

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 01/20/10

SPONSOR Miera LAST UPDATED _____ HB 3

SHORT TITLE Education Appropriation Act SB _____

ANALYST Hoffmann

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY10	FY11		
	\$2,496,233.9	Recurring	General Fund
	\$850.0	Recurring	Driver's License Fund
	\$12,857.0	Recurring	Other State Funds
	\$1,500.0	Recurring	Inter-Agency Funds/TANF
	\$90.6	Recurring	Inter-agency Transfers
	\$566,373.0	Recurring	Federal Funds
	\$300.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

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

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

The House Bill 3 reflects the Legislative Education Study Committee (LESC) recommendation for public school support for fiscal year 2011. The bill appropriates funding for the state equalization guarantee (SEG), the transportation distribution, Public Education Department operations, Public Education Department Special appropriations including the Regional Educational Cooperatives, and other programs.

FISCAL IMPLICATIONS

The appropriation of \$2.496 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 2011 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 \$227.5 million or 10.8 percent. The LFC recommended an increase of 7% to reflect the current fiscal reality.

While total student enrollment state continues to be relatively flat over time, for FY10, it appears that growth units will exceed estimates by more 3,000 units. This appears to be the result of the ongoing economic circumstance where fewer students are attending private or parochial schools and returning to public schools. The SEG appropriation contained in HB-3 reflect increased appropriations for FY11 accounting for this phenomenon.

The appropriation contained in HB-3 also includes \$29 million to make up for the special session appropriation from the Public School Capital Outlay Fund that is expected to be repealed in the 2010 session.

Appropriations in the bill estimate projected credits of \$59.4 million from the 0.5 percent local mill levy, federal forest funds and the operational portion of federal impact aid and \$850 thousand from the driver’s license fund.

Categorical appropriations include \$2 million in emergency supplemental funding, \$346 thousand for out-of-state tuition, \$15.2 million for instructional materials. Other categorical funding includes \$1 million for the cost of dual credit instructional materials, \$2 million for schools in need of improvement, \$2.25 million for Indian Education with a \$500 thousand set-aside for a rural literacy initiative, and another \$500 thousand set aside for Teach for America.

In related, recurring appropriations, the bill includes \$45.7 million in total revenues to the Public Education Department (PED) for its FY11 operating budget, including general fund revenues of \$15.2 million. Special appropriations to the PED include \$2.5 million for breakfast for elementary students, \$6.5 million for kindergarten-three plus, \$7.7 million for pre-kindergarten, \$930 thousand for school improvement framework, and \$10 million for emergency support for school districts experiencing shortfalls. Appropriations for the Regional Education Cooperatives total \$37.6 million of which \$1.1 million from the general fund. Other special appropriations totaling \$300 thousand for the New Mexico outdoor program and the high school summer science 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 2010-2011 operating budgets and provides for an adjustment to the unit value before January 31, 2011 if needed,

Additional language contained in the bill provides that teacher be evaluated under the three-tiered licensure evaluation system to be eligible for minimum salaries.

CONFLICT

Historically House Bill 3 as introduced reflected the LFC recommendation. For the 2010 session, the bill reflects the LESC recommendation and conflicts with appropriations contained in the General Appropriations Act (HB-2 and HB-7).