

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 Beffort **ORIGINAL DATE** 3/3/15 **LAST UPDATED** _____ **HB** _____
SHORT TITLE School Equalization Guarantee For Some Adults **SJM** 26
ANALYST Chavez/ Mercer-Smith/ Eckberg

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See Fiscal Implications				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

No Response Received

Public Education Department (PED)

Higher Education Department (HED)

SUMMARY

Synopsis of Bill

Senate Joint Memorial 26 requires the Legislative Education Study Committee (LESC), working with LFC, PED and HED, to establish a work group to study the feasibility of amending statutes to clarify the definition of a “school-age person”, the affect of changing the definition on the public school funding formula unit value, and on sufficient funding for Adult Basic Education (ABE). The work group should include representatives from the New Mexico Coalition of Charter Schools (NMCCS), the New Mexico Coalition of School Leaders (NMCSL), and other stakeholders.

FISCAL IMPLICATIONS

This joint memorial does not contain an appropriation. The administrative cost of performing the study can be contained within existing resources.

SJM 26 cites a 2014 LFC evaluation that found the cost of educating adults through the public school state equalization guarantee (SEG) is significantly higher than the cost of educating students through ABE. The per-student cost of educating adults through the K-12 system is nearly \$8 thousand and \$453 through ABE. New Mexico could gain significant savings or serve significantly more students by transitioning adults in the K-12 system to ABE.

SIGNIFICANT ISSUES

State law defines the age limit for students receiving special education services at 22, but there is no age limit for non-special education students. The New Mexico Public School Code guarantees a free public school education to any school-age person who is a resident of the state and has not received a high school diploma or its equivalent (Section 22-8-2 NMSA 1978).

A 2014 LFC evaluation found 1,125 adults age 23 and older were enrolled in New Mexico Public Schools in FY13, adults enrolled in New Mexico public schools range between the ages 23 and 90, and 30 percent of these adult students are between the ages of 31 and 40.

Age Ranges of Adult Students Enrolled in Public Schools, FY13

Program	Age 23	Age 24	Age 25	Age 26	Age 27-30	Age 31-40	Age 41-50	Age 51-60	Age 61-90	Total
Total	110	126	89	72	209	332	134	47	5	1,125

Source: LFC Files

The 2014 LFC evaluation also found public schools educating adult students over the age of 22 spent more to educate 1,000 adult students than the adult basic education system spent to educate 19 thousand students in FY13. Public schools received approximately \$10.1 million through the state’s K-12 funding formula in FY13 to educate a total of 1,125 adult students. In comparison, adult basic education (ABE) programs received \$5.4 million in state revenue in FY13 to educate over 19 thousand students. Adults in the public school system tend to be enrolled in school districts or charter schools with higher per student funding than the average per student funding.

Roughly 16 percent of all adults enrolled in adult basic education at the secondary level earned a GED in FY13. In contrast, roughly 15 percent of students in charter schools that enroll adults received a high school diploma in FY14.

According to the US Census, 220 thousand, or 14 percent of New Mexicans between the ages of 25 and 64 have no high school diploma. The median annual income of adults without a high school credential in New Mexico is \$17 thousand, roughly \$14 thousand less than the state’s median income. The 2014 LFC evaluation reported adults who possess a high school credential or an equivalent earn a median income of \$25 thousand annually. Adults without a high school credential are also more likely to rely upon public assistance, and the majority of the state’s incarcerated adults lack a high school credential.

ABE is authorized by the federal Workforce Investment Act of 1998 and administered by HED, who distributes funds to providers. The programs provide basic literacy and numeracy instruction, preparation for a high school credential equivalent, English, and other educational skill development. The program is funded through a federal allocation and state match. In FY14, HED estimated 400 thousand adults in New Mexico need ABE services because they either lack a high school diploma or have insufficient English language skills.

Evidence about the value of a high school diploma versus a GED or other high school credential equivalent is mixed. According to the National Governor’s Association, individuals with high

school diplomas tend to outperform GED recipients with respect to employment, earnings, and other labor market outcomes. However, a 2011 New Mexico Business Roundtable survey reveals New Mexico employers do not demonstrate a strong preference for a high school diploma, as 64 of 100 surveyed employers reported preferencing a GED over a high school credential when considering applicants possessing only one or the other. Nearly all post-secondary learning institutions will accept a high school equivalent and do not require a high school diploma. Nationally, roughly 95 percent of institutions of higher education will accept a high school diploma equivalent, such as the GED. All public institutions of higher education in New Mexico accept a GED or equivalent diploma.

KC/bb