

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: HJR 10

52nd Legislature, 2nd Session, 2016

Tracking Number: .202924.1

Short Title: Permanent Funds for Early Childhood, CA

Sponsor(s): Representatives Antonio “Moe” Maestas and Javier Martínez

Analyst: David Craig

Date: February 11, 2016 (Revised)

Bill Summary:

HJR 10 proposes to amend Article XII, Section 7 of the Constitution of the State of New Mexico to increase annual distributions from the Land Grant Permanent Fund (LGPF) by 2.0 percent for the purposes of state-administered educational programs and early childhood education.

Fiscal Impact (Revised):

House Joint resolutions do not carry appropriations.

The House Appropriations and Finance Committee Substitute for HB 2 & 4, which passed the House, appropriates \$23.0 million to the Public Pre-kindergarten Fund.

According to the State Investment Council (SIC), FY16 projected LGPF distributions totaled \$655.8 million. This indicates the five-year average balance of the LGPF was approximately \$11.9 billion. If HJR 10 were in place for FY16, total distributions would be \$834.6 million, consisting of:

- \$596.2 million for a base distribution to beneficiaries of 5.0 percent;
- \$59.6 for an additional distribution of 0.5 percent to implement and maintain educational programs; and
- \$178,850,500 for an additional distribution of 1.5 percent for early childhood education.

Under Section 1-16-13 NMSA 1978 and the Constitution of the State of New Mexico, the Secretary of State (SOS) is required to print samples of the text of each constitutional amendment, in both Spanish and English, in an amount equal to 10 percent of the registered voters in the state. SOS is also required to publish them once a week for four weeks preceding the election in newspapers in every county in the state. If the ballot size is greater than one page, front and back, it would increase the cost of conducting the general election. In addition to the cost of the ballot, there will be added time for processing voters to vote and would mean additional ballot printing systems would be required to avoid having lines at voting convenience centers. SOS estimates the cost per constitutional amendment to be \$104,000 based on 2010 actual expenditures.

At a Glance:

- HJR 10 will increase revenues for current education programs and early childhood education.
- HJR 10 may decrease distributions to LGPF beneficiaries in the future if the balance of the fund decreases because of the additional distributions.

Detailed Bill Provisions:

HJR 10 proposes to amend Article XII, Section 7 of the Constitution of the State of New Mexico to increase annual distributions from the LGPF to permanently add:

- an additional 0.5 percent distribution of the five-year average of the end-of-year market value of the fund to implement and maintain educational programs administered by the state, making permanent the current temporary increase of the same amount; and
- an additional 1.5 percent distribution of the five-year average of the end-of-year market value of the fund to be used for early childhood education services administered by the state as provided by law; but
- require the five-year average ending balance of the LGPF to be at least \$10 billion before additional annual distributions are made.

HJR 10 also:

- defines “early childhood education services” to mean nonsectarian services for children until they are eligible for kindergarten; and
- continues to allow the Legislature, by a three-fifths’ vote of the members elected to each house, to suspend the additional distributions.

If HJR 10 passes, the amendment proposed by the resolution is to be submitted to the voters for their approval or rejection at the next general election or at any special election prior to that date that is called for that purpose. The proposed amendment will not become effective without the consent of the US Congress.

Substantive Issues:

The chart below compares the total distribution amount of the five-year average balance of the LGPF under current law and the HJR 10 proposal.

Land Grant Permanent Fund Total Distribution Rate			
Fiscal Year	Current Law	HJR 10	Difference
2016	5.5 percent	5.5 percent	0 percent
2017	5.0 percent	7.0 percent	2.0 percent
2018	5.0 percent	7.0 percent	2.0 percent
2019	5.0 percent	7.0 percent	2.0 percent
2020	5.0 percent	7.0 percent	2.0 percent

SIC indicates that although public education receives nearly 85 percent of the distribution from the LGPF, more than half of the LGPF beneficiaries are not educational entities or are entities that have a mission completely unrelated to early childhood education. All beneficiaries would receive more money under HJR 10, but the joint resolution only places restrictions on the use of

this increased funding on public education beneficiaries, requiring that it be spent on early childhood education.

SIC notes the corpus of the LGPF: must increase to offset inflation; must increase in anticipation of the inevitable decrease to contributions stemming from a revenue source tied to non-renewable resources; and as the corpus of the LGPF increases, annual distribution amounts increase. The SIC analysis shows that the increased distributions negatively impact measures of inter-generational equity. Additionally, SIC notes that the requirement for the five-year average ending balance of the LGPF to be \$10 billion prior to additional distributions is unlikely to protect the LGPF in times of duress. For example, if the balance were to drop below \$5.0 billion in 2016, the five-year average balance of the LGPF would still be over \$10 billion.

Related Bills:

CS/SJR 2 *Permanent Funds for Childhood Education, CA*

SJR 3 *Permanent Fund Annual Distributions, CA*