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FISCAL IMPACT REPORT

SPONSOR Miera **ORIGINAL DATE** 01/24/11 **LAST UPDATED** 02/15/11 **HB** 3/aHEC
SHORT TITLE Education Appropriation Act **SB** _____
ANALYST Gudgel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
	\$2,397,592.7	Recurring	General Fund
	\$38.0	Recurring	Inter-agency Transfer
	\$472,792.4	Recurring	Federal Funds
	\$14,379.9	Recurring	Other State Funds
	\$6,170.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Conflicts with Appropriations in House Bill 2 and House Bill 7.

SOURCES OF INFORMATION

LFC Files

Responses Received From
Public Education Department

SUMMARY

Synopsis of HEC Amendment

House Education Amendment to House Bill 3 makes the following changes to the Education Appropriation Act:

- increases the appropriation to the State Equalization Guarantee Distribution from \$2,371.7 to \$2,397.6;
 - increase accounts for the following changes: a \$1 million decrease in enrollment growth funding; elimination of assumption of any ERB swap; increase of employers ERB contribution from 0.25 to 0.5 percent; increases the amount of the credit for one non-instructional day; eliminates savings related to suspension of high school graduation assessment; and a reduction to program cost of \$5 million.
- increases the transportation distribution \$97.9 thousand equivalent to an additional .25

- percent increase in the employer’s ERB contribution pursuant to House Bill 133’
- decreases the appropriation for the PED budget from \$12,469.3 to \$10,995.4, equivalent to the unadjusted executive recommendation (the adjusted executive recommendation is \$10,737.4);
- increases the GRADS appropriation \$200 thousand in general fund and \$200 thousand in TANF funds; and
- increases the STARS/OBMS appropriation \$200 thousand, contingent on PED granting legislative agencies access to STARS.

Because of the number of introduced bills that could impact the employer’s ERB contribution rates, HEC did not include any changes to the base reflecting ERB employer/employee contribution swaps.

HEC included a \$20 thousand non-recurring appropriation to the Legislative Council Service for the public school transportation task force established by House Bill 76.

HEC also included language that provides a priority for distributions from the Transportation Emergency Fund to provide additional funding to school districts and state-chartered charter schools for higher school bus fuel costs, to be based on miles traveled. The Transportation Emergency Fund currently has approximately \$1.9 million in fund balance.

Synopsis of Original Bill

House Bill 3 reflects the Legislative Education Study Committee’s (LESC) recommendation for public school support for fiscal year 2012. The bill appropriates funding for the state equalization guarantee, the transportation distribution, Public Education Department, Public Education Department special appropriations including the Regional Education Cooperatives, and other programs. The bill has an emergency clause.

FISCAL IMPLICATIONS

The appropriation of \$2,371.7 billion contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2012 shall revert to the general fund.

SIGNIFICANT ISSUES

The state equalization guarantee (SEG), also known as the “funding formula”, is used to distribute funds to public schools and charter schools. HB-3 proposes increased funding from the general fund to the SEG by \$61.5 million, or 2.8 percent. The LFC recommended an increase of \$40.7 million or 1.9 percent to reflect the current fiscal reality.

The appropriation to the SEG includes the replacement of \$88.3 million non-recurring federal funds: \$23.9 million in federal fiscal stabilization funds used to replace decreased general fund availability in the FY11 appropriation, and \$64.4 million in federal Education Jobs Fund. The appropriation also includes continuation of the 1.5 percent employer-to-employee ERB retirement contribution swap, an additional 1.75 percent contribution swap, and a 0.25 percent increase in the employer contribution consistent with recommendations of the Legislative Retirement Systems Solvency Task Force. The appropriation includes reductions equal to \$4.9

million to shift responsibility to pay return-to-work program employee's portion of the retirement contribution from the employer to the employee. All of these assumptions are contingent on the passage of legislation that amends the Education Retirement Act. The appropriation also assumes reductions of \$3.0 million to cap ancillary FTEs at 1.5 times the Public Education Department caseload calculation guidelines, \$2.5 million to suspend the high school graduation/standards-based assessment requirement for 1 year, and \$11.3 million to eliminate one paid professional development day.

Appropriations in the bill estimate projected credits of \$72.9 million from the local 0.5 mill levy, federal forest funds and the operational portion of federal impact aid. The bill contains language that allows the PED to request from the Board of Finance a transfer from the general fund operating reserve if actual credits fall short of estimated credits. The bill also contains credits of \$850 thousand from the driver's license fund.

Categorical appropriations include \$93.5 million for the transportation distribution, \$1.9 million for emergency supplemental, \$15.9 million for instructional materials including dual credit materials, and \$1.9 million for Indian Education with a \$400 thousand set aside for Teach for America and another \$400 thousand set aside for Save the Children contingent on a \$400 thousand match.

In related, recurring appropriations, the bill includes \$41.8 million in total revenues to the Public Education Department (PED) for its FY12 operating budget, including general fund revenues of \$12.7 million. Special appropriation to the PED include \$541.8 thousand for advanced placement, \$144.3 thousand for after school enrichment program, \$192.4 thousand for apprenticeship assistance, \$1.9 million for breakfast for elementary students, \$5.3 million for the kindergarten-three-plus program, \$6.3 million for prekindergarten, \$500 thousand for the New Mexico cyber academy, \$673.6 thousand for OBMS and STARS hosting fees, \$100 thousand for summer reading, math and science institutes, and \$6 million for emergency supplemental for districts experiencing shortfalls. Appropriations for the Regional Education Cooperatives (REC) total \$37.4 million of which \$938.2 thousand is general fund. The bill appropriates equal amounts of general fund to each REC. Other special appropriations totaling \$150 thousand for the high school summer science program and mathematics, engineering and science achievement program are deemed non-recurring.

ADMINISTRATIVE IMPLICATIONS

The bill contains language that directs the secretary to set an initial unit value to be used by the districts in developing school year 2011-2012 operating budgets and provides for an adjustment to the unit value before January 31, 2012.

Additional language contained in the bill provides that teachers, principals and assistant principals shall be evaluated annually in order to be eligible for minimum salaries.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Historically, House Bill 3 as introduced reflected the LFC recommendation. For the 2011 session, the bill reflects the LESC recommendation and conflicts with appropriations contained in the General Appropriations Act (HB 2 and HB7).