

The Legislature invested \$4.8 billion in public education in fiscal year 2026 (FY26). With the discretionary nature of the state equalization guarantee (SEG), the state's public school funding formula, local decisions on using those funds are critical in shaping student outcomes. School districts and charter schools should be effectively using these resources by practicing long-term strategic resource management, where time, people, and funding are intentionally aligned to achieve long-term and cohesive goals for improving student outcomes. This approach to budgeting is increasingly important, especially as public schools navigate declining enrollment, changes in student needs, fluctuations in state and federal capacity, and changes in school and district leadership.

While the Legislature and the Public Education Department (PED) have created tools for assisting school districts and charter schools in practicing long-term strategic resource management, some local budgeting processes remain fragmented. Often, these investments are ultimately disconnected from data or not aligned with long-term and cohesive strategic objectives.

This brief discusses how the Legislature is practicing long-term strategic resource management and how school districts and charter schools have adapted to those changes. The brief also identifies long-term trends facing the state and public schools, analyzes the national landscape of strategic planning, and presents recommendations for promoting greater intentionality in how the Legislature, school districts, and charter schools use resources to realize sustained increases in student outcomes.

### Key Takeaways

- While the Legislature has significantly increased its investment in public schools, local budgeting processes are largely fragmented and disconnected from data and long-term goals (*Pages 1-3*).
- Public schools are experiencing many long-term challenges (*Pages 4-5*).
- The Legislature and PED have created tools to support schools in strategic planning (*Pages 6-7*).
- PED has proposed a strategy for encouraging greater intentionality in how schools use their federal and state funding (*Page 8*).

## Long-Term Strategic Resource Management in New Mexico

The Legislature has increased its investment in public education through discretionary funding in the SEG, targeted investments in below-the-line (BTL) programs, and multi-year appropriations. These consistent investments were intended to build local capacity in achieving sustainable improvements in student outcomes, particularly after the historical revenue instability that has adversely impacted New Mexico's public schools. However, in practice, some school districts and charter schools have focused on improving student outcomes through short-term and reactionary strategies. As a result, New Mexico has a largely disconnected public education system, where the Legislature, PED, and school districts and charter schools are moving toward achieving different strategic objectives, on different timelines, with different benchmarks for measuring success.

### Legislative Approach to Strategic Resource Management

Historically, New Mexico has experienced revenue volatility that limited its fiscal capacity to sustain a cohesive and long-term approach to improving outcomes in public education. In response, the Legislature passed statutory and budgetary actions that have significantly improved its capacity to make investments in the public education ecosystem, including educator compensation, support for low-income students and English learners, and increases in instructional time. To ensure these investments remain sustainable, the Legislature practices long-term strategic resource management through a five-year revenue forecast developed by the state's Consensus Revenue Estimating Group (CREG), which includes staff economists with the Taxation and Revenue Department, Department of Finance and Administration, Department of Transportation, and the Legislative Finance Committee (LFC). LFC staff also develop a mid- and long-term analysis of anticipated expenditures, including changes in tax policy, potential adjustments to public school health insurance contributions, and changes to federal benefits programs. Both of these strategic planning processes help the Legislature balance competing priorities and assess the sustainability of potential policy options.

## Strategic Resource Management

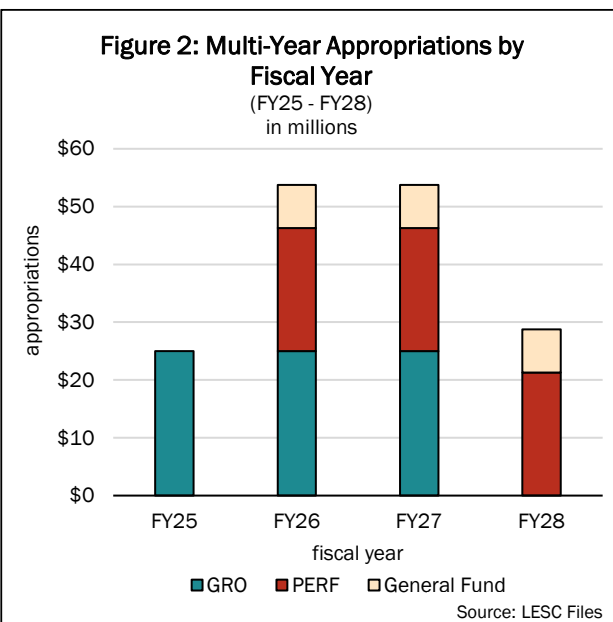
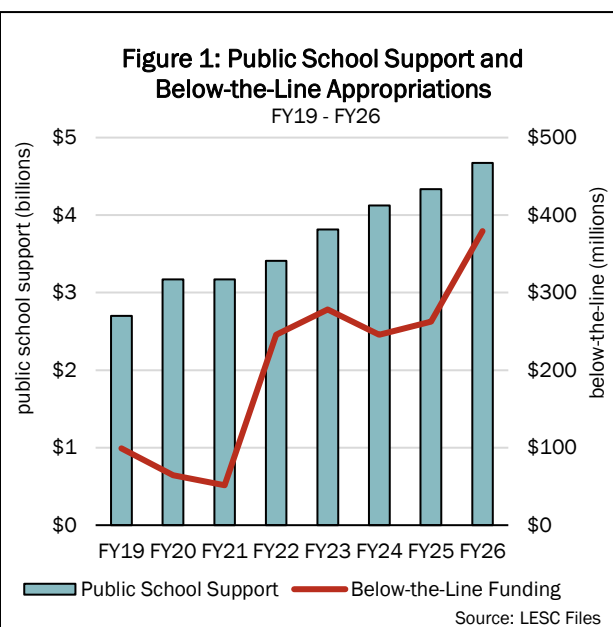
Strategic resource management in public education is the intentional alignment of local resources, including staff capacity, community partnerships, and funding, to achieve a particular outcome for students. These investments are then assessed using a cycle of adaptive budgeting, where budget changes are continuously evaluated and inform further research, analysis, and refinement.

Strategic resource management requires significant engagement and buy-in within and between institutions, including legislative bodies, state education agencies, and other capacity building institutions, that continuously evaluate and analyze budgets and adapt necessary changes to improve student outcomes. It also requires alignment in systems, including goals and priorities, benchmarks for measuring success, access to high-quality and timely data, and local strategic planning frameworks that inform statewide approaches to budgeting.

As a compliment to the Legislature’s focus on long-term strategic resource management, Legislative Education Study Committee (LESC) staff developed the LESL roadmap, outlining a long-term vision for addressing the critical gaps in public education, including the educator ecosystem, academic design, overarching systems, and whole child supports. Many of the Legislature’s recent investments in public education have aligned with LESL’s roadmap, including Laws 2025, Chapter 89 (House Bill 63) (see **Figure 1: Public School Support and Below-the-Line Appropriations**). As the Legislature has made progress in implementing the LESL roadmap, LESL staff have remained focused on long-term strategic resource management by engaging in a cycle of adaptive policymaking, where budget and policy changes are continuously evaluated and inform further research, analysis, and refinement.

As part of this iterative approach to policymaking, the Legislature also responded to concerns about sustainability in funding by adopting multi-year budgeting as a tool in promoting greater consistency and stability in local staffing and programming. As shown in **Figure 2: Multi-Year Appropriations by Fiscal Year**, for FY26, these multi-year appropriations will be sourced from the government results and opportunity (GRO) fund, the public education reform fund (PERF), and the general fund; and will include teacher residencies, support for students who are unhoused, secondary educator literacy, math achievement, attendance initiatives, and innovative staffing models.

The Legislature’s innovative approach to multi-year funding provides sustainable programming, regardless of other changes in operational and non-recurring funding. This approach also promotes the intentional design of programming for school district and charter schools to improve student outcomes over several fiscal years, where programs, services, staffing, materials, and facilities are all aligned with long-term projections of local fiscal capacity.



## Challenges in Local Budgeting Processes

Despite the Legislature’s focus on a long-term approach to supporting public education, there are challenges preventing similar approaches to strategic resource management from being practiced in school districts and charter schools. One of which is in the constricted timelines associated with the unit value, where the preliminary unit value is typically announced by April, while operating budgets are required to be submitted between mid-April and mid-June. For some school districts and charter schools, this means they only have several weeks to incorporate the preliminary unit value in their operating budgets for the following fiscal year.

School districts and charter schools also have short periods of time to access BTL appropriations. While these appropriations have become more consistent in recent years with the adoption of multi-year budgeting, inconsistency remains in the size of appropriations and their accompanying language in the General Appropriation Act (GAA). Because of this, applications for BTL programs are often made available months after the legislative session, and in some cases, not until the beginning of the fiscal year. This often prevents collaborative and community-informed decisions on local budgets and results in rapid decisions on staffing and programming. One recent example involves changes to the GAA language for tutoring programs, which resulted in significant fluctuations in awards that caused one charter school to lose \$433 thousand. Changes to the maximum awards for Innovation Zones also impacted local programming and staffing in FY26, where PED established maximum awards of \$200 thousand, significantly less than similar awards in fiscal year 2025.

These challenges are symptoms of a broader disconnection in the state’s public education system. As shown in **Table 1: Roles of Each Institution in Supporting Strategic Resource Management**, one of the Legislature’s focuses should be on providing adequate, responsive, and sustainable funding to support locally responsive programming. School districts and charter schools could support this process by developing long-term strategic plans for addressing their communities’ needs. These plans should identify a cohesive vision for what public education should look like in each school district and charter school and use long-term strategic resource management to identify the programming, staffing, and facilities they would need to achieve that vision. Instead, the state’s public education system is fragmented, where the Legislature, PED, and public schools are not actively engaging in a truly mutually supportive approach to improving student outcomes.

This lack of a cohesive approach to strategic resource management is a critical challenge in sustaining recent improvements in student outcomes, particularly as public schools face long-term trends that will have financial implications for communities and the state.

**Table 1: Roles of Each Institution in Supporting Strategic Resource Management**

Legislature	Public Education Department	School Boards and Governing Bodies	School Districts and Charter Schools
<p>Establish statewide priorities and performance measures to assess progress in achieving statewide priorities.</p> <p>Develop statutes that are responsive to student needs.</p> <p>Appropriate adequate, responsive, and sustainable funding to school districts and charter schools.</p>	<p>Administer state and federal funds in alignment with an overall statewide strategy.</p> <p>Develop regulations and guidance to clarify and enforce statutes and provide technical assistance to help school districts and charter schools apply these policies.</p> <p>Maintain data systems that inform the Legislature's focus on adaptive policymaking.</p>	<p>Determine local priorities.</p> <p>Provide oversight of budget development and ensure resources are being allocated to local priorities.</p> <p>Employ and supervise the local superintendent to ensure they are appropriately carrying out a comprehensive strategy for achieving local goals.</p>	<p>Use comprehensive data, including facility master plans, to develop a comprehensive long-term strategic plan that supports student needs and aligns with the priorities of local governing bodies.</p> <p>Support schools in the implementation of evidence-based strategies.</p> <p>Draw on site-specific experiences to inform local budgeting and policymaking.</p>

## Long-Term Trends Impacting Public Education

Recent trends indicate New Mexico’s public schools will experience double-digit percentage declines in student enrollment and continued changes in the programmatic needs of low-income students, English learners, and students with disabilities. These challenges have prompted some school districts and charter schools to embrace long-term strategic resource management, where time, people, and funding are intentionally aligned to achieve long-term goals, while others remain focused on short-term and reactive approaches to these challenges. Without a cohesive and strategic approach to these long-term trends, school districts and charter schools may experience increasingly challenging conditions that have cascading effects throughout the state.

### Declines in Student Enrollment

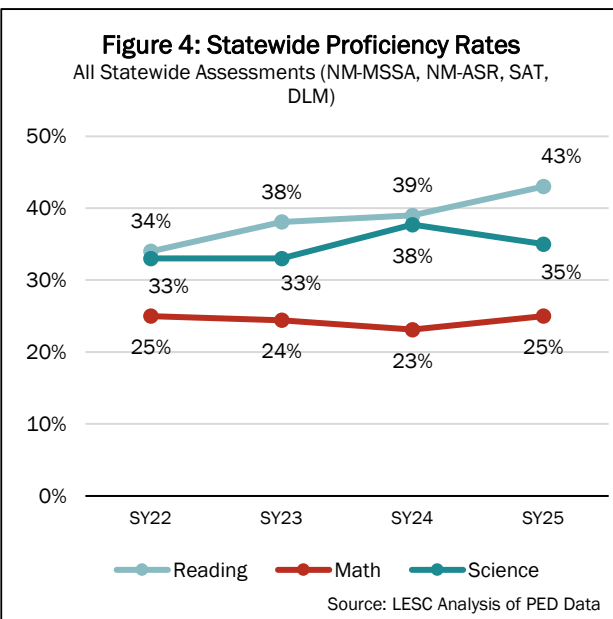
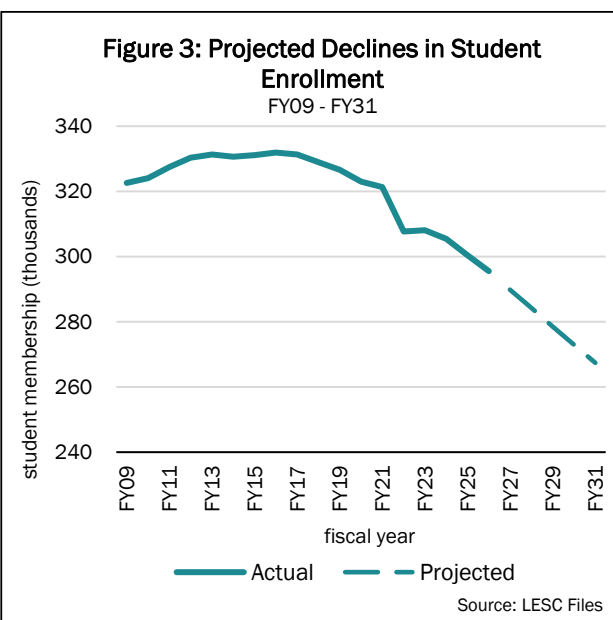
Enrollment across most New Mexico public schools is falling because of declining birth rates and out-migration. After a peak of 332 thousand in FY16, enrollment declined to 296 thousand in FY26. The National Center of Education Statistics, a federal agency that collects, analyzes, and reports data on public education, projects enrollment may decline through FY31, when it reaches 267 thousand (see **Figure 3: Projected Declines in Student Enrollment**).

Some communities are responding to enrollment losses, such as the Gadsden Independent School District, by consolidating or closing multiple schools. Other school districts are using virtual education to increase enrollment, including Chama Valley Independent Schools and Santa Rosa Consolidated Schools, which collaborated on a virtual school enrolling about 3,000 students. Preliminary estimates from PED suggest these districts could see up to a 400 percent increase in their program cost because of their enrollment growth program units. As a result of these unanticipated local decisions, PED estimates it may require a \$35 million supplemental appropriation to the SEG in FY26. Without this supplemental appropriation, the final unit value for FY26 would be decreased by 0.2 percent in January 2026, which would impact all school districts and charter schools.

Remote education is not a new phenomenon in New Mexico because the state already hosts asynchronous charter schools. However, the remote model in Chama and Santa Rosa indicates some communities may be pursuing unique approaches to increasing enrollment and funding rather than addressing their existing operational constraints. These trends and their impact on students should be a focus for the Legislature in the 2026 interim, including an analysis of potential revisions that may need to be made to the SEG to increase its responsiveness to the potential lower costs associated with serving students in a remote instructional model.

### Changes in Student Needs

Despite enrollment losses, New Mexico is not experiencing a corresponding decrease in student needs, as indicated in assessment results (see **Figure 4: Statewide Proficiency Rates**). For FY26, about 37 percent of students live in a household below 130



percent of the poverty level, 18 percent were English learners, and about 25 percent were identified as gifted or as having a disability. About 9.5 percent of students with disabilities were classified as requiring the most extensive services, also known as “Class D” in the SEG.

An [analysis](#) by the Michigan State Legislature found the cost of serving students with disabilities significantly varies by the category of disability. For example, students with speech and language impairments cost about \$10 thousand annually to serve. In comparison, students with emotional or visual impairments cost about \$31 thousand annually to serve.

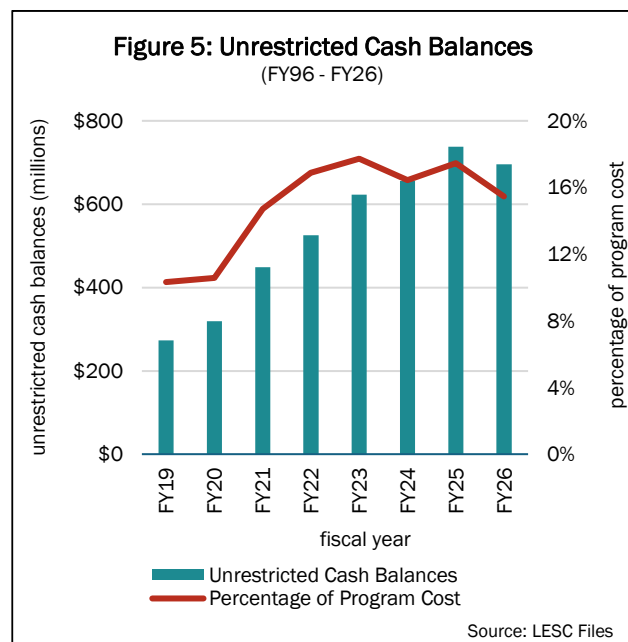
While similar expenditure estimates are not currently available in New Mexico, Michigan’s estimates highlight the variability in local cost drivers, particularly among students with additional needs. In the LESC’s [brief](#) on the implementation of Laws 2025, Chapter 89 (House Bill 63), staff discussed how the Legislature has primarily responded to enrollment losses through reductions to the SEG, and the critical need for the Legislature to adopt a comprehensive and strategic approach to sustain investments despite declining enrollment.

## Changes in Resources

Cash balances have increased because of an influx in federal funding during the Covid-19 Pandemic. However, this trend ended in FY26, when cash balances fell by \$42.1 million, the first year-over-year decline since FY17 (see **Figure 5: Unrestricted Cash Balances**). As a percentage of program cost, cash balances are 15 percent, their lowest since FY21.

While school districts and charter schools hold cash balances for capital outlay priorities, insurance premium payments, and the state’s grant reimbursement process, not all accumulations in cash balances are intentional. Unanticipated events, like staff vacancies, may also contribute to reduced expenditures throughout the fiscal year.

There has also been an increased reliance on BTL programs to sustain operational expenditures, which should only provide short-term support in design and implementation. This highlights the need for a focus on using the multi-year accountability framework of the PERF to measure the success of programs and whether they should receive recurring funding.



The Legislature is also experiencing changes in resources. For FY27, CREG is [estimating](#) about \$105.7 million in “new money,” or the amount of revenue exceeding total spending in FY26. One of the largest contributors to the Legislature’s increased fiscal capacity is the land grant permanent fund (LGPF), a permanent fund that supports public education. For FY27, CREG expects the LGPF to distribute \$1.7 billion to the general fund, a \$164.6 million increase from FY26. Distributions from the LGPF are expected to increase through fiscal year 2030, when they could reach \$2.2 billion, a \$698.8 million increase from FY26.

## Changes in Federal Approaches to Public Education

The federal government is currently modifying its role in public education, which has impacted public schools in New Mexico through a temporary withholding of about \$44.8 million in federal grant funding, the discontinuation of several local grants, the reorganization of roles and responsibilities in the federal department of education, and ongoing proposals to significantly revise the federal government’s allocation of federal funding to public schools. In a recent [survey](#) from the EdWeek Research Center, a non-profit organization that conducts surveys, collects data, and performs analyses of public education, about 78 percent of participating school and district leaders anticipated a reduction in federal funding in the next two years. Many of these leaders reported the possibility of reductions in federal funding is prompting them to reduce programming, staffing, and professional development. The ongoing changes in the federal government’s role in public education may continue to disrupt local programming and staffing and reinforce the need for long-term strategic resource management.

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## Turnover in School and District Leadership

A recent [analysis](#) from the Legislative Finance Committee (LFC) found, on average, 29 percent of principals leave their schools each school year. High turnover in local leadership was also noted in district leaders, according to LESC staff, with most district leaders having served in their current position for five years or less. High rates of leadership turnover create a critical challenge, as inconsistent leadership often interrupts initiatives and prevents past investments of time, people, and money, from yielding measurable outcomes for students. These disruptions in local programming highlight the importance of long-term strategic resource management, which is an area the Legislature and PED have actively invested in increasing local capacity.

## Existing Tools and Frameworks for Strategic Resource Management

The Legislature and PED have created strategic planning tools to assist school districts and charter schools in designing and implementing locally responsive programming to respond to long-term trends impacting public schools. As shown in **Table 2: Areas of Focus for Existing Strategic Planning Frameworks**, the scale of these strategic planning requirements has grown; so too has their disconnection. The purpose and design of each tool has largely been developed in isolation from existing frameworks. This disconnection is a symptom of a public education system that lacks coordination of local, state, and federal resources, in ways that prevent Legislative investments from improving student outcomes.

**Table 2: Areas of Focus for Existing Strategic Planning Frameworks**

Strategic Planning Framework	Fiscal Planning	Programmatic Planning	Facility Planning
Local Strategic Plan	✓	✓	
Educational Plan		✓	
Facility Master Plan			✓
Accreditation Process	✓	✓	
Needs Assessments	✓	✓	
Long-Term Planning for Insurance and Transportation	✓		
School Board Finance Committees	✓	✓	✓
Charter School Financial Frameworks	✓	✓	✓

### Local Strategic Plans

School districts and charter schools are guided by strategic plans that include identifying their mission, vision, and core priorities of their governing body. Strategic plans may include principles of promoting safe and welcoming school cultures, ensuring effective and high-quality instruction, and providing responsive curriculums. Most often, these plans identify broad objectives, rather than specific goals for student outcomes, including metrics that will be used to assess progress toward those goals or plans for how local resources will be leveraged to achieve those goals. Local strategic plans also vary in timeframes, content, specificity, and integration in ongoing local decisions.

### Educational Plan

State law [Section 22-8-6 NMSA 1978](#) requires school districts and charter schools to submit an educational plan (Ed Plan) each year that assists them in identifying trends in student needs and potential strategies for funding those needs. By prompting public schools to develop goals and strategies for serving specific student groups, the Ed Plan was intended to be a strategic planning tool, particularly for programs and services intended for low-income students and those with disabilities. Despite this legislative intent, the Ed Plan is often perceived as a compliance tool that does not regularly inform other strategic planning processes.

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## Facility Master Plan

State law [Section 22-24-5 NMSA 1978](#) also requires school districts and charter schools to have a five-year facility master plan (FMP) that establish a long-term plan for the programmatic use of facilities that are based on changes in enrollment and programming. Ideally, the FMP should be an evolving document that persists despite changes in local leadership, while also informing other strategic planning processes. In practice, however, the FMP is often a siloed tool that does not regularly inform other planning processes; and school districts and charter schools do not typically draw on the data in the FMP, such as enrollment projections, to inform their annual budgeting processes or long-term strategies for managing anticipated expenditures.

## Accreditation Process

State law [Section 22-2-2 NMSA 1978](#) requires PED to accredit schools based on their student outcomes and staff preparation. In 2024, PED promulgated 6.19.4 NMAC that establishes 10 components that will be used in assessing accreditation, including program plans, budgeted and actual expenditures, enrollment, class loads, caseloads, subjects of instruction, and student needs assessments. While accreditation is a promising example of the potential for aligning reporting requirements in an intentional and strategic way, several years of implementation will be required to assess whether it promotes more intentionality in how funding is locally used.

## Needs Assessments

Needs assessments use data and stakeholder-driven processes to identify obstacles to student performance, design and implement responses to obstacles, and track the impact of resource allocations. In FY26, PED identified 16 programs that require a needs assessment, including federal formula grants and BTL programs. Broadly, these needs assessments vary in their scope and frequency of submission, are largely disconnected from other school and district planning processes and are often misaligned under a shared vision or purpose. This results in significant administrative burden for communities and a lack of local coordination.

## Long-term Planning for Insurance and Transportation

State law [Section 22-8-6 NMSA 1978](#) requires school districts and charter schools to submit an operating budget for the following fiscal year, and allows them to include estimates of the cost of insurance policies for periods up to five years if a lower rate may be obtained by purchasing insurance for the longer term. The statute also permits cost estimates for transportation contracts up to four years. This statute is the only area where school districts and charter schools are actively encouraged to plan beyond the following fiscal year in their operating budget, and they present a potential model for other areas, such as programming and staffing models.

## School Board Finance Committees

State law [Section 22-8-12.3 NMSA 1978](#) requires school districts and charter schools to have a finance subcommittee that includes at least two members of the governing body. These subcommittees typically review revenue and expenditure projections, financial statements, and annual budget preparation. Despite the intention of statute in promoting these subcommittees as vehicles of long-term planning, they often meet once each fiscal year before their operating budget is proposed to the full governing council.

## Charter School Financial Frameworks

State law [Section 22-8B-6\(B\) NMSA 1978](#) requires a proposed charter school to file a notice of intent that must often be paired with a five-year budget plan. This plan requires intentional programmatic models, projected enrollment, identifying a staffing model required to serve students, and calculating the funding and facilities needed to actualize those plans. Once approved, however, a charter school is no longer required to update its five-year budget plan. These plans are one of the strongest forms of long-term strategic resource management in New Mexico, and some charter schools have continued to practice this approach, largely because charter schools have unique constraints that require intentionality in long-term financial planning.

## National Landscape and Proposals from PED

While this brief focuses on the challenges New Mexico is experiencing in long-term strategic resource management, it is important to note these challenges are not unique in the national context of public education.

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Most states are grappling with declining enrollment, changes in student needs, and tightening financial constraints; and each state has responded to these challenges based on their local conditions. Several common themes have included an emphasis on encouraging the strategic use of different funding sources and the consolidation of strategic planning processes, both of which have been recently proposed by PED.

## National Landscape

Other states are integrating long-term financial planning in local budgeting processes. Most of these states vary in their local funding of public schools, which impacts their approach to long-term financial planning. If local revenue represents a greater proportion of funding for public education, it is often easier to require local long-term financial planning, as local governing bodies have greater capacity to determine their own revenue.

***State statute in Ohio requires school districts to practice long-term financial planning using a three-year budget forecast that projects revenues and expenditures using enrollment and staffing trends.*** This forecast is submitted twice a year, with the first iteration due in October, and an update due by May. An additional update is required if any significant changes occur. Typically, the November forecast is an early indicator of financial conditions which may help school districts assess how they are adhering to their financial plan while also anticipating any changes to their plan. In May, the update reflects the operating budget for the upcoming fiscal year and provides governing bodies with context of their financial positions as they enter the fiscal year.

An LESC staff review of Ohio's local financial forecasts showed many school districts are projecting increases in expenditures that outpace their revenue. Many of these increases are anticipated in personnel benefits, including health insurance costs, which would contribute to consistent drawdowns of fund balances. School districts are reacting to these long-term trends differently, including enacting adjustments to staffing models and programming. These proactive responses to long-term trends validate the purpose of the long-term financial forecasts in promoting greater long-term intentionality in how public schools are using their financial resources.

While Ohio's financial forecasts encourage intentionality in how communities formulate both their long-term strategic plan and build sustainable funding to achieve these goals, it also incorporates flexibility for legislative changes and unanticipated expenses. While the forecasts may not accurately anticipate all potential variables, they often sustain local goals during periods of local leadership turnover. In this way, Ohio's approach to long-term financial planning serves as a potential model for how New Mexico can build on its existing long-term strategic resource management tools, including the FMP and the budget forecast requirements for proposed charter schools, that improve local intentionality in uses of financial resources.

## Current Proposals for Improving Long-Term Strategic Resource Management in New Mexico

Despite the recent creation of long-term strategic planning requirements, the volume of these requirements has created a complex system that may perpetuate administrative burden. Local strategic planning for federal and state funds is simultaneously disconnected from overarching legislative priorities, leading to a fragmented approach to improving student outcomes. This may cause funding to be spent without a strategic focus or left entirely unspent. To address these concerns, PED adopted a unified application for federal grant programs, where school districts and charter schools apply for many federal formula grants in one area. PED has stated this has consolidated common requirements across federal programs and has alleviated administrative burden.

To further strengthen local strategic planning, PED is requesting a \$2.5 million appropriation in FY27 to add some state grants to the unified application so that school districts and charter schools can plan on how to strategically use different funding sources to improve student outcomes. PED is also proposing to consolidate several existing planning documents, such as Ed Plans, in one centralized location.

These well-intentioned and strategic proposals could encourage greater intentionality in how school districts and charter schools use their local resources and could streamline the wide range of planning documents that are currently required by federal and state statutes. However, a broader comprehensive approach to embedding long-term strategic resource management at the local level should require clear intentionality in how communities regularly choose to use their resources to improve student outcomes.



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## Policy Considerations and Recommendations

As school districts and charter schools continue to experience evolving challenges in serving students, policymakers have an opportunity to ensure that resources are effectively aligned with long-term strategic goals that improve student outcomes and educator wellbeing.

### **The Legislature should...**

- Continue using multi-year appropriations to promote stability and continuity in program;
- Appropriate \$2.5 million to PED for the inclusion of state grants in the statewide unified application and the consolidation of existing planning processes into a unified plan; and
- Direct LESC staff to collaborate with LFC and PED staff in developing a proposal that would require long-term financial planning among all school districts and charter schools.

### **The Public Education Department should...**

- Include state grants in the unified application and consolidate existing strategic planning tools.

### **School Districts and Charter Schools should...**

- Assess whether there are operational barriers in adopting long-term strategic resource management.