

LFC Requester:	Dawn Iglesias
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**AGENCY BILL ANALYSIS
2017 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:

LFC@NMLEGIS.GOV

and

DFA@STATE.NM.US

{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}

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 1/30/2017
Original **Amendment** **Bill No:** SJR3
Correction **Substitute**

Sponsor: Senator Michael Padilla **Agency Code:** 924
Short Title: PERMANENT FUNDS FOR EARLY CHILDHOOD, CA **Person Writing:** Matt Pahl
Phone: 470-9909 **Email:** Matt.pahl@state.nm.u

SECTION II: FISCAL IMPACT

REVENUE (dollars in thousands)

(Note: Projections obtained from State Investment Council)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY20	FY21	FY22		
(\$230,059.1)	(\$237,379.6)	(\$244,240.5)	Recurring	LGPF
\$195,269.6	\$201,483.0	\$207,306.4	Recurring	General Fund (Early Childhood)
\$34,789.5	\$35,896.6	\$36,934.1	Recurring	Other LGPF beneficiaries

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$150.0	\$150.0	\$250.0	Recurring	General Fund and PreK

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: HJR1
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: Proposing an amendment to Article 12, Section 7 of the Constitution of New Mexico, subject to the approval of congress, to provide for an additional annual distribution of 1.5% of the permanent funds, of which the amount distributed from the permanent school fund shall be used for early childhood education services, as provided by law.

FISCAL IMPLICATIONS

Revenue impacts were received from the State Investment Council. The balance of the fund at the end of 2015 was \$14.9 billion.

- The fund is operated as an endowment fund with distributions used annually to support a number of programs funded from the general fund.
- The fund is administered by the state investment council in accordance with the Uniform Prudent Investor Act.
- The joint resolution provides for increasing the distribution from the land grant permanent fund to 7 percent.
- A safety valve provision is included that in the event balances in the fund fall below a five year average of \$10 billion, the distributions would not be made.
- This resolution has the potential to drastically reduce the value of the fund.

SIGNIFICANT ISSUES

SJR3 provides for a major influx of new money into early childhood programs. It is unclear whether those funds could immediately be put to use toward those programs. Prior to this year's budget shortfall, New Mexico PreK programs had relatively small waiting lists across the state. Additionally, only 54 of 89 school districts participate in the program.

Senate Joint Resolution 3 amends the constitution of New Mexico to increase the distribution from the Land Grant Permanent Fund to do the following:

- to provide an additional one and one-half percent annual distribution from the permanent school fund for early childhood education services administered by the state, bringing the total annual distribution from this fund to 6.5%
- to establish a minimum five-year average year-end market value of the Land Grant Permanent Fund of ten billion dollars before any additional distributions are permitted.

“Early childhood education services” means nonsectarian services provided for the benefit of children not yet eligible for kindergarten, through a state agency; an Indian nation, tribe, or pueblo; the New Mexico school for the blind and visually impaired; or the New Mexico school for the deaf.

SJR3 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.

The legislature, by a three-fifths' vote of the members elected to each house, may suspend any additional distribution

The amendment shall 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 amendment shall not become effective without the consent of the United States congress.

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

This resolution is in companionship with HJR1, but differs in the following:

- HJR1 phases in the increased distribution for early childhood education services, beginning with 0.3% in FY20, 0.7% in FY21, and 1% thereafter resulting in a 6.0% total annual distribution from the fund
- HJR1 provides for a distribution for implementation and maintenance of educational programs administered by the state. This distribution is 0.7% in FY20, 0.3% in FY21, and is eliminated in FY22.
- HJR1 limits distributions if the five year average balance fall below \$12 billion
- HJR1 includes "school district" in the list of eligible service providers, but does not include "through a state agency" as in SJR3.
- HJR1 specifically references that school districts contract with early childhood educational service providers and states qualifications for those contractors.

TECHNICAL ISSUES

Charter schools are not addressed in this resolution.

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

None identified

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If SJR3 is not enacted, early childhood programs will continue to receive funding from the General Appropriation Act.

AMENDMENTS

None as of 1/27/2017