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FISCAL IMPACT REPORT

ORIGINAL DATE 01/27/12

SPONSOR Nava LAST UPDATED _____ HB _____

SHORT TITLE Adult Basic Education SB 173

ANALYST Hartzler-Toon

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY12	FY13		
	\$6,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates Appropriation in the General Appropriation Act, Section 4, J Higher Education Department, Policy Development and Institutional Financial Oversight

SOURCES OF INFORMATION

LFC Files
LESC Files

Responses Received From
Higher Education Department (HED)

SUMMARY

Synopsis of Bill

The Adult Basic Education bill appropriates \$6.0 million from the general fund to the HED for the purpose of funding the state's maintenance of effort for the adult basic education program and to prevent the loss of federal funds.

FISCAL IMPLICATIONS

The appropriation of \$6.0 million in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY13 shall revert to the general fund.

It is unclear whether this bill would supplement the recurring general fund appropriation to the HED for adult basic education (ABE) or replace the budgeted amount. Pursuant to the federal Adult Education and Family Literacy Act, the state is required to sustain a maintenance of effort (MOE) level to receive federal ABE funding. Currently, the state must allocate \$5,939.2 thousand in state funding or eligible in-kind contributions to satisfy the MOE level. If this bill is

enacted, it would almost double the amount of general fund the HED’s ABE program currently receives and allocate much more funding than the MOE required.

SIGNIFICANT ISSUES

There is concern whether the state can continue to meet its MOE and whether state resources are sufficient to address the need for ABE services.

Recent general fund appropriations for ABE are

FY08 (actual)	\$6,186.5 thousand
FY09 (actual)	\$6,008.5 thousand
FY10 (actual)	\$6,121.1 thousand
FY11 (actual)	\$5,613.5 thousand
FY12 (operating budget)	\$5,386.8 thousand
FY13 total request	\$5,386.8 thousand

These appropriations do not include funding for the ABE instructional materials that is transferred from the Public Education Department (PED) to the HED pursuant to statute from the instructional materials fund. Such funds are ineligible to count towards the ABE MOE because the source is funds from Federal Mineral Leasing Act payments to the state.

Neither do the appropriations include other state funds that may be eligible for use as the state’s non-federal MOE. For example, the Department of Cultural Affairs (DCA) receives general fund support for an adult literacy program, and these funds may be counted towards the state’s MOE, provided adult literacy funds are not used as non-federal matching funds for another federal grant. In FY11, the DCA received more than \$600 thousand in general fund for its adult literacy program, and, in FY12, the DCA received more than \$300 thousand.

For FY12, the HED and Department of Finance Administration (DFA) have proposed that there may be insufficient funding to meet the MOE. The HED’s FY12 budget included \$5,386.8 thousand for the ABE program, or \$624 thousand. The federal agency regulating ABE programs has approved the use of DCA’s adult literacy general fund as eligible funds to meet the MOE. In addition to these funds, the DFA has requested a FY12 supplemental for \$170 thousand to meet the MOE requirement.

For FY13, the Executive’s and LFC’s recommendation requested the same FY12 level for ABE funding, or \$5.3 million. The Executive and LFC also requested the same FY12 level for DCA’s adult literacy program, or \$325 thousand. Should these funding recommendations be adopted, the FY13 base level for ABE would total \$5.625 million, or \$300 thousand less than the required MOE level.

Should the state not meet the MOE level for one year, the state will lose federal funding in future years according to federal regulations.

PERFORMANCE IMPLICATIONS

The HED’s annual budget includes performance measures for ABE as required by the Accountability in Government Act.

DUPLICATION

This bill may duplicate the HED's annual general fund level for ABE.

OTHER SUBSTANTIVE ISSUES

Approximately 400,000 New Mexicans over the age of 18 need ABE services. The HED's ABE program estimates that for every \$1 invested in the ABE program more than \$8 are returned to the state's revenues in income taxes paid and saved by the state in reduced expenditures for social services. Currently, the state spends about \$250 per student per year, with an additional \$190 in federal funds. Programs are only able to serve about 5% of those who need ABE services, and most programs have waiting lists.

ALTERNATIVES

The bill could appropriate funds that represent the difference between the budgeted amount and the MOE level, to ensure the bill's purpose of satisfying the MOE and prevent the loss of federal funds.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The HED will continue to identify other eligible state funds that can be counted towards the non-federal MOE requirement.

THT/svb