

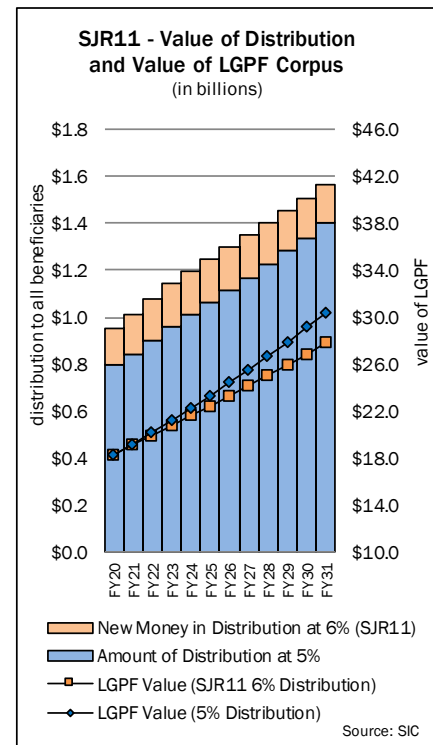
the current 5 percent distribution. Public school recipients would receive approximately 85 percent of the new money, totaling \$135.3 million, with the remaining \$23.9 million in new money being split among other beneficiaries of the fund, which include universities, state-supported schools, the New Mexico state penitentiary, and the Carrie Tingley Hospital.

While drawing from the LGPF, results in immediate revenue to the general fund, larger distributions diminish the long-term growth of the LGPF. SIC estimates the LGPF will continue to grow under a 6 percent distribution, but at a rate slower than if the distribution were 5 percent, because the growth of the LGPF is contingent on its ability to make positive returns on investments. SIC analysis of SJR11 assumes \$500 million in annual inflows from the State Land Office and a net return on investments of 6.8 percent. Based on these assumptions, by FY31, SJR11 will have increased the new money to beneficiaries by approximately \$160 million to \$185 million each year, totaling \$2.1 billion, but will have decreased the corpus value of the LGPF by about \$2.6 billion.

Value of Distribution and Value of LGPF Corpus
Current Law vs. SJR11
 (in millions)

Value of Distributions			Value of LGPF Corpus			
Current Law 5 Percent Distribution	SJR11 6 Percent Distribution	Annual New Money from Increasing Distribution		Current Law LGPF Value (5 Percent Distribution)	SJR11 LGPF Value (6 Percent Distribution)	Cumulative Decrease in LGPF Value
\$747.5			FY19	\$17,288		
\$796.2	\$955.4	\$159.2	FY20	\$18,246	\$18,246	\$0
\$843.3	\$1,011.0	\$167.7	FY21	\$19,222	\$19,142	(\$80)
\$901.5	\$1,077.9	\$176.4	FY22	\$20,224	\$19,976	(\$248)
\$962.3	\$1,145.6	\$183.3	FY23	\$21,250	\$20,813	(\$437)
\$1,012.4	\$1,197.9	\$185.5	FY24	\$22,294	\$21,647	(\$647)
\$1,063.5	\$1,248.8	\$185.2	FY25	\$23,361	\$22,486	(\$875)
\$1,115.9	\$1,299.1	\$183.2	FY26	\$24,458	\$23,338	(\$1,120)
\$1,169.5	\$1,349.9	\$180.4	FY27	\$25,587	\$24,206	(\$1,381)
\$1,224.5	\$1,401.2	\$176.7	FY28	\$26,747	\$25,091	(\$1,656)
\$1,280.9	\$1,453.4	\$172.4	FY29	\$27,941	\$25,993	(\$1,948)
\$1,339.0	\$1,506.5	\$167.5	FY30	\$29,168	\$26,914	(\$2,254)
\$1,398.7	\$1,560.7	\$161.9	FY31	\$30,431	\$27,853	(\$2,578)

Source: SIC



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LESC staff estimate the additional distribution to public schools is sufficient to fund the provisions of its companion bill, SB171. SB171 would incur a cost of an estimated \$135.6 million, about \$300 thousand more than the funds generated by SJR11 designated for public schools. SB171 would increase the number of instructional hours for kindergarten through fifth grade from 990 instructional hours to 1,127.5 instructional hours per year, and for sixth grade from 990 to 1,080 hours per year. The bill increases the cost differentials in the public school funding formula for each of these grades to compensate for the cost of increasing instructional time. A technical issue in SB171 would make the bill effective in FY21, while the 6 percent distribution in SJR11 would become effective in FY20.

Any constitutional amendment requires approval by voters in an election, in either a general election or a special statewide election. Section 1-16-13 NMSA 1978 requires the Secretary of State to print the full text of each proposed constitutional amendment, in both Spanish and English, with the number of copies equal to 10 percent of the registered voters in the state. The SOS is also

constitutionally required to publish the full text of each proposed constitutional amendment once a week for four weeks preceding the election in newspapers in every county in the state. Depending on the length of the constitutional amendment and cost of printing, SJR11 could cost up to \$50 thousand in FY19 printing and advertising costs based on 2016 actual expenditures of approximately \$35 thousand.

SUBSTANTIVE ISSUES

Research on extended school days has shown that increasing the amount of instructional time is most effective when the quality of instructional time is also improved. During the 2016 interim, the Legislative Finance Committee (LFC) published a program evaluation of time-on-task. In it, LFC highlights the importance of the amount of time students spend actively engaged in meaningful learning at school. Surveys cited in the report show that New Mexico students lose 32 percent, or an average of 62 days, of academic learning time per year to nonteaching duties, administrative duties, standardized assessment preparation, student absences, and other distractions. The report also notes current state policies do not do enough to maximize time-on-task, although the Public Education Department's (PED) response letter indicated NMTEACH teacher evaluations hold teachers accountable for their attendance, and truancy and dropout prevention coaches and middle school social worker programs are increasing time-on-task by improving student attendance.

A 2003 constitutional amendment provided a 0.8 percent increased distribution of the LGPF to all beneficiaries from FY06 through FY12, and a 0.5 percent additional distribution from FY13 through FY16 for the purpose of implementing educational reforms. Unlike the 2003 amendment, SJR11 does not have a "sunset" provision. The increased distribution would be permanent unless the constitution is amended at a later date.

The additional 1 percent distribution will be distributed to *all beneficiaries* of the LGPF, not just public schools. SJR11 qualifies that the 85 percent of the increased distribution going to the permanent school fund shall be used to increase the instructional hours and days in the school year as provided by law, but does not qualify how the other beneficiaries of the fund should use the increased distribution.

The constitutional amendment in SJR11 would become effective if approved by a majority of voters in the state of New Mexico. Unless a special election is called for the purpose of approving SJR11, SJR11 would be on the ballot in November 2018. If this were the case, the 2019-2020 school year (FY20) would be the first school year that school districts and charter schools would receive the increased distribution.

After its approval by voters, SJR11 would need a three-fifths majority vote in both the House and Senate to suspend the additional distributions. The additional distributions would be automatically suspended if the five-year average value of the LGPF falls below \$10 billion. SIC analysis notes a 5-year average below \$10 billion is unlikely.

ADMINISTRATIVE IMPLICATIONS

All beneficiaries of the LGPF would receive a 6 percent distribution from the LGPF beginning in FY20, but only those beneficiaries of the Permanent School Fund would be required to increase the minimum instructional hours as provided by law.

TECHNICAL ISSUES

A technical issue in SB171 would make the increased instructional hours effective in FY21, while the 6 percent distribution in SJR11 would become effective in FY20. This means that language on page 4, line 9, requiring that the additional distribution be “used to increase the minimum instructional hours and days in a school year as provided by law” will not have a provision in law to follow unless SB171 is amended and passes.

CONSEQUENCE OF NOT ENACTING THE BILL

Due to a contingency clause in SB171, if SJR11 is not passed and approved by voters, SB171 will not be enacted. If SJR11 passes but SB171 does not pass, the Legislature will need to pass a bill before to the FY20 enactment of SJR11 that increases the number of instructional hours to comply with the newly amended Constitution.

RELATED BILLS

Companion to SB171, Increase K-6 Instructional Hours & Days, which increases the minimum instructional days in the school year for kindergarten through sixth grade beginning in FY20.

Conflicts with SJR2, Land Grant Funds for Education, CA, which seeks an additional 1.5 percent annual LGPF distribution for early childhood education services.

Conflicts with SJR3, Early Childhood Education Dept., CA, which seeks to create the Early Childhood Education Department.

Related to SJR 7, Severance Tax Fund for Early Childhood, CA, which seeks an additional 0.8 percent annual distribution from the Severance Tax Permanent Fund for early childhood education programs.

Conflicts with HJR1, Land Grant Fund Distributions, CA, which seeks an additional 1 percent annual LGPF distribution for early childhood education services.

Conflicts with HJR2, Land Grant Fund for Public Safety, CA, which seeks an additional 0.5 percent annual LGPF distribution for public safety purposes.

SOURCES OF INFORMATION

- LESC Files
- State Investment Council

TCB/rsg