600.0             |
| State Improving School Program (up to 40 percent)  | \$640.0   |                       |
| Pre-K Governor's Initiative  |   |                       |
| SCHOOLS IN NEED OF IMPROVEMENT FUND <sup>2</sup>   | Federal Funds                                   | Federal Funds         |
| <b>TOTAL CATEGORICAL</b>   | <b>\$134,531.8</b>                              | <b>\$141,658.8</b>    |
| <b>TOTAL PUBLIC SCHOOL SUPPORT</b>   | <b>\$1,974,906.4</b>                            | <b>\$2,103,884.7</b>  |
|  | <b>Dollar Increase Over FY 05 Appropriation</b> | \$128,978.3           |
|  | <b>Percentage Increase</b>                      | 6.5%                  |
| <b>RELATED APPROPRIATIONS: RECURRING</b>   |   |                       |
| Apprenticeship Assistance  | \$650.0   | \$650.0               |
| Beginning Teacher Induction/Mentorship   | \$900.0   | \$900.0               |
| CHARTER SCHOOLS STIMULUS FUND  | \$200.0   |                       |
| Core Curriculum Framework – school district projects (formerly Advanced Placement Framework) | \$381.6   | \$381.6               |
| Family and Youth Resource Act/Family and Youth Services                                      | \$1,800.0                                       | \$1,800.0             |
| GRADS – Teen Pregnancy Prevention (replace TANF) <sup>3</sup>                                |   |                       |
| Indian Education Act of 2003   | \$2,500.0                                       | \$2,500.0             |
| Kindergarten Plus (Extended Kindergarten for High-poverty Areas)                             | \$100.0   | \$100.0               |
| Pre-K Governor's Initiative  |   | See line 118          |
| School-based Health Clinics (to Department of Health)  |   |                       |
| Teacher Loan for Service (to CHE)  | \$386.5   | \$386.5               |
| <b>TOTAL RELATED APPROPRIATIONS: RECURRING</b>   | <b>\$6,918.1</b>                                | <b>\$6,718.1</b>      |
| <b>GRAND TOTAL</b>   | <b>\$1,981,824.5</b>                            | <b>\$2,110,602.8</b>  |
|  | <b>Dollar Increase Over FY 05 Appropriation</b> | \$128,778.3           |
|  | <b>Percentage Increase</b>                      | 6.5%                  |