

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Stewart **ORIGINAL DATE** 01/27/14
LAST UPDATED 02/01/14 **HB** 3

SHORT TITLE Education Appropriation Act **SB** _____

ANALYST Gudgel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY14	FY15		
	\$2,723,191.6	Recurring	General Fund
	\$18,801.5	Recurring	Other State Funds
	\$485,783.8	Recurring	Federal Funds
	\$36.0	Recurring	Other Transfers

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Not Received From
 Public Education Department (PED)

Synopsis of Bill

House Bill 3 makes over \$3.2 billion in appropriations of general fund, other state funds, federal funds, and other transfers for public education in FY15 for the state equalization guarantee distribution (above-the-line), the transportation distribution, categorical appropriations, the Public Education Department operating budget, and the Public Education Department (PED) related recurring appropriations (below-the-line initiatives). The bill has an emergency clause.

FISCAL IMPLICATIONS

The general fund appropriations of almost \$2.7 billion contained in this bill are a recurring expense to the general fund. Unexpended or unencumbered balances remaining at the end of fiscal year 2015 from the public school support allocation, supplemental distributions, public education operating budget, and the majority of the related recurring appropriations will revert to the general fund. Specific appropriations that are made to non-reverting funds, including the

kindergarten-three-plus fund, Indian education fund, public school reading proficiency fund, schools in need of improvement fund, teacher professional development fund, are nonreverting. Unexpended or unencumbered balances remaining at the end of fiscal year 2015 from the transportation distribution and instructional materials allocation will not revert to the general fund.

The bill appropriates \$2.5 billion to the state equalization guarantee, including \$56.0 million for an average 3 percent salary increase for all school employees, sufficient funds for an additional average 3 percent salary increase for education assistants, \$17 million to increase level 1, 2 and 3 salaries by \$2 thousand dollars, \$5.8 million dollars for the state's smallest schools, and \$20 million to reinstitute class sizes. The bill makes the following general fund appropriations for public school support:

SIGNIFICANT ISSUES

The state equalization guarantee (SEG) distribution, also known as the “funding formula”, is used to distribute funds to public schools and charter schools. HB 3 proposes increased funding from the general fund to the SEG by \$148.3 million, or 6.3 percent.

The appropriation to the SEG includes including \$56.0 million for an average 3 percent salary increase for all school employees, sufficient funds for an additional average 3 percent salary increase for education assistants, \$17 million to increase level 1, 2 and 3 salaries by \$2 thousand dollars, \$5.8 million dollars for the state's smallest schools, and \$20 million to reinstitute class sizes. The spreadsheet provided by the bill sponsor indicates the bill also includes funding for insurance premiums, fixed costs, enrollment growth, college and career readiness assessments and statewide formative assessments for fourth through 10th grade students, and teacher mentorship for beginning teachers.

Appropriations in the bill estimate projected credits of \$61 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 \$1.5 million from the driver's license fund.

Categorical appropriations include \$102.1 million for the transportation distribution, including \$1.8 million for an average 3 percent salary increase for transportation employees; \$2.3 million for supplemental distributions; \$20.4 million to the instructional material fund; \$857 thousand for dual credit instructional materials; \$19.3 million to the K-3 Plus fund, \$11.5 million to the public school reading proficiency fund; \$4 million to the schools in need of improvement fund, and \$2.5 million to the teacher professional development fund.

In addition, the bill also makes the following general fund appropriations: \$11.8 million to the Public Education Department for department operations; \$28.8 million in special appropriations to the department; and \$7 million to PED for emergency supplemental funding.

ADMINISTRATIVE IMPLICATIONS

PED will be required to ensure funds are allocated in compliance with the Education Appropriation Act.

OTHER SUBSTANTIVE ISSUES

LFC staff is concerned that the recommendation for spending in House Bill 3 does not include sufficient funds to meet federal special education maintenance of effort requirements in FY15.

CONFLICT

Conflicts with appropriations in HB 7.

RSG/svb:blm:ds