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FISCAL IMPACT REPORT

ORIGINAL DATE 1/18/2008

SPONSOR Miera LAST UPDATED _____ HB 3

SHORT TITLE Education Appropriation Act SB _____

ANALYST Aguilar

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
	\$2,608,806.5	Recurring	General Fund
	\$750.0	Recurring	Driver's License Fund
	\$11,346.6	Recurring	Other State Funds
	\$5,000.0	Recurring	Other State Funds/TANF
	\$488,735.2	Recurring	Federal Funds
	\$11,364.1	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

House Bill 3 reflects the Legislative finance Committee (LFC) recommendation and appropriates \$2.397 billion from the general fund, \$750 thousand from the driver's license fund, and recognizes \$438.4 million in federal flow through for the purpose of funding the 89 public school districts and charter schools. The appropriation recommendation includes \$ 25 million for funding the first year implementation of the new funding formula and \$4 million for increases in the employer contribution to retiree healthcare. Both of these appropriations are contingent on the enactment of related legislation. Additionally, \$162.7 million is provided in categorical support for a total general fund recommendation for public school support of \$2.559 billion. The appropriation to the Public Education Department provides \$17.5 million from the general fund, \$1.3 million in other state funds and \$29.5 million in federal funds. An additional \$31.4 million

from the general fund and \$5 million in TANF funding is appropriated for related, recurring appropriations and \$11.4 million for related, nonrecurring funding (see attached summary). House Bill 3 further appropriates \$10.1 million in other state funds and \$20.8 million in federal funds to the nine regional educational cooperatives.

FISCAL IMPLICATIONS

The appropriation of \$2,608,806,300 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2009 shall revert to the general fund.

SIGNIFICANT ISSUES

The state equalization guarantee, also known as the “funding formula” is used to distribute funds to public schools and charter schools. House Bill 3 funds a general fund increase of \$124.7 million or 5.5 percent over FY08 appropriations. Notable items contributing to this increase include \$10.5 million for enrollment growth, \$3.8 million for fixed costs, \$19.3 million for insurance, and \$14.7 million for the increased employer contribution to the Educational Retirement Board. The bill includes \$39.2 million for a 2 percent salary increase for all educational employees. The appropriation also includes \$8 million above the line to fund the second year of elementary physical education.

Appropriations in the bill estimate projected credits of \$55.6 million from the 0.5 percent local mill levy, federal forest funds and the operational portion of federal impact aid and \$750 thousand from the drivers’ license fund.

Transportation funding is increased by \$5.1 million; including recurring funding for school bus replacements. Categorical appropriations also include \$2 million in emergency supplemental funding, \$6 million for the educational technology fund, \$2.5 million for Indian education and \$2.5 million in recurring funding for the school improvement framework, part of a total categorical appropriation increase of \$4.6 million.

Language earmarking \$1 million from the Indian Education Fund for a rural literacy program contingent on a \$500 thousand match from other than state sources was inserted into HB-3 and does not reflect the recommendation of the LFC.

In related appropriations-recurring, the bill includes \$31.4 million to the public education department (see attached summary). These appropriations include \$10.2 million for kindergarten-three-plus, \$9 million for pre-kindergarten, \$2 million for Advanced Placement, \$3 million for expanding beginning teacher mentorship, \$1.5 million for the Family and Youth resource Act, \$2.5 million for elementary breakfasts, and \$1 million for GRADS. Additional related and recurring appropriations include \$6 million for the pre-kindergarten program, an additional \$3 million for the school improvement framework, and \$3 million for summer reading, math and science institutes for teacher professional development.

ADMINISTRATIVE IMPLICATIONS

The bill contains language which directs the secretary to set an initial unit value to be used by the districts in developing school year 2008-2009 operating budgets and to set a final unit value no later than January 31, 2009.

Additional language contained in the bill provides that teachers be evaluated under the three-tiered licensure evaluation system to be eligible for minimum salaries.

TECHNICAL ISSUES

Language earmarking \$1 million from the Indian Education Fund for a rural literacy program contingent on a \$500 thousand match from other than state sources was inserted into HB-3 and does not reflect the recommendation of the LFC.

OTHER SUBSTANTIVE ISSUES

Language contained in the bill provides that the appropriations for the pre-kindergarten program shall only be used for direct instruction, transportation and approved administrative costs.

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	FY08 APPROPRIATION	FY08 LESC RECOMMENDATION	FY08 EXECUTIVE RECOMMENDATION	FY09 LFC RECOMMENDATION
1	PROGRAM COST			
2	ENROLLMENT GROWTH	\$2,175,399.2	\$2,328,883.9	\$2,328,883.9
3	FIXED COSTS	\$9,488.5	\$10,530.1	\$10,530.1
4	INSURANCE COSTS	\$6,796.0	\$3,758.8	\$3,758.8
5	IMPLEMENTATION OF NEW FUNDING FORMULA (contingent on enactment of legislation)	\$10,324.8	\$20,385.2	\$19,000.0
6	PUBLIC SCHOOL EMPLOYEE COMPENSATION:			
7	Teachers (LFC-2%; Executive -2.25%; LESC- 3%)	\$58,040.0	\$37,313.2	\$27,985.0
8	Instructional Staff (LFC-2%; Executive -2.25%; LESC- 3%)	\$9,240.6	\$5,939.2	\$4,494.4
9	Other Certified and Non-certified, including EAs (LFC-2%; Executive -2.25%; LESC- 3%)	\$23,315.7	\$15,151.5	\$11,636.6
10	Additional Instructional Support Staff Compensation (2% above general compensation in FY07)	\$3,159.3		
11	Additional Principal and Assistant Principal Compensation (2% above general compensation in FY07)	\$1,732.3		
12	Minimum Salaries – Three-tiered Licensure Structure			
13	Level 3 to \$50,000 in FY 08	\$9,118.6		
14	Increase in Employer's ERB Contribution (.75 percent)	\$14,268.9	\$15,132.7	\$14,692.0
15	Increase in Retiree Health Care Contribution (contingent on enactment of legislation)			\$4,008.7
16	Elementary Physical Education	\$8,000.0	\$8,000.0	\$8,000.0
17	Assessment and Test Development-School District Costs		\$464.8	
18	PROGRAM COST	\$2,328,883.9	\$2,445,923.4	\$2,453,335.7
19			\$97,521.7	\$124,451.8
20			4.2%	5.3%
21	LESS PROJECTED CREDITS	(\$55,600.0)	(\$55,400.0)	(\$55,400.0)
22	LESS OTHER STATE FUNDS (from driver's license fees)	(\$750.0)	(\$750.0)	(\$750.0)
23	STATE EQUALIZATION GUARANTEE	\$2,272,533.9	\$2,389,773.4	\$2,397,185.7
24			\$97,721.7	\$124,651.8
25			4.3%	5.5%
26	CATEGORICAL PUBLIC SCHOOL SUPPORT			
27	TRANSPORTATION			
28	Operational	\$91,186.6	\$97,039.4	\$97,039.4
29	School-owned Bus Replacements	\$420.4	\$468.8	\$420.4
30	Rental Fees (Contractor-owned Buses)	\$11,000.4	\$11,974.1	\$11,974.1
31	Kindergarten Plus Transportation	\$336.6		
32	Compensation (LFC-2%; Executive -2.25%; LESC- 3%)	\$2,266.0	\$1,362.0	\$1,021.5
33	Increase in Employer's ERB Contribution (.75 percent)	\$356.9	\$204.9	\$340.5
34	TOTAL TRANSPORTATION	\$105,566.9	\$111,049.2	\$110,682.4
35	SUPPLEMENTAL DISTRIBUTIONS			
36	Out-of-state Tuition	\$370.0	\$370.0	\$370.0
37	Emergency Supplemental	\$2,000.0	\$2,000.0	\$2,000.0
38	INSTRUCTIONAL MATERIAL FUND (FY 09 – Career Technical, Adult Basic Ed, Drivers Ed)	\$37,224.9	\$43,000.0	\$41,482.1
39	EDUCATIONAL TECHNOLOGY FUND	\$6,000.0	\$6,000.0	\$6,000.0
40	INCENTIVES FOR SCHOOL IMPROVEMENT FUND			
41	INDIAN EDUCATION FUND	See Line # 68	\$2,500.0	\$2,500.0
42	MATHEMATICS AND SCIENCE PROFICIENCY FUND		\$2,500.0	\$2,500.0
43	SCHOOL LIBRARY MATERIAL FUND	\$2,000.0	\$2,000.0	\$2,000.0
44	SCHOOLS IN NEED OF IMPROVEMENT FUND	\$2,500.0	\$2,500.0	\$2,500.0
45	TEACHER PROFESSIONAL DEVELOPMENT FUND	\$2,500.0	\$2,500.0	\$1,500.0
46	TOTAL CATEGORICAL	\$158,161.8	\$174,419.2	\$170,166.4
47	TOTAL PUBLIC SCHOOL SUPPORT	\$2,430,695.7	\$2,564,192.6	\$2,559,919.4
48			\$109,726.3	\$129,223.7
49			4.5%	5.3%
	Dollar Increase Over FY08 Appropriation			
	Percentage Increase			

50	RELATED APPROPRIATIONS: RECURRING (to PED unless otherwise noted)							
51	Public Education Department	\$14,956.3				\$17,166.5		\$17,503.7
52	COLLEGE/WORKPLACE READINESS & HIGH SCHOOL REDESIGN							
53	College and High School Redesign initiative in the Los Lunas Public School District	\$210.0						
54	High School Redesign							
55	EARLY CHILDHOOD EDUCATION							
56	Kindergarten-three Plus *	\$7,163.4	\$10,000.0			\$7,163.4		\$7,163.4
57	Pre-Kindergarten Program **	\$7,000.0	\$9,000.0			\$11,659.4		\$7,000.0
58	EDUCATOR QUALITY							
59	Beginning Teacher Mentorship	\$2,000.0	\$2,000.0			\$2,000.0		\$2,000.0
60	Professional Development Statewide - Miscellaneous	\$374.5						
61	Summer Reading, Math and Science Institutes	\$2,500.0	See Line # 44			\$3,000.0		\$3,000.0
62	NEW MEXICO CYBER ACADEMY/INNOVATIVE DIGITAL EDUCATION AND LEARNING (IDEAL)							
63	New Mexico Cyber Academy	\$500.0	\$2,500.0			\$1,380.0		\$500.0
64	Cyber Academy for Rio Rancho High School	\$155.0	\$50.0			\$50.0		
65	REC Distance Learning Networks (for RECs 3, 8, and 9)	\$120.0	\$240.0			\$240.0		\$120.0
66	SCHOOL FINANCE							
67	Regional Education Cooperatives Operations		\$2,700.0					
68	Rural Education/Community Revitalization					\$500.0		
69	Indian Education Act	\$2,500.0						
70	STUDENT ACHIEVEMENT							
71	Advanced Placement	\$2,000.0	\$2,000.0			\$2,000.0		\$2,000.0
72	After School Enrichment Program/Twenty-First Century Community Learning Centers	\$3,500.0	\$3,500.0			\$3,500.0		
73	Apprenticeship Assistance	\$650.0	\$650.0			\$650.0		\$650.0
74	New Mexico Outdoor Classroom	See Line # 101	\$500.0					
75	School Improvement Framework	\$3,000.0	\$4,000.0			\$3,000.0		\$3,000.0
76	Truancy Prevention/Dropout Prevention	\$1,000.0	\$1,000.0			\$1,000.0		\$1,000.0
77	International Film Program for Middle School Students	\$13.0						
78	Parental Training and Involvement							
79	STUDENT HEALTH, SAFETY AND WELL-BEING							
80	Anti Obesity Programs/Before and After School Physical Activity and Nutrition	\$650.0				\$1,000.0		
81	Breakfast for Elementary Students	\$2,450.0	\$3,500.0			\$5,771.8		\$2,450.0
82	Family and Youth Resource Act	\$1,500.0	\$3,000.0			\$1,500.0		\$1,500.0
83	Food to Schools	\$500.0	\$500.0			\$500.0		
84	GRADS – Teen Pregnancy Prevention	\$1,000.0	\$1,000.0			\$1,000.0		\$1,000.0
85	School Transportation Safety Equipment and Training	\$10.0						
86	Statewide School Safety Crime stoppers	\$230.0				\$200.0		
87	TOTAL RELATED APPROPRIATIONS: RECURRING	\$53,982.2	\$46,140.0			\$63,281.1		\$48,887.1
88	GRAND TOTAL	\$2,484,677.9	\$2,610,332.6			\$2,603,703.1		\$2,608,806.5
89			\$125,654.7	5.1%		\$119,025.2	4.8%	\$124,128.6
90								5.0%

* An additional \$3 million for Kindergarten-three Plus in FY09 to be funded with Temporary Assistance for Needy Families (TANF) grant

** An additional \$2 million for the Pre-Kindergarten programs in FY09 to be funded with TANF grant

RELATED APPROPRIATIONS: NONRECURRING (to PED unless otherwise noted)					
91	American Diploma Project (to LESC)	\$50.0			
92	Assessment and Test Development (Special Education Alternative Assessment NCLB)	\$500.0	\$5,741.4	\$5,000.0	
93	Breakfast for Elementary Students	\$400.0			
94	Computer Based Math and On-demand Student/Classroom Information Access Data Utilization Campaign			\$450.0	
95					
96	Elementary Physical Education /Anti-obesity Programs				
97	Emergency support to hold school districts harmless from decreased revenue.	\$6,300.0	\$6,300.0	\$6,300.0	\$1,500.0
98	For ISD and Motor Pool Charges (deficiency for FY07)				\$62.0
99	Fuel for Public School Buses				\$1,633.1
100	High School Redesign			\$2,000.0	
101	Holding school districts harmless from reductions in SEG distributions resulting from implementation of a new public school funding formula (Requires Legislation)				\$8,100.0
102	INCENTIVES FOR SCHOOL IMPROVEMENT FUND			\$1,598.0	
103		\$150.0			
104	Leadership Turnaround Specialists/School Improvement New 11 th Grade Test	\$1,500.0			
105	New Mexico Outdoor Classroom Initiative	\$250.0			
106	New Mexico School for the Arts			\$500.0	
107	NEW SCHOOL DEVELOPMENT FUND		\$1,000.0		
108	Operating Budget Management System				
109	Parental Training and Involvement			\$1,000.0	
110	Pre-apprentice Program Development				
111	Pre-kindergarten Start-up			\$3,994.2	
112	Public School Funding Formula				
113	Regional Education Cooperatives Operations	\$1,050.0		\$1,000.0	
114	Rural Education/Community Revitalization				
115	School Improvement Framework			\$10,000.0	
116	SCHOOL LIBRARY MATERIAL FUND				
117	School Owned Bus Replacements				
118	Specialized Legal Services for Gallup-McKinley Supreme Court Hearing	\$120.0			\$69.0
119	STARs district training support pilot program				
120	STATE EQUALIZATION GUARANTEE (to offset reductions in Impact Aid Credits FY07)	\$1,000.0		\$1,000.0	
121	STATE SUPPORT RESERVE FUND	\$1,000.0			
122	Statewide Language Arts and Science Voluntary Curriculum Development			\$750.0	
123	Summer Camp Program in Santa Fe	\$175.0		\$250.0	
124	Summer Reading, Math and Science Institutes				
125	TEACHER PROFESSIONAL DEVELOPMENT FUND				
126	Three-tiered Evaluation system				
127	Uniform Public School Chart of Accounts			\$95.0	
128	Westside School District Feasibility Study				
129	TOTAL RELATED APPROPRIATIONS: NONRECURRING	\$12,495.0	\$14,041.4	\$32,937.2	\$11,364.1