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**LEGISLATIVE EDUCATION STUDY COMMITTEE**  
**BILL ANALYSIS**  
**53rd Legislature, 1st Session, 2017**

<b>Bill Number</b>	<u>SB288</u>	<b>Sponsor</b>	<u>Padilla</u>
<b>Tracking Number</b>	<u>.205804.1</u>	<b>Committee Referrals</b>	<u>SCONC/SCORC/SFC</u>
<b>Short Title</b>	<u>Taxes &amp; Surtaxes for Early Childhood Fund</u>		
<b>Analyst</b>	<u>Herz</u>	<b>Original Date</b>	<u>2/14/17</u>
		<b>Last Updated</b>	<u></u>

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**BILL SUMMARY**

Synopsis of Bill

Senate Bill 288 (SB288) creates an early childhood education fund to provide early childhood education and improve the curriculum, materials, and quality of early childhood education in the state. The bill imposes a one-hundredth percent oil and gas emergency school surtax and establishes a one cent per kilowatt hour tax on electricity produced in the state to fund the early childhood education fund.

**FISCAL IMPACT**

SB288 does not appropriate funds. The Legislative Finance Committee (LFC) estimates that the bill would produce about \$327 million in revenue for the early childhood fund in FY18, with increasing revenue in subsequent years.

While SB288 will create fiscal impact for both oil and gas extracting and energy companies, this analysis will focus only on educational impacts, fiscal and otherwise.

**SUBSTANTIVE ISSUES**

The early childhood education fund created in SB288 would be administered by the Children, Youth and Families Department (CYFD) or a new early childhood education department created through subsequent legislation.

LFC's recurring FY18 recommendations for prekindergarten funding for CYFD and the Public Education Department (PED) is flat when compared with FY17 funding levels of \$53.5 million. A recent LFC gap analysis found enough publically funded slots for 4-year-old students exist to provide nearly all low-income 4-year-olds with some form of early childhood education, though many children currently served are not low-income. An estimated 27 thousand 4-year-olds live in New Mexico and 73 percent are low-income as measured by free or reduced-fee lunch status. Roughly 17,500 slots for 4-year-old early care and education programs are funded annually, including state funded prekindergarten, four and five star childcare, Head Start, and special

education preschool. However, only 80 percent of participants in prekindergarten programs are low-income. As noted in Volume I of the LFC Report for FY18, New Mexico is close to providing sufficient funding to ensure low-income 4-year-olds receive some type of early education when child care assistance, prekindergarten, and Head Start are considered. Possibly as a result of increased access for 4-year-olds to childcare and prekindergarten, enrollment in federally funded Head Start has experienced a significant decline, and New Mexico is losing federal revenues due to a decline in enrollment. The state needs to better coordinate across programs to prevent over-saturation for one age group, while other age groups are under-served. New Mexico could consider shifting more prekindergarten funding to 3-year-olds or encourage Head Start programs to shift more services to Early Head Start.

According to Volume I of the LFC Report for FY18, New Mexico has demonstrated leadership in increased investment in early care and education. Since FY12, the Legislature invested \$100 million in early childhood programs administered by CYFD, the Department of Health (DOH), and PED. CYFD provides child care assistance, home visiting, prekindergarten for 3- and 4-year-olds, early childhood professional development, and high-quality early childhood development centers. In FY17, the Legislature appropriated \$146.8 million to CYFD for these programs. PED provides prekindergarten for 4-year-olds, K-3 Plus, and early literacy (Reads to Lead). In FY17, the Legislature appropriated \$63.2 million to PED for these programs. DOH provides the Infant and Toddler Program for children birth to 3-year-old. In FY17, the Legislature appropriated \$43.7 million to DOH for these programs. Overall, early childhood services received \$259.9 million in FY17, including \$6.2 million from the federal Race to the Top grant.

LFC estimates an additional appropriation of \$14.2 million is needed to fully serve all low-income 4-year-olds in half-day prekindergarten programs or \$20.6 million to fully serve all low-income 4-year-olds in full-day prekindergarten programs. Given the large amount of revenue this bill would generate, the Legislature may wish to expand the early childhood services that the funding may be used for. For example, the Pre-Kindergarten Act does not include eligibility for early prekindergarten for 3-year-olds, nor does it allow for other early childhood care and education programs for younger children beginning at birth.

## **ADMINISTRATIVE IMPLICATIONS**

SB288 would require either CYFD or a new early childhood education department to administer the early childhood education fund and provide early childhood education services.

## **OTHER SIGNIFICANT ISSUES**

The Pew Charitable Trusts, a nonprofit, nonpartisan organization providing analysis to improve public policy, indicated high-quality prekindergarten increases a child's chances of succeeding in school and in life. The foundation stated children who attend high-quality early learning programs are less likely to be retained, need special education services, and more likely to graduate from high school. Additionally, children who participate in a high-quality prekindergarten program have higher-earning opportunities as an adult and are less likely to become dependent on welfare or be incarcerated.

While New Mexico has significantly heightened its focus on early childhood programs, the state is among the three lowest-ranked states in the Annie E. Casey Foundation's annual Kids Count Data Book, which ranks states according to 16 child well-being measures, primarily because of the large number of children in need of services.

LFC indicated early childhood funding has grown by more than 80 percent since FY12. However, improved leadership, coordination, and oversight are needed. LFC noted strategic investments, together with careful attention to implementation and monitoring performance, could improve the social and cognitive skills of children, with benefits extending throughout a child's life.

**RELATED BILLS**

SB289, Early Childhood Education Dept. Act  
SJR18, Severance Tax Money for Early Childhood, CA

**SOURCES OF INFORMATION**

- LESC Files
- LFC

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