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FISCAL IMPACT REPORT

ORIGINAL DATE 01/19/12

SPONSOR Miera LAST UPDATED 01/26/12 HB 3/aHEC

SHORT TITLE Education Appropriation Act SB _____

ANALYST Gudgel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY12	FY13		
	\$2,459,032.7	Recurring	General Fund
	\$15,912.2	Recurring	Other State Funds
	\$444,478.8	Recurring	Federal Funds
	\$5,100.0	Nonrecurring	Appropriation Contingency Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of HEC Amendment

Substantive amendments to House Bill 3 increase the recurring general fund appropriations for public education to \$2,459,032.7, and includes language regarding federal revenues the state takes credit for; the instructional materials fund; dual credit instructional materials; the kindergarten-three plus program; and the operating budget management system and the student, teacher accountability reporting system. The amendment also includes \$5 million in non-recurring appropriations to the public education department and \$100 thousand to the Legislative Council Service.

Synopsis of Original Bill

House Bill 3 reflects the Legislative Finance Committee's (LFC) recommendation for public education funding for fiscal year 2013. The bill appropriates funding for the state equalization guarantee, the transportation distribution, the Public Education Department (PED), PED related recurring appropriations including the Regional Education Cooperatives, and other programs. The bill has an emergency clause.

FISCAL IMPLICATIONS

The appropriation of \$2,459 billion contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balances remaining at the end of fiscal year 2013 shall revert to the general fund.

The appropriation of \$5.1 million contained in this bill is a non-recurring expense to the appropriation contingency fund. Any unexpended or unencumbered balances remaining at the end of fiscal year 2013 shall revert.

SIGNIFICANT ISSUES

The state equalization guarantee (SEG), also known as the “funding formula”, is used to distribute funds to public schools and charter schools. HB3 proposes increased funding from the general fund to the SEG by \$50.6 million, or 2.3 percent.

The appropriation to the SEG includes \$25.3 million to reverse the 1.75 percent retirement swap, \$11.1 million for enrollment growth and new charter school programs for existing charter schools, \$12.3 million for new charter school units, a decrease of \$6.2 million to account for a general decrease in units, \$10.3 million for increases in the employers share of insurance premiums, and \$2.5 million for fixed costs.

Appropriations in the bill estimate projected credits of \$69 million from the local 0.5 mill levy, federal forest funds and the operational portion of federal impact aid. The bill also contains credits of \$850 thousand from the driver’s license fund.

Categorical appropriations include \$96.6 million for the transportation distribution, \$4.5 million for emergency supplemental, \$28.7 million for instructional materials and dual credit instructional materials and sufficient funding for adult basic education instructional materials, \$346 thousand for out-of-state tuition, and \$1.8 million for Indian education with a \$400 thousand set aside for a nonprofit organization that provides teaching support in schools with a high proportion of Native American students.

The bill includes \$40.2 million in total revenues to the Public Education Department (PED) for its FY13 operating budget, including general fund revenues of \$10.7 million. Related recurring appropriation (flow-through appropriations) to the PED include \$11 million for kindergarten, \$8.5 million for kindergarten-three-plus with language establishing the minimum per student reimbursement and a date by which PED shall notify districts of awards, \$1.9 million for elementary breakfast, \$500 thousand for a nonprofit organization that provides teaching support to low-income students, \$890 thousand for innovative digital education and learning (IDEAL-NM), \$750 thousand for hosting and operational costs of the operating budget management system (OBMS) and the student, teacher accountability reporting system (STARS) contingent on granting LESC and LFC read and report only access to these systems, \$541.8 thousand for advanced placement, \$309.4 thousand for college and career readiness assessments, \$551.9 million for the alternative demonstration of competency, \$192.4 thousand for apprenticeship assistance, \$87.1 thousand for mock trial, and \$200 thousand for the graduation, reality and dual role skills (GRADS) program.

The amendments include \$5.1 million in non-recurring appropriations, \$4 million for emergency supplemental funding to districts experiencing shortfalls, \$1 million for transition to the common core content standards, and \$100 thousand to update the 2007-2008 public school funding formula study.

ADMINISTRATIVE IMPLICATIONS

Language is included to do the following:

Directs the secretary to set an initial unit value to be used by the districts in developing school year 2012-2013 operating budgets and provides for an adjustment to the unit value before January 31, 2013. Language also directs the secretary of the PED, in collaboration with the Office of Education Accountability of the Department of Finance and Administration to ensure that teachers, principals, and assistant principals have been evaluated annually in order for the school district or charter school to receive funding for statutory minimum salaries.

Language allows the department to request up to \$4 million from the appropriation contingency fund in the event credits come in under the projected amount, only after exhausting funds in the state support reserve fund.

Language related to the distribution of emergency supplemental funding requires the secretary ensure that all recipient districts and charter schools are current with their audits, and requires PED provide a report to the LFC and the Legislative Education Study Committee (LESC) outlining the criteria used to qualify for funds, the financial status of recipients, including the status of recipients' financial audits, and any cost savings measures implemented before applying for funds.

Language related the flow-through appropriation to the department for Regional Education Cooperatives (REC) allows the department to allocate amounts to one or more REC provided the REC's application adequately justifies a need for the allocation and the department finds the REC has submitted timely quarterly financial reports, is in compliance with state and federal reporting requirements, including annual audit requirements pursuant to the Audit Act, and is otherwise financially stable. PED is required to submit a detailed report to the LFC and the LESL on the effectiveness of the technical assistance and other services provided to members or the regional education cooperative and any nonmember public and private entities to which the cooperative provided education services.

RSG/amm:svb