

July 2, 2020

MEMORANDUM

TO: Representative Christine Trujillo, Chair, and Senator Mimi Stewart, Vice Chair, Legislative Education Study Committee

FR: Joseph W. Simon, Senior Fiscal Analyst

THRU: Rachel S. Gudgel, Director

RE: FY21 Solvency Legislation

Background

Between February 2020 and June 2020, the consensus general fund revenue estimates for FY21 fell by \$2 billion, or 25 percent, and revenue estimates for FY22 fell by \$1.7 billion or 22 percent. On June 18, 2020, the New Mexico Legislature convened in special session to ensure the state maintained a balanced budget for FY20 and FY21. The governor's special session proclamation covered nine topics, including measures to address the sudden and significant decrease in general fund revenue collections. The Legislature also considered bills to address institutional racism and civil rights violations, which could have an impact on public schools as these institutions reevaluate how their policies and procedures impact minority students.

FY21 Solvency Legislation

Because public schools represent a large share of general fund appropriations, any solvency plan had to address public school appropriations. Prior to the 2020 special session, public schools represented 44.9 percent of recurring general fund appropriations for FY21. After accounting for the governor's line item vetoes, Chapter 5 reduced recurring general fund appropriations by \$560.2 million with a reduction of \$206.4 million for public schools, or 36.8 percent of total reductions. Because reductions for public schools were smaller than public schools' share of the overall budget, the share of recurring general fund appropriations for public schools rose from 44.9 percent to 45.5 percent. See **Appendix A: Recurring General Fund Appropriations**.

FY21 Program Cost and Projected Program Unit Value. Each year the Legislature appropriates to the state equalization guarantee distribution (SEG), which is the pool of money distributed to school districts and charter schools through the funding formula, after taking credit for certain local and federal revenue sources. Program

cost, or the amount of money the Legislature assumes school districts and charter schools need to operate, includes the SEG and 75 percent of federal and local revenue.

Chapter 5 includes a total of \$190.9 million in reductions to the SEG. Of this reduction, \$33.2 million is from a 1 percent sanding of the SEG appropriation, \$44.7 million is a nonrecurring reduction based on the receipt of federal grants under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and \$92.6 million is from reductions to school employee pay raises.

The SEG appropriation assumes a total statewide program cost of \$3.069 billion, which is \$67 million, or 2.2 percent, less than the amount assumed in FY20. See **Appendix B: Public School Support and Related Appropriations**. Despite a reduction in total program cost of 2.2 percent, the total appropriation to the SEG – essentially the state’s share of total program cost – is only \$22.3 million, or 0.7 percent, less than the amount appropriated in FY20. The difference is due to assumed changes around credits for federal Impact Aid.

Impact Aid. Program cost for FY21 could decline by up to \$67 million in FY21, or about 2 percent, due to a recent determination by the U.S. Department of Education (USDE) regarding the state’s ability to take credit for federal Impact Aid payments in FY21. The appropriation to the SEG assumes the loss of \$67 million in funding formula credits for federal Impact Aid with an accompanying appropriation of \$31 million to partially hold school districts and charter schools harmless, for a net reduction of \$36 million to school districts’ and charter schools’ program cost.

On May 31, 2020, PED submitted documents to the USDE showing New Mexico as an equalized state for FY21. On June 29, 2020, the federal Impact Aid office granted PED permission to account for Impact Aid revenue for FY21 in advance of a determination that the state meets the requirements of federal law; however, that permission may be withdrawn after USDE reviews the data necessary to make a final determination. If PED adjusts SEG payments to account for Impact Aid and the permission is withdrawn, the state will need to provide additional funding to Impact Aid school districts in the future. Due to uncertainty around the ability of the state to take credit for these dollars, the reduction included in Chapter 5 did not assume credits for Impact Aid, but certification by USDE could result in a higher than anticipated program cost for FY21.

Educator Pay and Benefits. Chapter 5 eliminated the requirement in the 2020 GAA to increase public education employee salaries by 4 percent, and decreased the SEG appropriation to account for the change. However, Chapter 5 included language to increase salaries by an average of 1 percent for all employees except for school administrators and school employees that perform primarily district-wide management functions.

Of concern during the special session was the impact anticipated increases to health insurance premiums would have on employee take home pay. The salary increases were included to help lower paid employees offset the costs of insurance premium increases. In addition, Chapter 5 also included language that prohibits a school district or charter school from paying an increase of more than 6 percent for group health insurance premiums that take effect in FY21. As a result, the Public Schools Insurance Authority will need to reduce previously-approved health insurance premium increases. The previously-approved rates include an 8.7 percent increase for “high option” coverage or a 2.1 percent for “low option” coverage, beginning October 2020. Albuquerque Public Schools, which provides its own plan, would not be able to raise rates by more than 6 percent for the plan year beginning January 1, 2021.

K-5 Plus. Chapter 5 included a \$40 million reduction to the SEG for existing funding appropriated for K-5 Plus programs, leaving an appropriation of \$80 million for FY21. For FY20, school districts and charter schools only applied for \$22 million of the \$120 million appropriated for K-5 Plus. It is unlikely, given the public health emergency, that school districts and charter schools will apply for all available funding in FY21. In addition to the reduction, language in the 2020 GAA will continue to allow PED to use \$35 million in K-5 Plus funding for extended learning time programs.

Chapter 5 also included flexibility language that could allow some school districts and charter schools to maintain K-5 Plus programs in FY21 that do not meet the statutory criteria outlined in the K-5 Plus Act. Although the K-5 Plus Act requires no less than 25 days be added prior to the start of the school year, provisions of Chapter 5 allow an elementary school to add 25 days at any point in the school year. Additionally, the language allows the PED secretary to waive up to 10 days of a K-5 Plus program for a school with a school-wide program that is closed due to a public health emergency. The waiver provision does not require school districts or charter schools to offer remote learning on the 10 days that could be waived and it is not clear if a school district or charter school would be required to pay teachers for the 10 days that could be waived. While not meeting the statutory requirements of the K-5 Plus Act, this flexibility could allow programs to be maintained in FY21 that would otherwise be cancelled. In May 2020 PED cancelled K-5 Plus for FY21, citing the difficulty to meet the program’s statutory requirements in FY21.

CARES Act Swap. Chapter 5 reduced the SEG appropriation by \$44.7 million to account for funding provided by the federal CARES Act. Under the CARES Act, school districts and state-chartered charter schools in New Mexico will receive at least \$97.1 million, which can be used for any educational purpose allowed under other federal education grant programs, and PED will receive up to \$10.9 million to distribute to schools for statewide priorities in response to the COVID-19 pandemic. The CARES Act requires PED to allocate CARES Act funding based on federal Title I grant

allocations. School districts and charter schools may use these funds for expenses in FY20 or FY21, but only expenses incurred after March 13, 2020 are eligible.

The CARES Act swap in Chapter 5 effectively reduces general fund appropriations to the SEG – Chapter 5 would not authorize the state to take CARES Act funds from school districts and charter schools but would reduce general fund appropriations on a nonrecurring basis. School districts and charter schools would still receive their full award from the CARES Act. However, some school leaders have expressed concern about this reduction, arguing the school districts and charter schools need these funds to pay for school reopening and additional operating costs required by the COVID-19 pandemic. In addition, recent emergency regulations from USDE could limit the flexibility of CARES Act funds if a school district does not allocate a larger share of CARES Act fund to private schools than would be required under the Title I formula.

Other SEG Appropriations. Chapter 5 eliminated the appropriation included in the 2020 GAA to expand elementary physical education programs and eliminates a \$4.2 million for teacher mentorship stipends. Elementary physical education programs were added to the funding formula in 2007; however, the Legislature has discontinued funding for new program units in response to general fund revenue reductions. The \$4.2 million included for mentorship stipends was originally included in the budget to fund LFC-endorsed bills that created a factor in the public school funding formula for teacher mentorship (House Bill 241 and Senate Bill 171 from 2020 session). Those bills did not pass. Finally, Chapter 5 also reduces the appropriation for early literacy programs to \$8 million, from \$10 million authorized by the 2020 GAA.

FY21 Preliminary Unit Value. Provisions of Chapter 5 require the secretary of public education to reset the initial FY21 program unit value to account for reductions to the SEG included in the bill. Based on data provided by PED from the second reporting date of FY20, legislative staff estimate the funding formula will generate between 652 thousand and 656 thousand program units in FY21, not including program units for K-5 Plus or extended learning time programs, which have specific earmarks in the SEG. At this level, the value of each program unit could be between \$4,520 and \$4,540, a reduction from the \$4,602 FY20 program unit value of between roughly 1.25 percent and 1.75 percent.

Extended Learning to Recover Lost Instructional Time. A recent Legislative Finance Committee (LFC) report found the COVID-19 public health emergency could result in a loss of between three months and one year of learning for students, with greater impacts for younger students and for at-risk students. As a result, Chapter 5 included language directing PED to work with school districts and charter schools to prioritize additional instructional time in FY21 to recover time that was lost due to the public health emergency. School districts and charter schools that add 10 instructional days to the FY21 calendar will receive additional funding, and any school district or charter schools that does not apply for an extended learning time

program will need to provide written notification to LESC, LFC, and PED detailing how the school district or charter school will recover lost instructional time. See **Appendix C: Public Education Related Language From Chapter 5**.

Categorical Programs. Chapter 5 included \$9.3 million in reductions to categorical programs, equivalent to a 6 percent reduction and the elimination of salary increase funding. This amount represents a \$3.4 million decrease, or 2.7 percent, from total categorical appropriations in FY20. Although the amount represents 6 percent of total categorical appropriations, the reduction to the transportation distribution was limited to \$4 million. The \$4 million reduction for appropriations to dual credit instructional materials, emergency supplemental, standards-based assessments, and the Indian education fund would be cut at a greater rate, but these appropriations have increased at a greater rate over the past two years. In addition, school transportation expenses may increase in FY21, suggesting transportation programs should be prioritized.

Regional Education Cooperatives. Chapter 5 reduced general fund appropriations to regional education cooperatives (RECs) by 6 percent, or \$66 thousand; the remaining appropriation amount is only \$5 thousand, or 0.4 percent, less than the FY20 appropriation for RECs. RECs are state agencies administratively attached to PED and although Chapter 5 reduced most state agencies by 4 percent, RECs are reduced by 6 percent. RECs are primarily funded from other sources; only 2 percent of total appropriations to RECs in the 2020 GAA were direct appropriations from the general fund.

PED Special or “Below-the-Line” Programs. Chapter 5, as passed by the Legislature, included a total of \$15.4 million in reductions to PED’s special programs, sometimes called “below-the-line” programs. This reduction included a \$10 million swap for funding provided under the CARES Act to the governor for responses to the public health emergency. However, this reduction was line-item vetoed by the governor. Rather than target individual appropriations for elimination, Chapter 5 reduced each special program appropriation proportionally. See **Appendix B: Public School Support and Related Appropriations** for a detailed list of programs.

Non-Recurring Appropriations. Chapter 5 reduced nonrecurring appropriations from the public education reform fund to PED and public school support by \$47.4 million. A majority of this reduction is the result of an elimination of \$30 million for K-12 Plus pilot programs and K-5 Plus transition programs and the elimination of a \$5 million appropriation for summer extended learning programs in Native American or small school districts. In light of the public health emergency, summer programs were cancelled by PED. Chapter 5 also reduced:

- \$4.5 million for instructional materials,
- \$1 million to support the placement of teachers in hard-to-staff areas;

- \$2.9 million to replace federal grant money in four elementary schools;
- \$1 million for teacher residency programs; and
- \$3 million for a school budget transparency website; which duplicated a second appropriation made for the same purpose.

As passed by the Legislature, Chapter 5 included an \$8 million reduction for culturally and linguistically diverse instructional materials and curriculum development and a \$750 thousand reduction for a special education convening. The governor line-item vetoed these reductions.

Public School Capital Improvements Act. Chapter 3 repeals changes made to the Public School Capital Improvements Act, commonly known as “SB9,” during the 2020 regular session. Laws 2020, Chapter 64, would have made changes to the SB9 state match calculation to provide more annual state funding to all school districts, with an estimated cost of approximately \$36 million in FY21 – more than double the current state match calculation.

Recent consensus revenue estimates suggest declining oil and gas production will decrease FY21 supplemental severance tax bond capacity by approximately \$77 million, from December’s projected \$193 million down to \$116 million in June. The Public School Capital Outlay Council (PSCOC) raised concerns about increasing the cost of the SB9 program at a time when the additional revenue may be needed to meet obligations to ongoing construction projects and the requirements of the *Zuni* capital outlay lawsuit. The repeal of Laws 2020, Chapter 64 frees up approximately \$18 million PSCOC to make additional awards for school renovations statewide.

Future Financial Outlook

Despite the reductions in general fund appropriations for FY21, the Legislature will likely be faced with additional challenges when developing the FY22 budget. Balancing the FY21 budget required the Legislature to use several one-time fixes, including the use of federal funds and dipping into state reserves. In addition, consensus general fund revenue estimates for FY22 were revised down by \$1.7 billion, leaving a projected deficit for FY22 of \$991 million, or 14 percent of FY21 recurring appropriations for FY22. In addition, the state will have lower reserves in FY22; LFC estimates state reserves will fall from \$1.5 billion at the end of FY20 to \$819 million at the end of FY21, or 11.8 percent of recurring general fund appropriations.

To hedge against further revenue reductions, Chapter 5 included a provision that would require the Department of Finance and Administration to reduce general fund appropriations by up to an additional 2 percent, with equal percentage reductions for each agency. The provision is triggered if consensus general fund revenue estimates in August or December show insufficient revenue and transfers into the general fund to meet general fund appropriations for FY21.

Recurring General Fund Appropriations¹

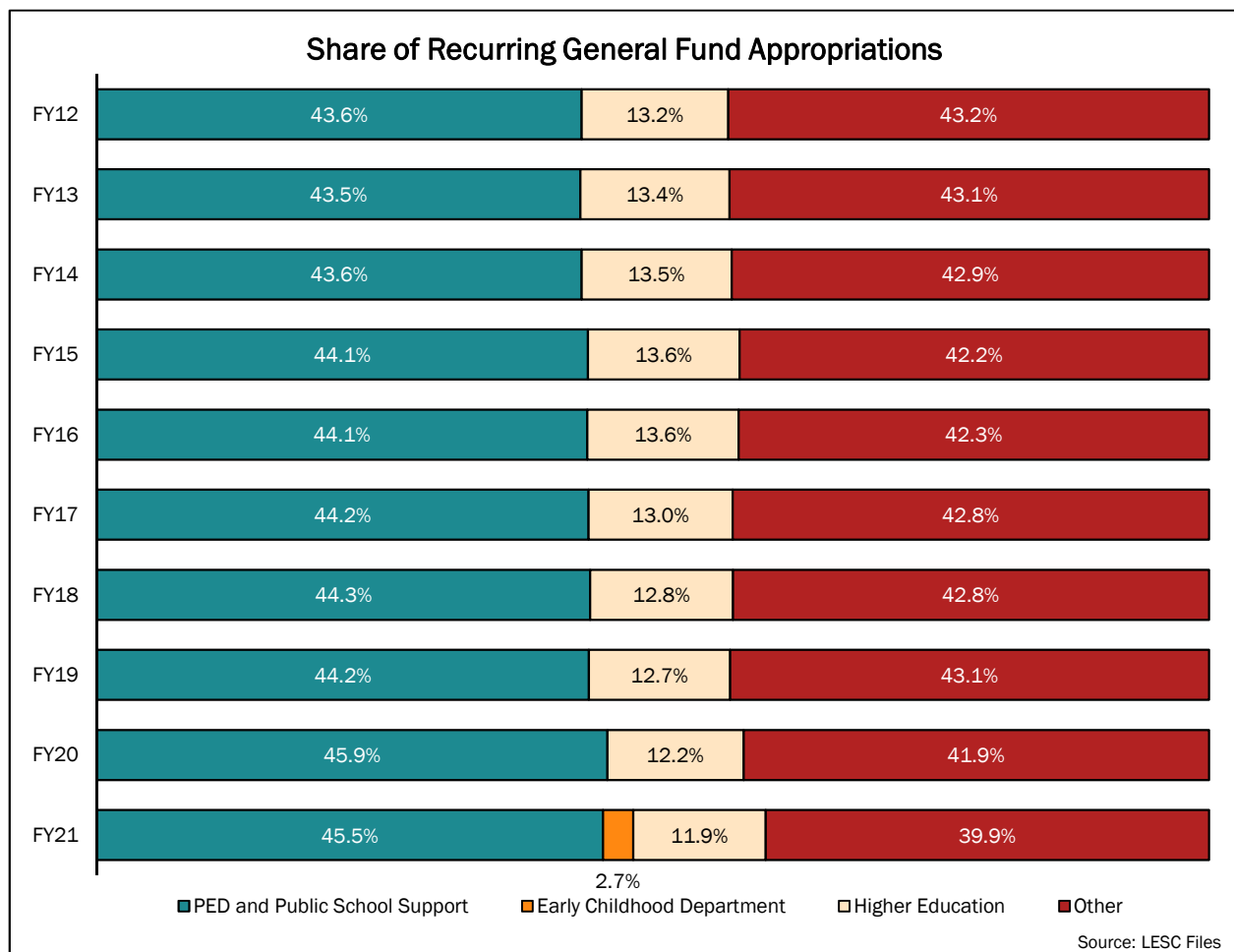
(in thousands)

Year	PED and Public School Support	Early Childhood Department	Higher Education	Total General Fund
FY12	\$2,366,012.0		\$716,565.3	\$5,431,388.6
FY13	\$2,455,341.4		\$757,716.6	\$5,650,139.2
FY14	\$2,567,549.5		\$796,028.3	\$5,893,578.1
FY15	\$2,715,469.6		\$838,606.8	\$6,151,134.6
FY16	\$2,735,613.3		\$843,428.2	\$6,204,334.3
FY17	\$2,682,429.5		\$786,866.8	\$6,070,229.1
FY18	\$2,695,524.5		\$779,345.1	\$6,077,955.6
FY19	\$2,801,153.0		\$803,478.4	\$6,332,267.1
FY20	\$3,252,017.6		\$867,043.6	\$7,085,292.5
FY21 ²	\$3,211,908.3	\$193,300.0	\$840,642.9	\$7,061,200.0

Source: LESC Files

¹This table includes only recurring general fund appropriations and excludes all other revenue sources, which in some cases supplant recurring general fund appropriations, public school capital outlay fund revenue in FY17 through FY20, or "House Bill 2 Junior" appropriations in FY20.

²Beginning in FY21, appropriations for prekindergarten programs in public schools moved from the Public Education Department to the Early Childhood Education and Care Department. As a result, FY21 funding is not included in the PED column, but is included in FY20 and earlier years.



Recurring General Fund Appropriations for Public Education

(in thousands)

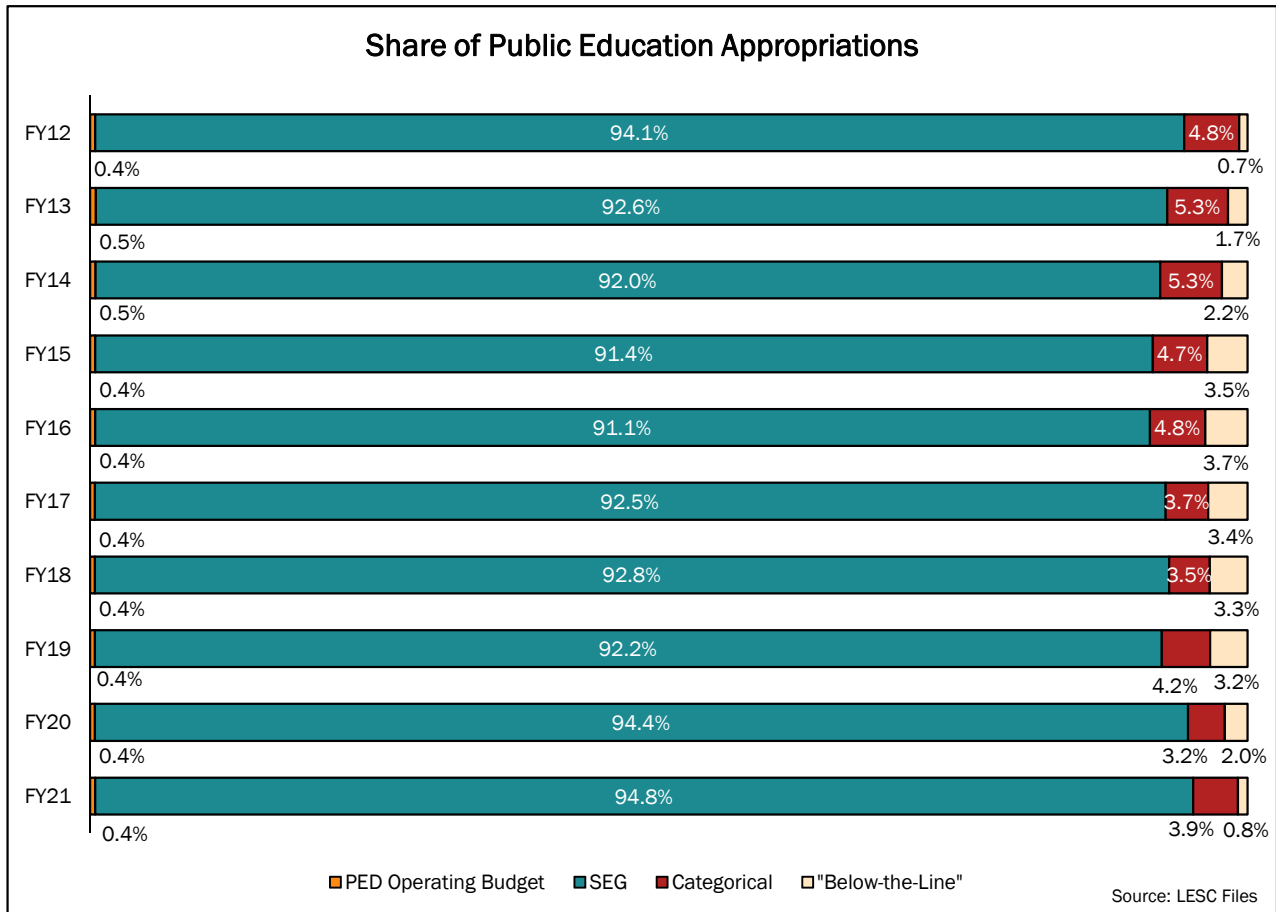
Year	PED Operating Budget	State Equalization Guarantee Distribution	Categorical Appropriations	Special or "Below-the-Line" Programs
FY12	\$10,534.2	\$2,225,491.4	\$112,930.6	\$17,055.8
FY13	\$11,711.9	\$2,273,588.9	\$129,179.4	\$41,833.5
FY14	\$11,786.1	\$2,361,895.8	\$136,845.9	\$57,022.3
FY15	\$11,969.2	\$2,481,311.0	\$127,066.6	\$95,122.8
FY16	\$11,879.7	\$2,492,525.8	\$130,790.1	\$100,417.7
FY17 ¹	\$11,065.3	\$2,481,192.4	\$99,040.1	\$91,131.7
FY18 ¹	\$11,065.3	\$2,501,808.7	\$94,465.5	\$88,185.0
FY19 ¹	\$11,246.6	\$2,582,377.6	\$116,628.9	\$90,900.0
FY20 ^{1,2}	\$13,246.6	\$3,068,803.4	\$102,928.5	\$64,389.0
FY21 ³	\$14,322.2	\$3,046,463.4	\$124,176.7	\$26,946.1

Source: LESC Files

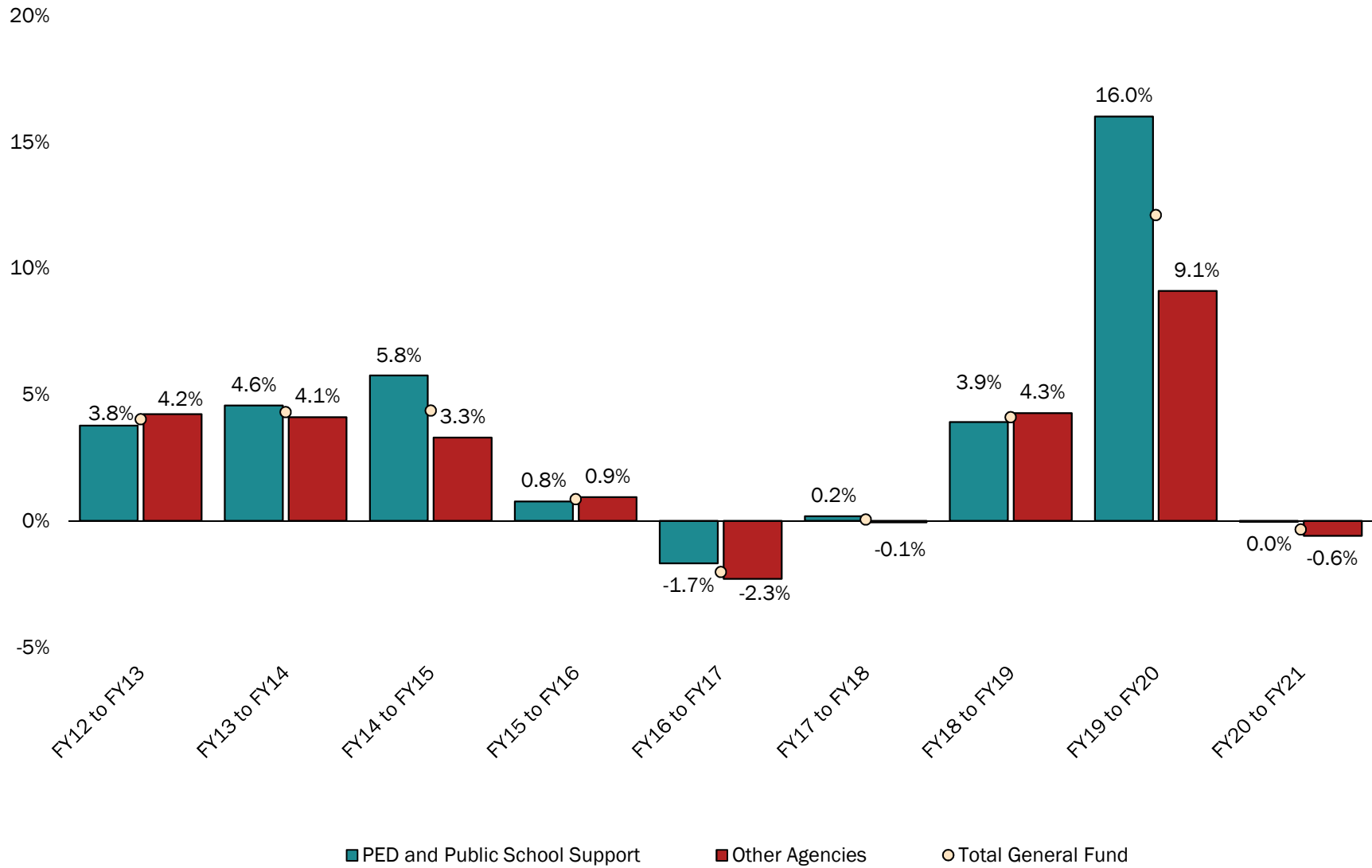
¹In FY17 through FY20, the categorical appropriations column does not include public school capital outlay fund revenue appropriated for transportation and instructional materials.

²The special or "below-the-line" programs column include K-3 Plus program appropriations in FY12 through FY19. Beginning in FY20 the K-5 Plus program was funded through the state equalization guarantee distribution.

³Beginning in FY21, appropriations for prekindergarten are made to the Early Childhood Education and Care Department and are not included in this table. In FY20, appropriations for prekindergarten in the special or "below-the-line" programs column were \$39 million.



Year-Over-Year Change in General Fund Appropriations



Source: LESC

Public School Support and Related Appropriations for FY21
(in thousands of dollars)

	School Year 2019-2020 Preliminary Unit Value = \$4,565.41 School Year 2019-2020 Final Unit Value = \$4,602.27	FY20 OpBud	Laws 2020, Chapter 83	Laws 2020 (1st S.S.), Chapter 5	Difference Chapter 83 to Chapter 5
PROGRAM COST		\$2,646,377.6	\$3,137,303.4	\$3,137,303.4	
<u>UNIT CHANGES</u>					
Increase At-Risk Index (Multiplier for FY20: 0.25; FY21: 0.30)		\$113,177.9 ¹	\$50,152.1 ¹	\$50,152.10	
Increase Bilingual and Multicultural Education Program Units		\$6,954.5			
Set School Age Limit at 22		(\$6,129.0)			
Phase-Out School Size Adjustment for Schools Within Large Districts		(\$9,041.6)			
Phase-In Rural Population Units		\$5,204.5 ¹			
Extended Learning Time Program Units (190 Days, After School Programs, and 80 Hours of Professional Development)		\$62,497.4 ¹	\$8,896.6 ²	\$8,896.6 ²	
K-5 Plus Program Units		\$119,895.9 ¹	\$8,896.6 ²	(\$40,000.0) ²	(\$40,000.0)
Additional Elementary P.E. Program Units			\$6,000.0		(\$6,000.0)
Net Program Unit Changes		(\$11,173.3)	(\$10,287.0)	(\$10,287.0)	
<u>UNIT VALUE CHANGES</u>					
Instructional Materials		\$30,000.0			
Increase Employer Retirement Contributions 0.25 Percentage Points		\$4,250.0 ¹			
Insurance		\$9,014.0	\$11,567.6	\$11,567.6	
Fixed Costs		\$4,000.0	\$4,764.9	\$4,764.9	
Mentorship, Professional Development, and Induction Programs			\$11,000.0	\$11,000.0	
Mentorship Stipends			\$4,198.1		(\$4,198.1)
Early Literacy and Reading Support Programs			\$10,000.0	\$8,000.0	(\$2,000.0)
Minimum Wage Increase (Laws 2019, Chapter 114; FY20: \$9.00; FY21: \$10.50)		\$169.6	\$1,100.0	\$1,100.0	
Compensation Increase for Teachers (FY20: 6%; Chapter 83: 4%)		\$77,753.0	\$59,180.2		(\$59,180.2)
Compensation Increase for Other Employees (FY20: 6%; Chapter 83: 4%)		\$43,919.8	\$33,447.4		(\$33,447.4)
Increase Teacher Minimum Salaries (\$41k, \$50k, \$60k)		\$38,217.4 ¹			
Increase Principal and Assistant Principal Minimum Salary (\$60K*responsibility factor)		\$2,215.6 ¹			
Eliminate Impact Aid Credit				(\$67,000.0) ¹¹	(\$67,000.0)
Offset Loss of Impact Aid Credit				\$31,000.0 ¹¹	\$31,000.0
SEG 1 Percent Sanding				(\$32,373.2)	(\$32,373.2)
Nonrecurring Education Stimulus Swap				(\$44,661.0) ¹²	(\$44,661.0)
SUBTOTAL PROGRAM COST		\$3,137,303.4	\$3,327,323.3	\$3,069,463.4	(\$257,859.9)
Dollar Change Over Prior Year Appropriation		\$490,925.8	\$190,019.9	(\$67,840.0)	(\$257,859.9)
Percent Change		18.6%	6.1%	-2.2%	-7.7%
LESS PROJECTED CREDITS (FY19 Actual Credits of \$84,100.6)		(\$63,500.0)	(\$83,000.0)	(\$16,000.0) ¹¹	\$67,000.0
LESS OTHER STATE FUNDS (From Driver's License Fees)		(\$5,000.0)	(\$7,000.0)	(\$7,000.0)	

Public School Support and Related Appropriations for FY21
(in thousands of dollars)

School Year 2019-2020 Preliminary Unit Value = \$4,565.41 School Year 2019-2020 Final Unit Value = \$4,602.27		FY20 OpBud	Laws 2020, Chapter 83	Laws 2020 (1st S.S.), Chapter 5	Difference Chapter 83 to Chapter 5
34	STATE EQUALIZATION GUARANTEE	\$3,068,803.4	\$3,237,323.3	\$3,046,463.4	(\$190,859.9)
35	Dollar Change Over Prior Year Appropriation	\$486,425.8	\$168,519.9	(\$22,340.0)	
36	Percent Change	18.8%	5.5%	-0.7%	
37	CARES Act Elementary and Secondary Emergency Relief Fund			\$108,031.9	\$108,031.9
38	Total SEG and Federal Funds	\$3,068,803.4	\$3,237,323.3	\$3,154,495.3	(\$82,828.0)
39	Dollar Change Over Prior Year Appropriation	\$486,425.8	\$168,519.9	\$85,691.9	
40	Percent Change	18.8%	5.5%	2.8%	
41	CATEGORICAL PUBLIC SCHOOL SUPPORT				
42	Transportation				
43	Maintenance and Operations	\$56,397.9	\$86,664.8	\$86,664.8	
44	Fuel	\$12,979.0	\$13,108.8	\$13,108.8	
45	Rental Fees (Contractor-Owned Buses)	\$9,194.4	\$7,119.7	\$7,119.7	
46	Transportation for Extended Learning Time Programs	\$2,745.6 ¹	\$3,707.3	\$3,707.3	
47	Transportation for K-5 Plus Programs	\$3,744.0 ¹	\$3,818.9	\$3,818.9	
48	Compensation Increase for Transportation (FY20: 6%; Chapter 83: 4%)	\$3,567.6	\$1,594.0	⁷	(\$1,594.0)
49	Categorical 6% Sanding (Half Transportation; Half Other)			(\$4,013.9)	(\$4,013.9)
50	SUBTOTAL TRANSPORTATION	\$88,628.5 ³	\$116,013.5	\$110,405.6	(\$5,607.9)
51	Out-of-State Tuition	\$300.0	\$285.0	\$285.0	
52	Emergency Supplemental	\$1,000.0	\$2,000.0	\$2,000.0	
53	Dual Credit Instructional Materials	\$1,000.0	\$1,500.0	\$1,500.0	
54	Standards-Based Assessments	\$6,000.0	\$8,000.0	\$8,000.0	
55	Indian Education Fund	\$6,000.0	\$6,000.0	\$6,000.0	
56	Categorical 6% Sanding (Half Transportation; Half Other)			(\$4,014.0)	(\$4,014.0)
57	TOTAL CATEGORICAL	\$102,928.5	\$133,798.5	\$124,176.7	(\$9,621.8)
58	TOTAL PUBLIC SCHOOL SUPPORT	\$3,171,731.9	\$3,371,121.8	\$3,170,640.0	(\$200,481.8)
59	Dollar Change Over Prior Year Appropriation	\$474,975.4	\$199,389.9	(\$1,091.9)	(\$200,481.8)
60	Percent Change	17.6%	6.3%	0.0%	-5.9%
61	RELATED REQUESTS: RECURRING				
62	Regional Education Cooperatives	\$1,039.0	\$1,100.0	\$1,034.0 ¹³	(\$66.0)
64	Indigenous, Multilingual, Multicultural and Special Education	\$1,000.0	\$5,500.0	\$4,567.9 ¹³	(\$932.1)
65	English Learners and Bilingual Education Program Evaluation and Support	\$2,500.0			
66	Early Literacy and Reading Support		\$2,000.0	\$1,661.0 ¹³	(\$339.0)
68	Principal, School Leader, and Board Member Professional Development	\$2,500.0	\$3,000.0	\$2,491.5 ¹³	(\$508.5)
69	Teacher Evaluation System	\$1,000.0 ⁴			
70	Teacher Professional Development Programs	\$2,500.0	\$3,455.0	\$2,869.4 ¹³	(\$585.6)
72	Community School Initiatives	\$2,000.0	\$4,000.0	\$3,322.1 ¹³	(\$677.9)

Public School Support and Related Appropriations for FY21
(in thousands of dollars)

School Year 2019-2020 Preliminary Unit Value = \$4,565.41 School Year 2019-2020 Final Unit Value = \$4,602.27		FY20 OpBud	Laws 2020, Chapter 83	Laws 2020 (1st S.S.), Chapter 5	Difference Chapter 83 to Chapter 5
73	Breakfast for Elementary Students	\$1,600.0	\$1,600.0	\$1,328.8 ¹³	(\$271.2)
74	New Mexico Grown Fruits and Vegetables	\$450.0	\$400.0	\$332.2 ¹³	(\$67.8)
75	School Lunch Copayments		\$650.0	\$539.8 ¹³	(\$110.2)
76	GRADS – Teen Parent Interventions	\$200.0 ⁵	\$500.0 ⁵	\$415.3 ^{5,13}	(\$84.7)
77	School-Based Health Centers	\$1,350.0			
79	STEAM Initiative (Science, Technology, Engineering, Arts, and Math)	\$5,000.0	\$5,000.0	\$4,152.6 ¹³	(\$847.4)
80	Advanced Placement Test Fee Waivers and Training	\$1,500.0	\$1,500.0	\$1,245.8 ¹³	(\$254.2)
81	Career Technical Education Fund (Laws 2019, Ch. 61)	\$3,000.0	\$3,000.0	\$2,491.5 ¹³	(\$508.5)
82	Accountability and Regional Support Systems				
83	College and Career Readiness		\$100.0	\$83.1 ¹³	(\$16.9)
84	Feminine Hygiene Products	\$170.0	\$170.0	\$141.2 ¹³	(\$28.8)
85	Teaching Pathways Coordinator	\$50.0	\$50.0	\$41.5 ¹³	(\$8.5)
86	Teacher Professional Development for Computer Science	\$200.0	\$200.0	\$166.1 ¹³	(\$33.9)
87	SB536: Dyslexia Screening and Professional Development	\$357.0			
88	SB536: Media Literacy Programs	\$350.0			
89	MESA Programs	\$75.0	\$75.0	\$62.3 ¹³	(\$12.7)
90	TOTAL RELATED APPROPRIATIONS: RECURRING	\$26,841.0	\$32,300.0	\$26,946.1	(\$5,353.9)
91	Dollar Change Over Prior Year Appropriation	(\$35,059.0)	\$5,459.0	\$105.1	
92	Percent Change	-56.6%	20.3%	0.4%	
93	SUBTOTAL PUBLIC EDUCATION FUNDING	\$3,198,572.9	\$3,403,421.8	\$3,197,586.1	(\$205,835.7)
94	Dollar Change Over Prior Year Appropriation	\$408,666.4	\$204,848.9	(\$986.8)	
95	Percent Change	14.6%	6.4%	0.0%	
96	PUBLIC EDUCATION DEPARTMENT	\$13,618.8	\$14,919.0	\$14,322.2	(\$596.8)
97	Dollar Change Over Prior Year Appropriation	\$2,372.2	\$1,300.2	\$703.4	
98	Percent Change	21.1%	9.5%	5.2%	
99	TOTAL - PUBLIC SCHOOL SUPPORT AND PED (General Fund)	\$3,212,191.7	\$3,418,340.8	\$3,211,908.3	(\$206,432.5)
100	Dollar Change Over Prior Year Appropriation	\$411,038.6	\$206,149.1	(\$283.3)	
101	Percent Change	14.7%	6.4%	0.0%	
116	TOTAL - Including Federal Funds from CARES Act	\$3,212,191.7	\$3,418,340.8	\$3,319,940.2	(\$98,400.5)
117	Dollar Change Over Prior Year Appropriation	\$411,038.6	\$206,149.1	\$107,748.6	
118	Percent Change	14.7%	6.4%	3.4%	
120	SECTION 5 APPROPRIATIONS: NONRECURRING GENERAL FUND OR PUBLIC EDUCATION REFORM FUND				
121	FROM THE PUBLIC EDUCATION REFORM FUND				
122	Career Technical Education Fund (Laws 2019, Ch. 61)	\$2,000.0 ⁹	\$2,000.0	\$2,000.0	
123	Culturally and Linguistically Appropriate Instructional Materials and Curricula		\$9,000.0	\$9,000.0	

Public School Support and Related Appropriations for FY21
(in thousands of dollars)

School Year 2019-2020 Preliminary Unit Value = \$4,565.41 School Year 2019-2020 Final Unit Value = \$4,602.27		FY20 OpBud	Laws 2020, Chapter 83	Laws 2020 (1st S.S.), Chapter 5	Difference Chapter 83 to Chapter 5
124	Cyber Security and Data Systems Upgrade		\$500.0	\$500.0	
125	Early Literacy Summer Professional Development		\$875.0	\$875.0	
126	School Budget Transparency Website		\$6,000.0 ¹	\$3,000.0	(\$3,000.0)
127	Educator Evaluation System		\$1,000.0	\$1,000.0	
128	National Board Certification Grants		\$500.0 ¹	\$500.0	
129	School Improvement Grants		\$2,933.1		(\$2,933.1)
130	Grow Your Own Teachers Act		\$500.0	\$500.0	
131	Statewide Special Education Convening		\$750.0	\$750.0	
132	Teacher Residency Pilot	\$1,000.0 ⁹	\$2,000.0 ¹	\$1,000.0	(\$1,000.0)
133	Teacher Placement in Hard-to-Staff Schools		\$1,000.0		(\$1,000.0)
134	Panic Buttons in Public Schools (to Public School Facilities Authority)		\$1,500.0	\$1,500.0	
135	Summer Extended Learning for Native American Students and Small Schools		\$5,000.0		(\$5,000.0)
136	K-12 Plus Pilot and K-5 Plus Transition Programs		\$30,000.0		(\$30,000.0)
137	Instructional Materials	\$26,500.0 ⁹	\$4,500.0		(\$4,500.0)
138	PED IT Systems		\$2,957.3	\$2,957.3	
139	FROM THE GENERAL FUND				
140	Teacher Evaluation System Research and Development	\$1,000.0			
141	Standards-Based Assessment Research and Development	\$2,000.0			
142	Emergency Supplemental Funding for School Districts	\$1,000.0			
143	Dual-Credit Instructional Materials	\$500.0			
144	Sufficiency Lawsuit Fees	\$1,250.0	\$750.0	\$750.0	
145	Biliteracy Framework Study		\$100.0	\$100.0	
146	Panic Buttons in Public Schools (to Public School Facilities Authority)		\$95.0	\$95.0	
147	Insurance Claims (to Public Schools Insurance Authority)		\$10,000.0	\$8,000.0	(\$2,000.0)
148	Teacher Preparation Affordability Fund (to the Higher Education Department)		\$5,000.0		(\$5,000.0)
149	FROM THE PUBLIC SCHOOL CAPITAL OUTLAY FUND				
150	Maintenance, Repair, and Infrastructure Projects in Impact Aid Areas (to PSFA)		\$18,867.0	\$18,867.0	
151	OTHER NONRECURRING APPROPRIATIONS				
152	Laws 2019, Ch. 277/ Laws 2020, Ch. 81: School Bus Replacement (from PSCOF)	\$32,895.0	\$8,989.0	\$8,989.0	
153	Laws 2019, Ch. 277: Prekindergarten Classrooms (from PSCOF)	\$5,000.0			
154	Laws 2019, Ch. 277: School Teacherages (from PSCOF)	\$10,000.0			

Public School Support and Related Appropriations for FY21
(in thousands of dollars)

School Year 2019-2020 Preliminary Unit Value = \$4,565.41		FY20 OpBud	Laws 2020, Chapter 83	Laws 2020 (1st S.S.), Chapter 5	Difference Chapter 83 to Chapter 5
School Year 2019-2020 Final Unit Value = \$4,602.27					
155	Laws 2019, Ch. 277: Impact Aid Infrastructure and Facilities (from the general fund)	\$24,000.0			
156	Ch. 81: School Bus Cameras (from the general fund)		\$252.4	\$252.4	
157	Ch. 81: Alternative School Bus Fueling or Charging Infrastructure (VW settlement)		\$200.0	\$200.0	
158	TRANSFERS				
159	Teacher Loan Repayment Fund	\$10,000.0			
160	Teacher Preparation Affordability Scholarship Fund	\$10,000.0			
161	TOTAL - NONRECURRING AND TRANSFERS	\$127,145.0	\$115,268.8	\$60,835.7	

Source: LESC

¹This appropriation was contingent on the enactment of legislation.

²The General Appropriation Act (GAA) of 2020 included language earmarking funds for ELTP and K-5 Plus and providing flexibility for programs in FY21. Chapter 5 includes additional flexibility language for K-5 Plus and requires school district or charter schools not applying for extended learning time programs to submit written notification to LESC, LFC, and PED detailing how it will recover lost learning time from the 2019-2020 school

³Laws 2016 (2nd S.S.), Chapter 2 (Senate Bill 4) authorized up to \$25 million in annual appropriations to the instructional material fund and transportation distribution from the public school capital outlay fund (PSCOF)

⁴The GAA of 2019 included \$1 million from the educator licensure fund.

⁵The GAAs of 2019 and 2020 included \$200 thousand in temporary assistance for needy families (TANF) funds.

⁶The GAA of 2020 included \$1 million from the public education reform fund.

⁷Chapter 5 includes language stating the appropriation to the state equalization guarantee distribution includes sufficient funding to provide an average one percent salary increase for school personnel, except for school administrators or employees who provide district-wide management functions.

⁸Section 6 of the GAA of 2020 included FY20 appropriations of \$1.1 million for programs from the teacher loan repayment fund and \$2.2 million for programs from the teacher preparation affordability scholarship fund.

⁹This appropriation was from the general fund in FY20.

¹⁰The GAA of 2020 included FY21 appropriations of \$2 million for programs from the teacher loan repayment fund and \$5 million for programs from the teacher preparation affordability scholarship fund.

¹¹The reduction in funding formula credits reflects the loss of federal Impact Aid revenue based on a determination from the U.S. Department of Education. HB1 includes \$31 million to partially offset this loss.

¹²Chapter 5 reduces the SEG distribution appropriation by \$44.7 million to reflect federal funding authorized by the CARES Act's elementary and secondary emergency relief fund. New Mexico will receive a total of \$108 million from this fund.

¹³PED appropriations for special programs were subject to a 6 percent sanding and a further \$3.4 million reduction, allocated proportionally to each appropriation. The governor line-item vetoed a \$10 million swap with federal funds allocated through the governors emergency education relief fund, allocated proportionally to each appropriation.

Note: Highlighted boxes show totals when considering federal funds under the CARES Act.

PUBLIC EDUCATION RELATED LANGUAGE FROM CHAPTER 5

Strikethrough Indicates Executive Veto

Salary Increase Language

D. The general fund appropriation to the state equalization guarantee distribution includes sufficient funding to provide an average one percent salary increase for all school personnel, other than licensed school administrators who are employed as licensed school administrators and unlicensed school employees employed to perform primarily district-wide management functions. School districts and charter schools shall submit a plan to the public education department detailing the implementation of the salary increases.

K-5 Plus Flexibility

E. An elementary school that provided all enrolled elementary school students at least twenty-five additional instructional days beyond the number of regular instructional days provided in the 2018-2019 school year is eligible to generate K-5 plus program units using the average number of elementary school students enrolled in that elementary school on the second and third reporting date of the 2019-2020 school year multiplied by the cost differential factor of three-tenths as established in Section 22-8-23.11 NMSA 1978.

F. Notwithstanding provisions of the K-5 Plus Act, the secretary of public education may waive up to ten days of a K-5 plus program in an elementary school that offers the program to all enrolled students and is closed due to a public health emergency in fiscal year 2021.

Extended Learning Time in FY21

G. The public education department shall work with school districts and charter schools to prioritize additional instructional time for all students through participation in extended learning time programs authorized by Section 22-8-23.10 NMSA 1978 to recover instructional time that was lost to students during the 2019-2020 school year due to the public health emergency. A school district or charter school is eligible to generate additional program units using the average number of students enrolled in the school district or charter school on the second and third reporting date of the 2019-2020 school year multiplied by the cost differential factor of eleven-hundredths as established in Section 22-8-23.10 NMSA 1978 if the school district or charter school provides all enrolled students:

- (1) ten additional instructional days beyond the number of regular instructional days provided in the 2018-2019 school year;
- (2) a five-day school week and one hundred ninety instructional days during the 2020-2021 school year; or
- (3) a four-day school week and one hundred sixty instructional days during the 2020-2021 school year.

H. A school district or charter school that chooses not to add the additional instructional time provided in Subsection G of this section shall provide written notification to the public education department, the legislative education study committee and the legislative finance committee of its intent not to participate and additional documentation detailing how the school district or

charter school will recover instructional time that was lost to students during the 2019-2020 school year due to the public health emergency in its educational plan pursuant to Section 22-8-6 NMSA 1978.

Adjusting FY21 Program Unit Value

I. In addition to the authority provided in Item (1) of Subsection K of Section 4 of the General Appropriation Act of 2020 to the secretary of public education to determine a program unit value, the secretary of public education shall adjust the preliminary unit value used to establish budgets for the 2020-2021 school year by August 1, 2020, to account for any changes to the state equalization guarantee distribution. In adjusting the preliminary unit value in August, the public education department shall consult with the department of finance and administration, the legislative finance committee and the legislative education study committee.

Impact Aid

J. If the secretary of public education determines that ~~all legal remedies have been exhausted and a final court~~ decision prohibits the deduction of federal revenue pursuant to Paragraph (2) of Subsection C of Section 22-8-25 NMSA 1978 that includes payments to school districts and charter schools commonly known as "impact aid funds" pursuant to 20 U.S.C. 7701 et seq., and formerly known as "PL 874 funds" for fiscal years 2020 and 2021, the state board of finance shall approve a transfer from the state-support reserve fund to make payments to impact aid school districts and charter schools affected by the court decision.

Limit Health Insurance Premium Increase

N. A school district or charter school shall not pay an increase of more than six percent for group health insurance premium increases that take effect in fiscal year 2021.