

<b>LFC Requester:</b>	<b>Dawn Iglesias</b>
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**AGENCY BILL ANALYSIS  
2017 REGULAR SESSION**

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**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

Check all that apply: Date 2/20/2017  
**Original**     **Amendment**        **Bill No:** SJR18  
**Correction**     **Substitute**   

**Sponsor:** Senator John M. Sapien    **Agency Code:** 924  
**Short Title:** SEVERANCE TAX MONEY FOR EARLY CHILDHOOD, CA    **Person Writing:** Matt Pahl  
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**SECTION II: FISCAL IMPACT**

**REVENUE (dollars in thousands)**

Note: Projections were obtained from the State Investment Council

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY20	FY21	FY22		
(\$37,701.0)	(\$38,022.1)	(\$38,389.2)	Recurring	STPF
\$37,701	\$38,022.1	\$38,389.2	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	FY20	FY21	FY22	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	\$0.0	\$0.0	\$0.0	\$0.0	N/A	N/A

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to: Both HJR1 and SJR3 require distributions for early childhood from another permanent fund, the Land grant Permanent Fund.

Relates to Appropriations contained in the General Appropriation Act: Early childhood programs are historically funded in the General Appropriation Act.

### **SECTION III: NARRATIVE**

#### **BILL SUMMARY**

##### Synopsis:

SJR18 proposes to amend Article 8, section 10 of the constitution of New Mexico by requiring an additional distribution from the severance tax permanent fund for early childhood education and care programs as provided by law.

#### **FISCAL IMPLICATIONS**

SJR18 provides for an additional distribution of eight-tenths percent of the average of the year-end market values of the fund for the for the immediately preceding five calendar years shall be made to the general fund dedicated to early childhood education and care programs as provided by law. This increases distribution from the fund from 4.7% to 5.5%. Longstanding commitments of permanent fund revenue have an impact on the corpus of the fund.

#### **SIGNIFICANT ISSUES**

It is unclear how the distributions provided for in SJR18 will be allocated to early childhood education and care programs, or which programs are included in this definition.

The constitutional amendment will be submitted to the people for their approval or rejection at the next general election or at any special election prior to that date that may be called for that purpose.

The State Investment Council reports that the contributions from the Severance Tax Bonding Fund to the Severance Tax Permanent Fund have been incredibly volatile, ranging from annual contributions of under \$100.00, to more than \$125 million depending on the year. STPF Inflows are determined by both the severance taxes collected from oil and gas, and the statutory formula that allocates the percentage of those taxes for bonding capacity. What is not used for bond debt maintenance and new bond issuance capacity then flows into the permanent fund.

Early childhood education and care programs need a consistent revenue stream to avoid disenrolling families and children from those programs.

Early childhood education and care services funded from an inconsistent revenue source could adversely impact families and their children.

SJR18 is silent on what state agency would be charged with determining whether the additional disbursements should be regulated and measured for effectiveness, or from a practical standpoint, what agency would help ensure that the deployment of these extra dollars meet the qualifications and true intent of the legislation. If that agency is the PED, additional staff would be required.

## **PERFORMANCE IMPLICATIONS**

### **New Mexico PreK**

The New Mexico PreK Program (Children's Code, 32A-23-1-8) provides *voluntary* pre-kindergarten services to four-year-old children in the state. The program shall address the total developmental needs of preschool children including physical, cognitive, social and emotional needs and, also, health care, nutrition, safety and multicultural sensitivity.

In FY2017, \$22,913,616.00 was allocated to 54 school districts, 14 of which are served through two regional education cooperatives, and 6 state charter schools to serve 5,248 four-year olds in 233 classrooms at 144 school sites, with 1,348 children receiving extended-day services. In FY17, districts and charters were allowed to adjust the number of children served at particular school sites, and the number of children served in extended-day classrooms to address community need.

## **ADMINISTRATIVE IMPLICATIONS**

The PED would require additional personnel in the Literacy and Early Childhood, Procurement, and Fiscal Grants Management bureaus to support, monitor and fund additional early childhood programs.

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

Both HJR1 and SJR3 require distributions for early childhood from another permanent fund, the Land Grant Permanent Fund.

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

If SJR18 is not enacted, early childhood programs will continue to receive funding from the General Appropriation Act.