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FISCAL IMPACT REPORT

SPONSOR Sharer DATE TYPED 02/22/05 HB _____

SHORT TITLE Adult Basic Education Workload Funding SB 804

ANALYST Williams

APPROPRIATION

| Appropriation Contained | | Estimated Additional Impact | | Recurring or Non-Rec | Fund Affected |
|-------------------------|---------|-----------------------------|------|--|---------------|
| FY05 | FY06 | FY05 | FY06 | | |
| | \$843.6 | | | Recurring; cost could escalate over time being workload driven | General Fund |
| | | | | | |

(Parenthesis () Indicate Expenditure Decreases)

Relates to House Bill 764 and House Bill 833
 Relates to Appropriation in the General Appropriation Act for Commission on Higher Education, Policy Development and Institutional Financial Oversight Program

SOURCES OF INFORMATION

LFC Files
 Commission on Higher Education

SUMMARY

Synopsis of Bill

Senate Bill 804 appropriates \$843.6 thousand from the general fund to the commission on higher education to enhance funding for the adult basic education program. The bill proposes full funding for a new funding formula driven by a definition of workload.

Significant Issues

The new formula is contained within CHE Regulations of the New Mexico Administrative Code: Title 5, Chapter 3, Part 13, Allocation and Distribution of the Adult Basic Education Fund was adopted in 2004. In the new formula, the calculation of the operating base for each state administrative site is modified to be a flat fee (currently \$51,775 that would increase for each year there is a compensation increase by the legislature). The previous formula utilized a base for each state administrative site according to a percentage of expenditures for instruction. The change establishes the base at the amount the higher education funding formula utilized for stu-

dent services.

The program currently funds 23 educational institutions including nineteen state public, post-secondary institutions, three tribal colleges and one public high school. CHE reports the cost per weighted headcount was \$225 in FY04. CHE notes the current program serves less than 5 percent of the eligible adult population.

FISCAL IMPLICATIONS

The appropriation of \$843.6 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY06 would revert to the general fund.

For several years, the adult basic education received a flat general fund appropriation of \$5 million. After administration of the program was transferred from the Public Education Department to CHE, an additional \$35 thousand appropriation to CHE from the general fund for administration purposes was initiated. The program also received \$1 million in TANF funds in FY05. For FY06, the executive budget recommendation holds general fund appropriation for ABE, but eliminates all TANF funding. The LFC recommendation increases the general fund appropriation in FY06 by over \$400 thousand to partially address a recommended reduction in TANF funds of \$750 thousand.

The cost associated with full funding of the new formula could escalate over time. Specifically, the formula is calculated:

- The total statewide cost for program is determined annually by adding all reported expenditures from restricted and unrestricted sources for all state administrative sites for the second preceding year
- An operating base for each state administrative site is established at a rate equivalent to a student services staffing unit of the higher education funding formula for serving up to the first 75 students. The dollar amount may be adjusted annually for compensation increases awarded by the legislature.
- The cost per weighted headcount is the total cost above the base divided by the total headcount above the base
- Funding above the base for each state administrative site is their headcount above the base times the cost per weighted headcount calculated above
- Formula funding amount is the combination of the base amount plus funding above the base.

If full formula funding is not available, a proportionate share is distributed to each state administrative site.

POSSIBLE QUESTIONS

1. What is the mission of the program?
2. What program outcomes are evident?

AW/lg