

LFC Requester:	Iglesias
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**AGENCY BILL ANALYSIS
2021 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 **Amendment** _____
Correction _____ **Substitute** _____

Date 2/7/2021
Bill No: SJR1

Sponsor: Peter Wirth
FUNDS FOR TEACHER
Short SALARIES AND
Title: INSTRUCTION

Agency Name and Code PED-924
Number: _____
Person Writing _____
John Sena
Phone: 505-570-7816 **Email** John.Sena@state.nm.us

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY21	FY22		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY21	FY23	FY24		
	(\$181,675,027	(\$181,675,027)	Recurring	LGPF

	(\$181,675,027)	(\$181,675,027)	Recurring	State General Fund
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(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

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

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

SJR1 amends provisions of the State Constitution to rename the permanent school fund in Article XII Section 2 to reflect the common parlance for the fund as the Land Grant Permanent Fund (LGPF) and allow for an additional distribution of one percent of the average of the of the year-end market value of the LGPF for the immediately preceding five calendar years to be made from the permanent school fund for teacher salaries and instruction purposes if the five year rolling average market value for the LGPF was greater than \$17 billion. The constitutional amendment would need to be approved at the next general election in November of 2022.

FISCAL IMPLICATIONS

PED estimates the additional one percent of the average of the year-end market values of the fund for the immediately preceding five calendar years to provide approximately \$181.67 million per year using fiscal year-end asset valuations from the State Investment Council’s website. This fiscal impact assumes that acceptance at the next general election for a current year appropriation in FY23.

SJR1 Land Grant Permanent Fund Distributions (1%)

Year End (12/30)	Balance
2016	\$15,171,466,432
2017	\$17,288,268,690
2018	\$17,054,378,369
2019	\$19,724,236,564
2020	\$21,599,163,461
5-Year Average	\$18,167,502,703
1.00%	\$181,675,027

Source: December SIC Investment Holdings Reports

SJR1 assumes the additional distribution from the LGPF would be appropriated to public schools for the purpose of teacher salaries and instruction purposes. For all of the additional distribution

to be directed to teacher salaries and instruction, the state General fund appropriations to public education would need to be held flat in future years and not decline for the increased LGPF distributions. If the increased LGPF distributions are accompanied by decreased state General fund appropriations to public schools, then the revenues may not be directed to increased teacher salaries or instruction as the beneficiaries may need to backfill the otherwise reduced state public school support appropriations.

Whether this State Constitutional amendment will also be subject to approval by the United States Congress since it impacts the federal government's Enabling Act of 1910, is subject to debate and depends on legal interpretations of whether or not altering the contents of the Act requires an act of Congress or changing any aspect or use of the Enabling Act requires an act of Congress.

SIGNIFICANT ISSUES

Though the purpose of SJR1 is to increase distributions for teacher salaries and instruction purposes, there are many beneficiaries without legal requirements to provide educational instructional hours or days. For example, according to the last State Land Office annual report, some beneficiaries outside the scope of common schools include: UNM Saline Lands, NM Miners Colfax Hospital, Las Vegas Medical Hospital, State Penitentiary, Charitable/Penal Reform, Water Reservoirs, Improvement of the Rio Grande, Public Buildings, Carrie Tingley Hospital, Capitol Buildings and the State Park Commission. These beneficiaries all have missions outside the core common schools scope but would receive increased distributions under SJR1, and it is unclear how they would pay increased teacher salaries or instruction.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

It is unclear who would oversee that the additional distributions from the LGPF are used on instruction or teacher salaries. The distributions would be subject to appropriation to public schools, so one could assume it would be the legislature and their oversight arms that monitor how the additional appropriations are spent and ensuring that the appropriation levels match expenditures in these areas and the additional distribution from the LGPF.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

None.

AMENDMENTS

None as of 2/1/2021.