

STATE OF NEW MEXICO
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December 13, 2010

MEMORANDUM

TO: Legislative Education Study Committee

FR: Peter B. van Moorsel

RE: STAFF BRIEF: FY 12 PUBLIC SCHOOL SUPPORT RECOMMENDATIONS

Current law requires that the Public Education Department (PED):

- review the financial needs of each school district or state-chartered charter school for the succeeding fiscal year; and
- submit annually, on or before November 30, to the Secretary of Finance and Administration the recommendations of the department for:
 - amendments to the public school finance formula;
 - appropriations for the succeeding fiscal year to the public school fund for inclusion in the executive budget document¹; and
 - appropriations for the succeeding fiscal year for pupil transportation and instructional materials.

On November 30, 2010, PED submitted its Public School Support Recommendations for FY 12 to the Department of Finance and Administration (DFA), and provided copies to the Legislative Education Study Committee (LESC), the Legislative Finance Committee (LFC), the Office of Education Accountability (OEA), and the Office of the Governor. In a letter

¹ Statute requires that the Governor's recommendations be submitted "not later than January 5 in even-numbered years and not later than January 10 in odd-numbered years."

included with the recommendations, the Secretary of Public Education reports that the request was developed with the following major considerations:

- the overall state revenue picture;
- DFA guidelines;
- Governor Richardson's education priorities;
- education reform initiatives;
- closing the achievement gap;
- compliance with statutory requirements; and
- No Child Left Behind (NCLB) compliance.

Attachment 1 to this staff brief is a table outlining the PED request for public school support and related appropriations for FY 12. In total, the department requests almost \$2.5 billion in funding (line 70), which represents an increase of \$146.1 million, or 7.7 percent, increase over the FY 11 appropriation after a reduction of over 3.244 percent pursuant to Section 14 of the *General Appropriation Act of 2010*.² The request includes:

- over \$2.3 billion to the State Equalization Guarantee (SEG), an increase of \$142.1 million, or 6.5 percent (lines 19-21). This includes almost \$88.8 million (line 2) to replace nonrecurring federal dollars from two sources that were distributed through the public school funding formula for FY 11:
 - almost \$23.9 million in State Fiscal Stabilization Funds pursuant to the *American Recovery and Reinvestment Act of 2009* (ARRA); and
 - approximately \$64.9 million in federal Education Jobs Funds that were awarded in August 2010;
- approximately \$116.4 million in categorical public school support, an increase of \$2.0 million, or 1.8 percent (line 40); and
- approximately \$32.1 million in related recurring appropriations, including the PED budget, an increase of \$2.0 million, or 6.7 percent (line 69).

FY 12 Consensus Revenue Estimate

On December 2, 2010, the Secretary of Finance and Administration and the Secretary of Taxation and Revenue presented the December 2009 General Fund Consensus Revenue Estimates to the LFC, projecting FY 12 recurring revenues to be approximately \$5.39 billion. This projection has been revised upward from the October 2010 projection by \$41.7 million.

DFA and LFC reported that, although the estimated revenue for FY 12 exceeds the level of FY 11 General Fund appropriations, maintaining the current level of services would require

² Section 14 of the *General Appropriation Act of 2010* requires that if a General Fund consensus revenue forecast projects that revenues and transfers to the General Fund will be insufficient to meet General Fund appropriations for fiscal year 2011, the Governor, with the approval of the State Board of Finance, must proportionately reduce the General Fund allotments to all agencies, funds, programs and other recipients that receive a General Fund appropriation in Section 4 of the *General Appropriation Act of 2010*.

replacing one-time funds (including \$88.9 million for public schools) with General Fund dollars, and would contribute to an FY 12 current services deficit. DFA estimates this deficit to be approximately \$410.2 million, while LFC estimates the shortfall to be approximately \$214.9 million. Attachment 2 explains the current services deficit and shows the assumptions made by both departments that contribute to the different projected shortfall totals.

The consensus revenue forecast group will prepare a mid-session revenue projection just before the midpoint of the 2010 session.

**PUBLIC EDUCATION DEPARTMENT REQUEST
PUBLIC SCHOOL SUPPORT AND RELATED REQUESTS FOR FY12**
(Dollars in Thousands)

	FY11 APPROPRIATION Sanded by 0.544%	FY11 APPROPRIATION 3.244% (per Sec. 14)	FY12 Request
PROGRAM COST			\$2,255,050.1
Restoration with General Fund Dollars of FY11 State Fiscal Stabilization Funds from the federal American Recovery and Reinvestment Act of 2009 (ARRA)			\$88,767.6
ENROLLMENT GROWTH			\$10,573.0
FIXED COSTS			\$3,880.0
INSURANCE COSTS			\$2,536.0
PUBLIC SCHOOL EMPLOYEE COMPENSATION			
Teachers			TBD
Instructional Staff			TBD
Other Licensed and Non-licensed			TBD
Increase Educational Assistants' Salary Base to \$13,000			
Increase in Employer's ERB Contribution (2.25 percent)			\$35,061.6
Assessment (school district costs for printing, scoring, and reporting)			\$4,239.2
PROGRAM COST	\$2,328,647.4	\$2,255,050.1	\$2,400,107.5
Dollar Difference over Previous Year's Apropriation			\$145,057.4
Percentage Change			6.4%
LESS PROJECTED CREDITS	(\$59,400.0)	(\$59,400.0)	(\$62,400.0)
LESS OTHER STATE FUNDS (from driver's license fees)	(\$850.0)	(\$850.0)	(\$850.0)
STATE EQUALIZATION GUARANTEE	\$2,268,397.4	\$2,194,800.1	\$2,336,857.5
Dollar Difference over Previous Year's Apropriation			\$142,057.4
Percentage Increase			6.5%
CATEGORICAL PUBLIC SCHOOL SUPPORT			
TRANSPORTATION			
Operational	\$85,834.1	\$83,049.3	\$82,903.0
School-owned Bus Replacements			
Rental Fees (Contractor-owned Buses)	\$11,966.4	\$11,578.2	\$11,724.4
Compensation			TBA
Educational Retirement 1.5% Employer/Employee Contribution Switch		\$0.0	
Increase in Employer's ERB Contribution (2.25 percent)		\$0.0	\$476.8
TOTAL TRANSPORTATION	\$97,800.5	\$94,627.5	\$95,104.2
SUPPLEMENTAL DISTRIBUTIONS			
Out-of-state Tuition	\$344.1	\$333.0	\$346.0
Emergency Supplemental	\$1,989.1	\$1,924.6	\$1,989.1
INSTRUCTIONAL MATERIAL FUND (FY12 Grades K-8 Language Arts/Reading; Grades K-8 Modern, Classical & Native Languages; Grades K-8 Reading Intervention Programs)	\$15,092.8	\$14,603.2	\$15,092.8
Dual Credit Instructional Materials	\$994.6	\$962.3	\$962.3
EDUCATIONAL TECHNOLOGY FUND		\$0.0	\$1,000.0
INDIAN EDUCATION FUND	\$1,989.1	\$1,924.6	\$1,924.6
SCHOOLS IN NEED OF IMPROVEMENT FUND		\$0.0	
TOTAL CATEGORICAL	\$118,210.2	\$114,375.2	\$116,419.0
TOTAL PUBLIC SCHOOL SUPPORT	\$2,386,607.6	\$2,309,175.3	\$2,453,276.5
Dollar Difference over Previous Year's Apropriation			\$144,101.2
Percentage Increase			6.2%
RELATED REQUESTS: RECURRING			
PUBLIC EDUCATION DEPARTMENT	\$14,719.5	\$13,955.4	\$14,331.7
Regional Education Cooperatives Operations	\$969.7	\$938.1	\$938.2
EARLY CHILDHOOD EDUCATION:			
K-3 Plus	\$5,470.1	\$5,292.6	\$5,292.6
Pre-kindergarten Program	\$5,470.1	\$5,292.6	\$5,292.6
EDUCATOR QUALITY:			
Beginning Teacher Mentorship		\$0.0	
Summer Reading, Math and Science Institutes	\$164.1	\$158.8	\$158.8
NEW MEXICO CYBER ACADEMY/INNOVATIVE DIGITAL EDUCATION AND LEARNING (IDEAL-NM):			
New Mexico Cyber Academy	\$708.1	\$685.2	\$2,285.0
SCHOOL FINANCE:			
Operating Budget Management System (OBMS) and Student Teacher Accountability Reporting System (STARS)	\$696.2	\$673.6	\$673.6
Rural Revitalization		\$0.0	
STUDENT ACHIEVEMENT:			
Advanced Placement	\$559.9	\$541.8	\$541.8
After-school Enrichment Program	\$149.2	\$144.3	\$144.3
Apprenticeship Assistance	\$198.9	\$192.5	\$192.4
School Improvement Framework	\$0.0	\$0.0	
Truancy and Dropout Prevention		\$0.0	
STUDENT HEALTH, SAFETY, AND WELL-BEING:			
Breakfast for Elementary Students	\$1,989.1	\$1,924.6	\$1,924.6
Family and Youth Resource Act		\$0.0	
GRADS – Teen Pregnancy Prevention	\$298.4	\$288.7	\$288.7
Athletic Equity Act			\$25.0
TOTAL RELATED REQUESTS: RECURRING	\$31,393.3	\$30,088.2	\$32,089.3
GRAND TOTAL	\$2,418,000.9	\$2,339,263.5	\$2,485,365.8
Dollar Difference over Previous Year's Apropriation			\$146,102.3
Percentage Increase			7.7%

	FY11 APPROPRIATION Sanded by 0.544%	FY11 APPROPRIATION 3.244% (per Sec. 14)	FY12 Request		
73	RELATED REQUESTS: NONRECURRING			73	
74			\$0.0	74	
75			\$808.0	74	
75	Assessment & Test Development			75	
75	Emergency Support to School Districts	\$6,000.0	\$6,000.0	\$6,000.0	75
76	Emergency Supplemental Support tot Small Rural School Districts	\$4,000.0	\$4,000.0	\$4,000.0	76
77	School Leadership Institute (to HED)				77
81	TOTAL RELATED REQUESTS: NONRECURRING	\$10,000.0	\$10,000.0	\$10,808.0	81
82				82	
83				83	
84	CAPITAL OUTLAY REQUESTS			84	
85			\$0.0	85	
85	School Bus Replacements			\$8,755.0	85
86	Pre-kindergarten Classrooms		\$0.0	\$2,000.0	86
87	TOTAL RELATED REQUESTS: NONRECURRING	\$0.0	\$0.0	\$10,755.0	87

Updated Revenue Consensus Estimates

FY12 CURRENT SERVICES DEFICIT:

Table 6 presents a comparison of two possible budget scenarios for FY12. One scenario is an update of figures previously estimated by DFA and the other is the updated LFC staff scenario. Both scenarios begin with the consensus revenue forecast of \$5,389.8 million. With the revised revenue figures, the estimated deficit ranges from \$214.9 million to \$410.2 million. The principal differences between the scenarios are:

- DFA assumes growth of Medicaid spending to accommodate enrollment growth and medical inflation,
- LFC assumes use of tobacco settlement revenue for Medicaid,
- LFC assumes a higher amount for TANF child care replacement,
- DFA assumes replacement of temporary federal funds for higher education,
- LFC assumes continuation of increased employee contributions for ERB, RHCA and PERA as contained in the FY11 budget,
- DFA assumes increased outlays for judicial budgets.

FY12 Budget Outlook			
(\$ millions)			
<u>Item:</u>	<u>DFA</u>	<u>LFC</u>	<u>Difference:</u>
			<u>LFC - DFA</u>
Recurring revenue	\$5,389.8	\$5,389.8	\$0.0
Appropriations:			
FY11 general fund	\$5,203.0	\$5,203.0	\$0.0
Medicaid	\$377.0	\$279.8	(\$97.2)
Replace tobacco revenue for Medicaid	\$19.6	\$0.0	(\$19.6)
Child care/Replace TANF	\$14.0	\$33.0	\$19.0
Higher education	\$10.9	\$0.0	(\$10.9)
Public education	\$88.9	\$88.9	\$0.0
ERB contribution	\$18.7	\$0.0	(\$18.7)
Retirement shift	\$33.3	\$0.0	(\$33.3)
Judiciary requests	\$9.8	\$0.0	(\$9.8)
Rest of state government	\$24.8	\$0.0	(\$24.8)
Total	\$5,800.0	\$5,604.7	(\$195.3)
Net surplus(deficit)	(\$410.2)	(\$214.9)	\$195.3

SOURCE: December 2, 2010 Updated Revenue Consensus Estimates