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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/11/13

SPONSOR Lopez/Stapleton LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Adult Basic Education Fund and Tests SB 381

ANALYST Roberts

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
	\$4,000.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Senate Bill 183 and House Bill 321

Duplication to Appropriation in General Appropriation Act: Higher Education Department: Adult Basic Education

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Higher Education Department (HED)

Public Education Department (PED)

### SUMMARY

#### Synopsis of Bill

Senate Bill 381 has two sections. Section 1 of the bill amends Section 21-1-27.5 NMSA to replace the term “commission” with “department” and it also proposes language change which would allow funds in the adult education fund to not revert back to the general fund. Section 2 appropriates \$4 million from the general fund to the adult basic education fund for the adult basic education programs. Any unexpended or unencumbered balance remaining at the end of fiscal year 2014 shall not revert to the general fund.

### FISCAL IMPLICATIONS

The appropriation of \$4 million dollars contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2014 shall not revert to the general fund.

As a matter of policy, recurring general fund appropriations should revert at the end of a fiscal year to allow proper fiscal accounting of all expenditures.

## **SIGNIFICANT ISSUES**

The PED reports the following:

### GED Statistics

- Approximately 270,000 New Mexicans lack a high school credential; this number is exacerbated by the 195,000 plus adults 25 years and older whose native language is not English for a total of approximately 465,000 people in New Mexico without a high school credential.
- A GED credential allows students to pursue post-secondary education, enter restricted job fields such as the military, and is a powerful second chance for those who did not graduate high school through a traditional path.
- In the calendar year of 2012, 8,495 students took one or more parts of the GED test.
- 7,338 students completed the entire GED test.
- 4,907 students passed the GED (67 percent pass rate).
- The average age of New Mexico GED test-takers is 24; 53 percent are male, 47 percent are female.
- The current cost for GED paper-based testing ranges from \$35 to \$100 among the 29 GED Testing Centers located across the state.
- Computer-based testing is currently available at five testing centers across the state at a rate of \$24 per module (5 modules) for a total of \$120 for the entire test.

A student may take the GED test three times per subject via paper-based testing, and six times per subject via computer-based testing. Therefore, funding the cost of the test will significantly aid students who require repeated testing to achieve success.

### Adult Basic Education (ABE)

- The HED's Adult Basic Education (ABE) Division, through its 27 sites, provides free GED classes including books and necessary materials.
- In FY 2010-11, ABE programs in New Mexico enrolled over 21,000 students. Due to limited funding, NMABE was only able to serve approximately 5 percent of the eligible adult population.
- NMABE is considered primarily a GED program; however, few students enter prepared to study at this level. Approximately 90 percent of New Mexico students enroll in the lowest levels of adult basic education and English language proficiency.

The HED further adds:

In 2011 Pearson VUE, a for-profit electronic testing company owned by the global media company, Pearson PLC acquired GED Testing Service, a part of the non-profit American Council on Education. At the time, GED TS was developing a new GED® test to replace the last revision, "GED® 2002". Pearson VUE has continued that development as a joint venture with the American Council on Education, owner of the GED trademark.

The new GED® test will be the only one available in New Mexico beginning in January of 2014.

The 26 Adult Education programs in New Mexico that are funded through the ABE Division (NM ABE) of HED serve approximately 20,000 students each year. Of these about one-third are studying English as a second language (ESL) and the rest are improving their basic skills. The cost to students to take the GED® test before the Pearson-VUE acquisition averaged about \$65 per student (ranging from \$35 at the Central New Mexico Community College testing center to \$100 at Santa Fe Community College).

Beginning January, 2014 the cost will be \$120 per student for the first two years and then, according to Pearson-VUE, the cost will rise to perhaps twice that.

- Practice tests which determine student readiness for the final GED® test will cost \$50.
- Obtaining instructional materials for the new test could cost, conservatively, \$300-400 per student per year.
- Each year over 4 percent demonstrate by standardized assessment that they could be ready to pass the GED test within the year.

More than half of New Mexico's ABE students have a family income under \$12,000.

It is unclear whether the \$4 million appropriated in Section 2 would supplement or supplant the unspecified appropriation mentioned in Section 1 of the law. In FY11 the amount appropriated to support adult education services was \$5.67 million; \$5.62 million in FY12 and \$5.18 million in FY13. The HED requested the same funding level for adult education for FY14. If the appropriation is intended to be the entire appropriation to the Adult Education Fund, it would represent a funding reduction that could result in a federal funding cut of more than \$1.4 million.

If the \$4 million appropriated in SB 381 is intended to supplement the funding appropriated under the current law this would increase the funding available for New Mexico providers and ensure ongoing compliance with federal maintenance of effort requirements.

If this bill supplants the previous level of funding, a reduction of 20 percent in direct state funding will impact current programs. There will also be a reduction in federal funding. If this bill offers new and additional funding above the previous level of funding, there will be an additional level of federal funding available.

Any unexpended or unencumbered balance remaining at the end of FY 2014 and subsequent years does not revert to the General Fund. Making funds non-reverting would help support long range planning by the 26 local service providers.

## **PERFORMANCE IMPLICATIONS**

The HED reports that the ABE division at the department maintains a rigorous accountability system for all local providers, including program review, financial controls, and a longitudinal student database to track program performance.

## **ADMINISTRATIVE IMPLICATIONS**

The HED will be responsible for administering the funds for the adult basic education programs and high school equivalency diploma tests, including GED® tests. The department notes that there will be an administrative impact, but total cost is not known at this time.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Related Bills: SB 183 replaces terms referring to GED® in New Mexico statutes with the term ‘high school equivalency diploma’; SB 263 appropriates funds for GED® educational training to DFA to provide training in Bernalillo County; and HB 321 appropriates \$4 million to the Higher Education Department to fund adult education programs and high school equivalency diploma tests.

Legislative Education Study Committee’s sponsored legislation, SB 183 which directly relates to this bill, replaces the terms “general education development certificate”, “general equivalency certificate”, “general educational development certificate”, “certificate of general equivalency”, “general education diploma”, and “GED certificate” in Chapter 21 (State and Private Education Institutions), Chapter 22 (Public Schools), Chapter 27 (Public Assistance), Chapter 29 (Law Enforcement), Chapter 31 (Criminal Procedure), Chapter 33 (Correctional Institutions), Chapter 52 (Workers’ Compensation), and Chapter 58 (Financial Institutions and Regulations) with the term “high school equivalency diploma”.

The acronym “GED” is a registered trademark that generally refers to “general education diploma”, “general education development”, and “general equivalency diploma”. The GED Testing Service is a joint venture between Pearson and the American Council on Education (ACE) that offers adults the opportunity to earn a high school equivalency credential. The GED test is not the only high school equivalency program recognized in the U.S., though it appears to be the most widely recognized test of its kind.

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

The HED notes that New Mexico adult education programs would continue to operate at the current reduced funding level. Beginning in January of 2014, the cost of the GED® test will rise significantly and far fewer New Mexico adults will be able to afford to take the test without supplemental funding.

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