

LFC Requester:	Dawn Iglesias
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**AGENCY BILL ANALYSIS
2019 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:

Original	<input checked="" type="checkbox"/>	Amendment	<input type="checkbox"/>	Date	<u>1/30/19</u>
Correction	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Bill No:	<u>HJR1</u>

Sponsor: Rep. Antonio "Moe" Maestas and Rep. Javier Martinez **Agency Code:** 924

Short Title: PERMANENT FUNDS FOR EARLY CHILDHOOD, CA **Person Writing:** Daniel Manzano

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SECTION II: FISCAL IMPACT

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY20	FY21	FY22		
(156,849.9)	(163,188.9)	(170,059.8)	Recurring	LGPF
133,981.2	139,396.0	145,265.1	Recurring	General Fund (Early Childhood)
22,868.7	23,792.9	24,794.7	Recurring	Other LGPF Beneficiaries

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:

May conflict with SB22 which requires parity in appropriations for Pre-Kindergarten between public schools and "other programs". The Attorney General has expressed doubts that the funds could be used accessed by private child care providers.

Duplicates/Relates to Appropriation in the General Appropriation Act for early childhood services provided by PED, CYFD, and DOH.

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

House Joint Resolution 1, amends the state constitution to provide for an additional distribution from the Land Grant Permanent Fund (LGPF) of one percent of average of the year-end market values of the fund for the immediately preceding five calendar years; provided that the amount of the additional distribution from the permanent school fund shall be for early childhood educational services administered by the state, as provided by law.

The annual distribution from the LGPF would increase from 5% to 6%, and would automatically be suspended should the 5-year average value of the LGPF fall below \$10 billion. The distribution can also be suspended by a vote of 3/5 of both the House and Senate.

HJR1 defines early childhood educational services as nonsectarian and nondenominational services for children until they are eligible for kindergarten.

As a constitutional amendment, upon passage, HJR1 will be submitted to the voters for approval at the next general election or any special election prior to that date. HJR1 contains a contingent effective date requiring consent of the U.S. Congress before provisions become effective.

FISCAL IMPLICATIONS

According to the State Investment Council, provisions of HJR1 would result in a substantial increase of approximately \$134 million for early childhood educational services administered by the state in FY20 and increase to \$145 million in FY22. HJR1 would also provide \$22.8 million in FY20 to other LGPF beneficiaries.

The State Investment Council notes that after approval by the legislature, voter and congressional approval, HJR1 would deliver significant revenue to the state which could be applied to the state's ongoing efforts to expand state pre-K and other early childhood education (ECE) programs. HJR1 would establish a recurring revenue stream for early childhood initiatives in perpetuity, given the amendment does not have a sunset clause. Developing a specific, substantial recurring revenue stream for ECE has been a priority for proponents of HJR1 and similar proposals.

SIGNIFICANT ISSUES

As noted in the analysis by the State Investment Council, HJR1 calls for the additional 1% funding to be distributed from the LGPF, with the allocation to the School Permanent Fund – a component of the LGPF representing 1/21 of the beneficiaries, but more than 85% of the value of the fund – to be specifically allocated to early childhood education. As written in HJR1, it is clear that only the School Permanent Fund allocation is to be used for ECE funding, which addresses a previous concern that many of the other 20 LGPF beneficiaries would be unable to comply with spending the additional distributions for ECE-related purposes. With the additional 1% allocation, the other beneficiaries would still be receiving their pro-rata share of annual LGPF distributions, but would not be required to use them for ECE under HJR1.

PERFORMANCE IMPLICATIONS

A large increase in NM PreK programs will require additional training, coaching, and technical assistance to ensure quality, as well as scholarships to increase the number of highly qualified early childhood teachers and educational assistants. It will be important to establish funding through the General Appropriations Act for these initiatives.

ADMINISTRATIVE IMPLICATIONS

The PED would be required to add personnel in the Literacy and Early Childhood, Procurement, and Fiscal Grants Management Bureaus to provide technical assistance, training, and monitoring for additional early childhood programs. Funding these activities would require an appropriation in the General Appropriation Act.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HJR 1 conflicts with budget proposals for the General Appropriation Act where both the Executive and the Legislative Finance Committee have proposed early childhood program funding.

TECHNICAL ISSUES

The State Investment Council notes that the “safety valve” intended to protect the corpus should its 5-year average value fall below \$10 billion at calendar year end of any given year, may not work as intended. The fund balance could actually sustain a loss of 50% for two consecutive years, and the 5-year average not fall below \$10 billion.

OTHER SUBSTANTIVE ISSUES

It is unclear as to whether these funds could legally be awarded to private providers who are now funded for NM PreK and other early childhood services through CYFD. It is also unclear as to whether these funds could flow to the proposed Early Education and Care Department rather than the PED.

ALTERNATIVES

The state could continue to fund early childhood programs through the General Appropriation Act.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

Early childhood educational programs will continue to be phased in on a basis of sustained growth in the program through the General Appropriation Act. Future LGPF beneficiaries will receive additional monies

AMENDMENTS

None as of 1/24/2019