

Overview

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 - Senate Bill 96 (SB96)
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 - CARES Budgeted Categories

Special Recognition

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FY21 LEA Operating Budget Season Overview

- January/February: Program Code and Education Plan Changes Announced
- March: Pandemic Health Orders
- April: Spring Budget Conference Notification of preliminary unit value, based on 2020 Regular Legislative Session – Caution about new spending due to anticipated appropriation reductions in Special Session.
- June: Special Legislative Session – Solvency Reductions
- July: Initial SEG Payments based on Regular Session Appropriations
- August: SEG Payments reduced, based on solvency reductions.
- September: BAR notification, based on solvency and Elementary PE/ELTP/K-5 Plus

FY21 Changes to the Operating Budget Review Process

- Ensures additional transparency related to district/charter revenues and expenditures
- Incorporates and facilitates greater program review and oversight capabilities

FY21 changes include:

- **Education plans** required to determine eligibility for at-risk funding and to identify at-risk expenditure priorities within budget
- New **UCOA** program codes added to aid in education plan reviews and to provide transparency around spending priorities
- **Additional oversight steps** required of entities, including those not meeting certain expenditure benchmarks

Education Plans: Required Elements

- Instructional time: instructional days/hours and frequency of early release days
- Services to improve opportunities for at-risk students with budget spreadsheet
- Extended Learning Time Programs and K-5 Plus Programs
- Beginning teacher mentorship, class size, and teaching load
- Programs to ensure implementation of the Bilingual Multicultural Act, Indian Education Act, and the Hispanic Education Act
- Program cost generated and budgeted expenditures for students with disabilities and ancillary programs
- FAPE for students with disabilities
- Common performance targets

Education Plans: Format and Initial Review

- SEG Breakdown developed for each district, based on projected SEG components
- Format developed by divisions and bureaus across the department
- Review process results:
 - PED program staff reviewed to ensure student opportunities were the focus of the plan
 - More than a third of the plans were approved at the initial submission
 - A significant success of the process was the development and implementation of NMDASH as well as the templates currently in place
 - For FY20-21, no funds have been withheld from districts or charters to date

Universal Chart of Accounts (UCOA)

- For the first time, PED used new program codes within the UCOA for operating budget submittal to clarify and identify operational fund expenditures
- The use of the new program codes allow for greater oversight of how SEG appropriation considerations reflect district and charter expenditure priorities and inform education plan approvals while working to minimize redundant data submissions
- Challenges related to the implementation of program codes arose during LEA focus group sessions
- As a result, a spreadsheet was added to the education plan in order to capture data that could be missed during budget development in Operating Budget Management System (OBMS)

UCOA: New Program Codes

PED established three new program codes for FY20-21:

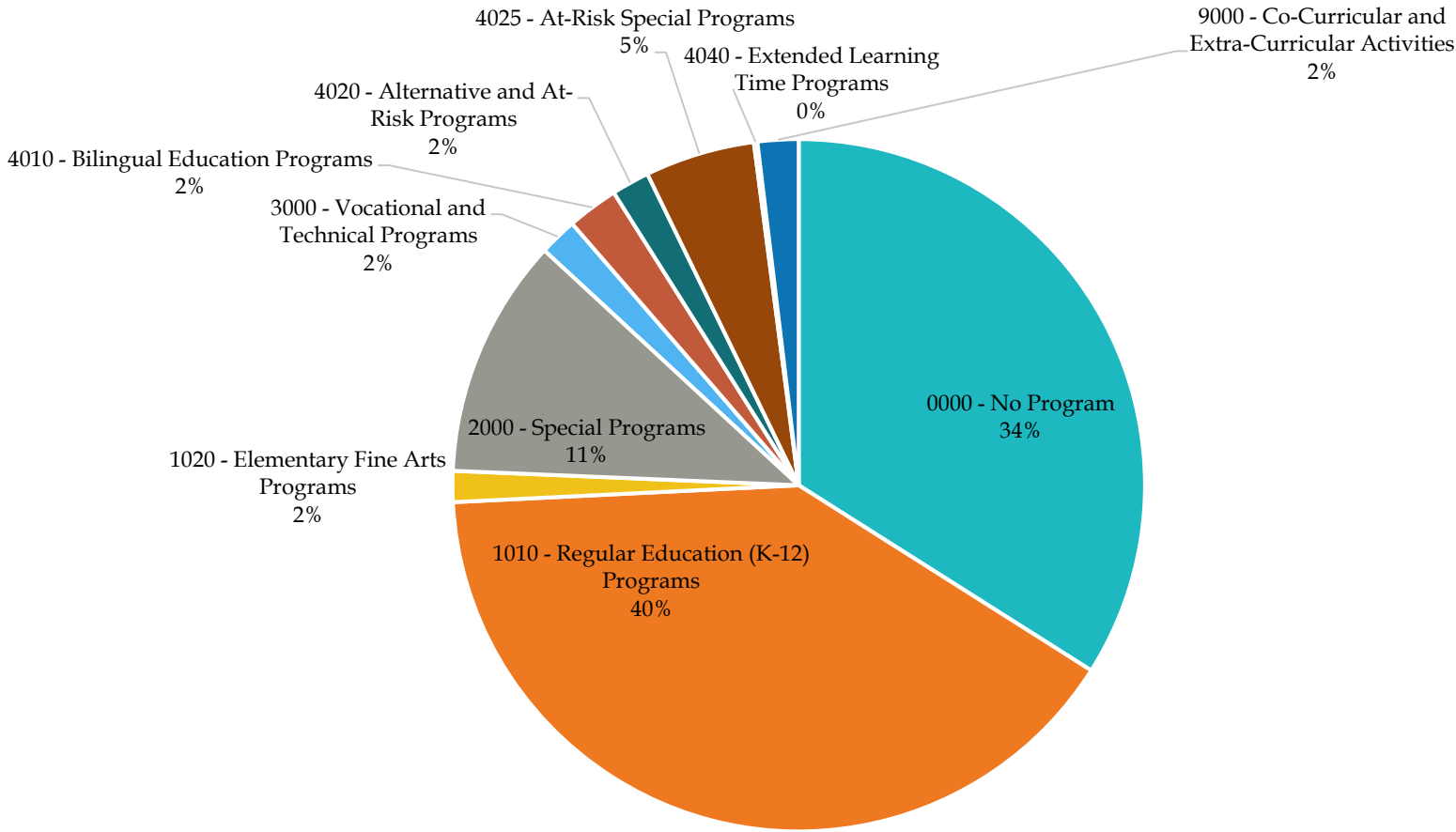
- 4025 At-Risk Special Programs – Activities for students with special needs designed to improve their ability to learn, but funded from at-risk funding sources
- 4030 K-5 Plus Programs - Activities for students enrolled in programs related to the K-5 Plus Act
- 4040 Extended Learning Time Programs - Activities for an extended learning time program to include expenditures for programs under Section 22-8-23.10 NMSA 1978

UCOA: At-Risk Program Code 4020

Changed to include expenditures for at-risk education programs; and research-based or evidence-based social, emotional, or academic interventions and services such as:

- case management, tutoring, reading interventions and after-school programs
- culturally relevant professional and curriculum development
- additional compensation strategies for high-need schools
- whole school interventions
- educational programming intended to improve career and college readiness of at-risk students, and
- services to engage and support parents and families in the education of students

Example of Operational Subfund by Program Code



Clovis FY21 Operational Fund Budgeted Expenditures by Program

Average Percent Salary Increase Verification

- After special session, PED sent a new certification form, including a narrative, to districts and charters to explain how the average one percent increase for certain school personnel was being administered
- PED required districts and charters to provide the narrative plan as part of a signed and certified form, with any proposed change in salary schedule, by September 30, 2020

Separate Calendar for School Sites

- As a result of HB5/SB1 from the 2019 session, school-level instructional time information was required to be submitted as part of an education plan
- Districts and charters were required to separate calendars and provide instructional time calculations for each group of schools operating on a calendar different than the district calendar
- Each budget entity calendar was then approved at both the district and school levels

Pupil-Teacher Ratio

- Entities certify to both paying minimum teacher and administrator salaries and soliciting parental input in the operating budget development
- For FY20-21, the certification form was amended to include information on existing pupil-teacher ratios, staffing class loads, and the status of any waivers of those provisions
- This change provides baseline data to inform decision making around the educational plan and operating budget approvals

Classroom Spending Oversight

- Beginning with the FY21 Operating Budget approval, PED expanded the rigor of classroom oversight
- Special attention was paid both to agency performance metrics for dollars to the classroom and the entities identified in the standard deviation analysis as provided for in the General Appropriation Act (GAA)
- PED staff worked collaboratively with district and charter leaders to increase spending in specific areas of school budgets

Improved Operating Budget Process

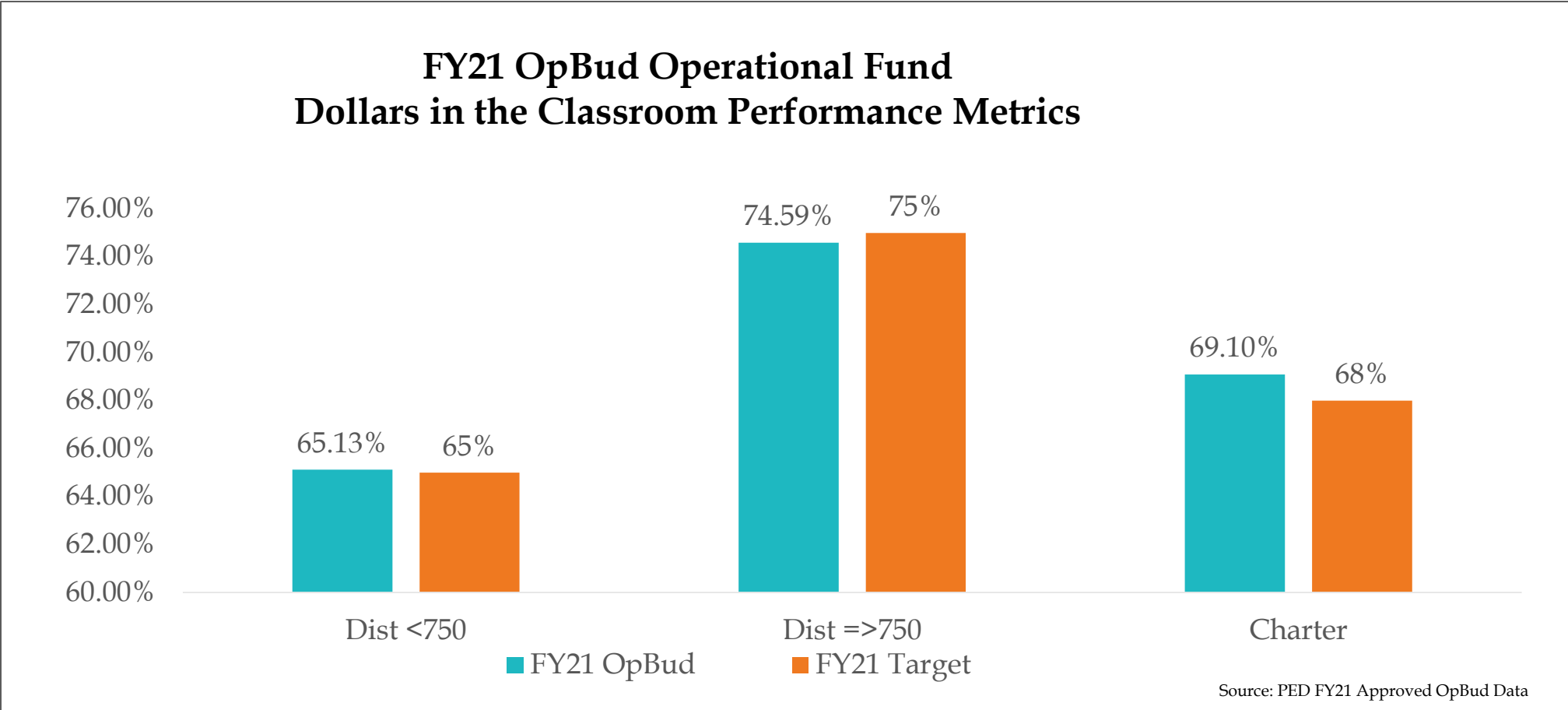
Positive outcomes include greater oversight of district and charter spending plans, which are demonstrated through:

- Achieving agency benchmarks for **dollars to the classroom** spending
- Identifying entities through a **standard deviation calculation** that require additional scrutiny around classroom spending
- Allowing for better **program review and appropriation comparisons**

Dollars to the Classroom

- Since 2008, certain function codes in the UCOA are used for “classroom spending” in the operational fund, including:
 - 1000 – Instruction
 - 2100 – Support Services – Students
 - 2200 – Support Services – Instruction
- Provisions of the GAA of 2020 provide performance metric targets for spending in these three functions as a proportion of the operational fund across the following:
 - School Districts with less than 750 MEM – 65%
 - School Districts with greater than or equal to 750 MEM – 75%
 - Charter Schools – 68%

FY21 OpBud Operational Fund Metrics



Standard Deviation Analysis

- The GAA of 2020 required PED to conduct additional analysis and identify districts and charters that were not prioritizing spending in certain areas of their respective budgets
- Identified districts and charters who did not meet certain thresholds required additional budget review

Standard Deviation Analysis

- The analysis calculates a cutoff of expenditure rates for dollars in the classroom and creates a threshold target of spending
- For FY21, PED grouped budget entities into four groups of “comparable” entities as follows:
 - Districts <1,000 MEM
 - Districts => 1,000 MEM and <50,000 MEM
 - Districts >50,000 MEM
 - Charters

Standard Deviation Analysis

- The cutoff rates for identification of additional oversight is as follows:
 - Districts <1,000 MEM – 8 districts identified for additional review
 - Districts => 1,000 MEM and <50,000 MEM – 5 districts identified for additional review
 - Districts >50,000 MEM – 1 district identified for additional review
 - Charters – 16 charters identified for additional review
- Schools were instructed to increase classroom spending to at least FY20 levels

Operating Budget Approval Outcomes

Some limitations of Standard Deviation methodology include:

- Does not directly relate to agency performance metrics
- Does not factor raw dollar increases, which results in having to request for greater increases than was planned
- Methodology can be difficult to explain to stakeholders
- Will identify target districts, regardless of performance
- Especially during the pandemic, forces tension on operations costs for cleaning and maintenance

Other Items

PED had additional items, due to solvency or other matters that impact FY21 operating budgets, including:

- A mid-year **unit value** reset due to solvency measures that will require an additional SEG BAR
- Changes to **ELTP and K-5** funded MEM from budgeted SEG amounts
- Continued progress toward **SB96** requirements

Unit Value

- Due to solvency concerns, House Bill 1 (HB1) from the special session, required the Secretary to set a new preliminary unit value reflecting the reductions by August 1, 2020
- Considerations during the reset were largely limited to the appropriation reductions in HB1 for solvency and credits
- Other considerations include forecasting of program units, growth units, local taxes, Impact Aid, ½ mill levy, forest reserve, driver's license fees, and safe harmless

Reset of the Unit Value

- PED had more precise data around funding due to the availability of statewide third reporting period membership data
- The two solvency reductions were combined for a total reduction to available program cost of approximately \$191 million
- The funding amounts for ELTP and K-5 Plus were removed from program cost to ensure separate tracking and reversion amounts
- The availability of Impact Aid credits was unknown as of the unit value reset
- PED supported the unit value with anticipation of access to \$29.1 million from the State Support Reserve Fund, pending outcomes of Impact Aid proceedings

K-5 Plus and ELTP Changes

- The ELTP and K-5 Plus Program have undergone many shifts
- Originally, budgets were developed with MEM counts that average the second and third reporting period data of the prior year and allowed for membership projections of expanded new programming
- However, PED determined that the language in Section 5 of HB1 from the special session, limited prior year funding to certain entities that are authorized to offer an approved program, and in September many entities moved to current year funding due to LEAs changing their intentions on implementing programs
- October SEG will reflect similar funding changes for the K-5 Plus Program

SB96: Online School Budget Reporting

- Requires the development of an online statewide financial reporting system based on a standard chart of accounts by December 31, 2021
- The system will be developed in a manner that provides for the collection and reporting of budget and expenditure data at the school site and REC level
- Development of the system is in process:
 - Chart of Accounts definitions are in development
 - Requirements for a standardized financial information system alignment are being defined
 - Analysis of current local capacity is underway and deficiencies are being identified
 - Parameters of a NM Portal for displaying information to the public are being developed

SB96 Projected Timeline

- Financial data collection will continue with the current OBMS structure for start of the SY20-21
- Modifications to OBMS will begin in the fourth quarter of the SY20-21 with upgrades completed by the second quarter of the SY21-22
- Transfer of data to the upgraded OBMS will be executed in November of 2021 with testing taking place through December 2021
- System is anticipated to be in place by December 31, 2021
- Testing and adjustment of the system will continue for the remainder of the school year and full implementation is anticipated in July 2022

Cash Balances

As of today, cash balances are available for the following:

- FY19 audited fund balances (modified accrual measurement)
- FY20 cash reports (cash/budgetary basis measurement)
- FY21 budgeted cash carryover (operating budget estimate of cash based upon estimates of remaining FY20 revenues and expenditures)

Cash balance projection is going to be especially challenging this year as LEAs deal with shifting priorities, due to pandemic

CARES ESSER Funding

- Elementary and Secondary School Emergency Relief (ESSER)
 - \$108 million
 - 90% allocated to LEAs
 - Budgeted by districts according to CARES allowable uses
- 41% credit in special session has caused misunderstandings

Conclusion

- PED will continue to implement provisions to provide better transparency related to district and charter spending decisions and is looking forward to the ability for all stakeholders to have increased levels of transparency around educational spending in the state
- PED also hopes to continue to expand and develop the education plan approval process and review of operational fund spending in consideration of SEG appropriation considerations

Thank You!

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