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FISCAL IMPACT REPORT

SPONSOR Miera **ORIGINAL DATE** 02/09/14
LAST UPDATED 02/17/14 **HB** 281/aHEC
SHORT TITLE Adult Basic Education Programs **SB** _____
ANALYST Hartzler-Toon

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY14	FY15		
	\$4,000.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

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

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)
 New Mexico Adult Education Association (NMAEA)
 Adult Basic Education Directors Council (ABEDC)

SUMMARY

Synopsis of HEC Amendment

The House Education Committee's amendment struck the bill's \$4 million appropriation recurring and nonreverting language. The amendment addressed a technical issue with the original bill since the adult basic education fund is a nonreverting fund.

Synopsis of Bill

House Bill 281 appropriates \$4 million from the general fund to the adult basic education fund, administered by the Higher Education Department (HED), to support adult basic education (ABE).

FISCAL IMPLICATIONS

As drafted, the appropriation of \$4 million to the adult basic education fund in this bill is a nonrecurring expense to the general fund. Further, the bill states that any unexpended or unencumbered balance remaining at the end of FY15 shall revert to the general fund.

The ABE program administered by HED received \$5.2 million in state general fund support for FY14. The appropriation plus an amount recorded for in-kind services satisfies the non-federal match requirement of \$6.7 million to receive an estimated \$4 million in federal funds.

For FY15, both the LFC and Executive recommended nearly \$5.4 million in general fund support for the program. The HAFC committee substitute for HB 2 (and SB 313) includes this level of funding for the program for FY15. Should HB 281 and the current appropriation level in HB 2 (SB 313) be enacted, state general fund support for ABE would increase to \$9.4 million with a total program budget of \$13.4 million for FY15, including an estimated \$4 million in federal funds.

A portion of ABE funding is distributed through a performance formula. In FY12 and FY13, HED distributed 10 percent and 15 percent, respectively, of total funding based on program performance. With flat federal FY14 funding, the department suspended the planned increase of distributing 20 percent of funds based on performance. The appropriation in HB 281 would allow the department to continue its scheduled plan to distribute more funding based on program performance.

SIGNIFICANT ISSUES

Based on testimony before the Legislative Education Study Committee (LESC) and HED's annual report, nearly 450 thousand adults, or 21 percent, of the state need adult basic education programming. Currently, the state serves about 5 percent, or 20,000 individuals, of the eligible population (ages 16 and older) needing services, with more than one thousand on a waiting list for services and 24 communities or community organizations requesting ABE services. In general, ABE programs help adults

- Learn basic literacy and numeracy skills
- Earn an alternative high school credential
- Learn English as a second language (ESL) and study civics in English
- Prepare for and enter postsecondary education and careers
- Obtain and retain employment.

According to the New Mexico Adult Education Association (NMAEA), more than 400 thousand adults are limited due to their lack of education or English-speaking skills, of which 240 thousand of these have not finished high school. The state contracts with 26 ABE programs that have experienced growing enrollments for those seeking high school diploma-equivalent certificates and ESL services.

HED reports that the average amount of total funding spent per student is \$775 annually, with the state supporting 39 percent, or \$300, of student expenditures. This amount is significantly lower than the amount spent annually on K-12 students (\$9.6 thousand/student) or postsecondary students (\$6 thousand/student).

On top of growing enrollments, programs and students face increased costs to obtain their credentials. In FY13, it cost a student \$50 to take the five-part GED battery of tests, and in FY14, the cost will increase to \$120 per battery of tests – a 140 percent increase where three of every four students are below the poverty line. HED and state administrators are seeking cheaper testing options for adults to earn their credentials than the GED offerings. In the meantime, HB 281 would help ABE programs train teachers to better help students take the computerized tests, revamp ABE facilities to accommodate the new testing regimes and address student learning challenges.

PERFORMANCE IMPLICATIONS

Additional funding would allow HED and programs to renew the performance component of the ABE formula. The formula includes incentives for program improvement.

ADMINISTRATIVE IMPLICATIONS

There are no additional administrative burdens associated with appropriation in HB 281. Increased funds would be distributed to ABE programs providing services in communities.

RELATIONSHIP

HB 281 duplicates a line-item appropriation in the General Appropriation Act, Section 4J to the HED's policy development and institutional financial oversight program.

OTHER SUBSTANTIVE ISSUES

HED and NMAEA report a high return on investment, estimating the state receives \$25.6 million in savings on public welfare services and increased income taxes for its \$5.2 million general fund appropriation.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The state will continue to underserve a significant portion of the population in need of basic literacy, numeracy, and ESL skills.

THT/ds:jl:ds