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**LEGISLATIVE EDUCATION STUDY COMMITTEE**  
**BILL ANALYSIS**  
**56th Legislature, 1st Session, 2023**

<b>Bill Number</b>	<u>SB129</u>	<b>Sponsor</b>	<u>Rodriguez</u>
<b>Tracking Number</b>	<u>.223928.1</u>	<b>Committee Referrals</b>	<u>SEC/SFC</u>
<b>Short Title</b>	<u>Permanent Fund for Education Implementation</u>		
<b>Analyst</b>	<u>Estupiñan</u>	<b>Original Date</b>	<u>1/27/2023</u>
		<b>Last Updated</b>	<u></u>

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**FOR THE LEGISLATIVE FINANCE COMMITTEE**

**BILL SUMMARY**

Synopsis of Bill

Senate Bill 129 (SB129) would create the early childhood education current fund and specify that 60 percent of the enhanced permanent school fund distributions from House Joint Resolution 1 (HJR1) be deposited in that fund. The remaining 40 percent of the enhanced permanent school fund distributions would be deposited in the public education reform fund (PERF) for legislative appropriations related to enhanced instruction for public school students at risk of failure, extension of the public school year, and public school teacher compensation.

**FISCAL IMPACT**

The bill does not contain an appropriation.

According to the New Mexico state investment council, current unofficial amounts show the land grant permanent fund (LGPF) value as of 12/31/22 to be \$25.77 billion, and the permanent school fund being 87.4 percent of that amount, or \$22.54 billion. With these projections of the fund's balance, the investment council anticipates total distributions from the LGPF will be \$1.4 billion in FY24, with \$240.2 million being specific to the enhanced distributions from HJR1.

Of these enhanced distributions, \$144.1 million would be for early childhood education and \$96.1 million would be for K-12 programs and services.

**SUBSTANTIVE ISSUES**

**Historical Context of HJR1.** House Joint Resolution 1, as passed by the Legislature during the 2021 regular session, proposed an amendment to Article 12, Section 7 of the state constitution that would increase distributions from the permanent school fund by 1.25 percentage points. Those distributions would be based on the year-end market value of the permanent school fund for the immediately preceding five calendar years. If the year-end market value of the land grant

permanent fund, as calculated by the average of the immediately preceding five calendar years, were to fall below \$17 billion, the enhanced distributions from the permanent school fund would revert to 5 percent of the fund's average year-end market value over the immediately preceding five calendar years.

**Historical Context of PERF.** The Legislature created PERF in the 2019 legislative session for the purpose of capturing reversions from prior legislative appropriations that were intended for K-12 programs and services. Funds that revert to PERF are statutorily required to be used for implementing evidence-based public education initiatives related to high-quality teaching and school leadership, extended learning opportunities for students, educational interventions for at-risk students, effective and efficient school administration or promoting public education accountability.

In FY23, the Legislature appropriated \$208.3 million from PERF. The Legislative Education Study Committee's FY24 recommendation for public school support included \$260 million in requests from PERF, with the Legislative Finance Committee (LFC) recommending \$261.5 million in appropriations from PERF. Each of the FY24 budget scenarios as well as FY23 appropriations can be found in **Attachment A: Public Education Reform Fund**.

**Early Childhood Education and Care Fund.** During the 2020 regular session, the legislature passed HB83, which created the early childhood education and care fund. The endowment was established with \$300 million on July 1, 2020 and is now managed by the New Mexico State Investment Council.

In FY22, an initial distribution of \$20 million was made from the endowment to the early childhood education and care program fund. Future distributions from the endowment will be equal to the greater of five percent of the average of the year-end market values of the endowment for the immediately preceding three calendar years or \$30 million.

According to LFC, distributions from the fund are estimated to reach \$45 million in FY24 and \$374.3 million by FY27. Much of this increase in expected distributions is attributed to large inflows to the endowment from excess federal mineral leasing and oil and gas school tax revenues.

By the 2027 calendar year, the ending balance of the early childhood trust fund could reach \$10.1 billion, assuming an investment return of 4 percent.

**Early Childhood Education and Care Department.** Current statute does not list the Early Childhood Education and Care Department (ECECD) as a beneficiary of the land grant permanent fund. SB129 would amend statute to add the department as a beneficiary of the land grant permanent fund by creating the early childhood education current fund. Early childhood education's portion of the enhanced distributions from the permanent school fund would subsequently be deposited in that account and could be leveraged by the legislature to support relevant programs and services.

## **ADMINISTRATIVE IMPLICATIONS**

ECECD may require additional staff to administer relevant programs and services that are supported by the enhanced distributions from the permanent school fund.

**SOURCES OF INFORMATION**

- LESC Files

**DE/cf/msb**



**PUBLIC SCHOOL SUPPORT**  
**General Fund High-Level**  
(thousands)

	FY23 Opbud	FY24 PED Recommendation	FY24 LESC Recommendation	FY24 LFC Recommendation	
<b>1 Public Education Reform Fund</b>					<b>1</b>
2 Family Income Index Support			15,000.0	15,000.0	2
3 Tribal Education Trust Fund			50,000.0		3
4 Transportation for K-5 Plus Programs	3,034.7				4
5 Community School and Family Engagement Initiatives	8,000.0		11,500.0	10,000.0	5
6 K-12 Plus Programs	22,183.8	50,000.0	50,000.0	150,000.0	6
7 Attendance for Success		17,000.0			7
8 Out-of-School Learning, Summer Enrichment, and Quality Tutoring Camps			25,000.0	20,000.0	8
9 Tribal and Rural Community-Based Extended Learning	13,310.3				9
10 K-12 Plus Planning Grants and Incentives	21,000.0				10
11 Transportation for K-12 Plus Schools	1,551.0				11
12 Career Technical Education	10,000.0		40,000.0	15,000.0	12
13 Teacher and Administrator Evaluation System	2,000.0		2,000.0	2,000.0	13
14 Teacher Residency Pilots	15,500.0			5,000.0	14
15 Principal, Counselor, and Social Worker Residency Pilots			4,000.0	2,000.0	15
16 Paid Student Teaching and Licensure Support	6,000.0		6,500.0	6,500.0	16
17 Teach Up (ENMU, NMHU, SJCC, WNMU)	4,000.0		3,000.0	3,000.0	17
18 Teacher Preparation Affordability Scholarship Fund	20,000.0		10,000.0	10,000.0	18
19 Teacher Loan Repayment Fund	5,000.0		2,500.0	2,500.0	19
20 Endowed Faculty Teaching Positions	50,000.0				20
21 Martinez-Yazzie Educational Technology and IT Staffing	10,000.0				21
22 Targeted Dual Credit Programs	4,000.0		5,000.0		22
23 Early Literacy and Reading Support	3,500.0		2,000.0	2,000.0	23
24 At-Risk Interventions for Students	5,000.0				24
25 School Budget Transparency	1,000.0				25
26 Cyber Security and Data Systems	1,500.0				26
27 Parity for 520 Certificate Holders	1,250.0				27
28 Hispanic Education Act	500.0		3,000.0	1,000.0	28
29 Bilingual Multicultural Education Act			5,000.0	5,000.0	29
30 Educator Recruitment (Ed Fellows)			20,000.0		30
31 Instructional Materials Supplement				5,000.0	31
32 Math Achievement				5,000.0	32
33 Outdoor Classroom Initiatives			500.0	250.0	33
34 Feminine Hygiene Products			1,000.0		34
35 Adobe Licenses			1,000.0		35
36 Special Education Training and Credentials	-	-	3,000.0	2,000.0	36
<b>37 Subtotal Current Year Base</b>	<b>208,329.8</b>	<b>67,000.0</b>	<b>260,000.0</b>	<b>261,250.0</b>	<b>37</b>