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Joint LFC-LESC Hearing: Below-the-Line Appropriations

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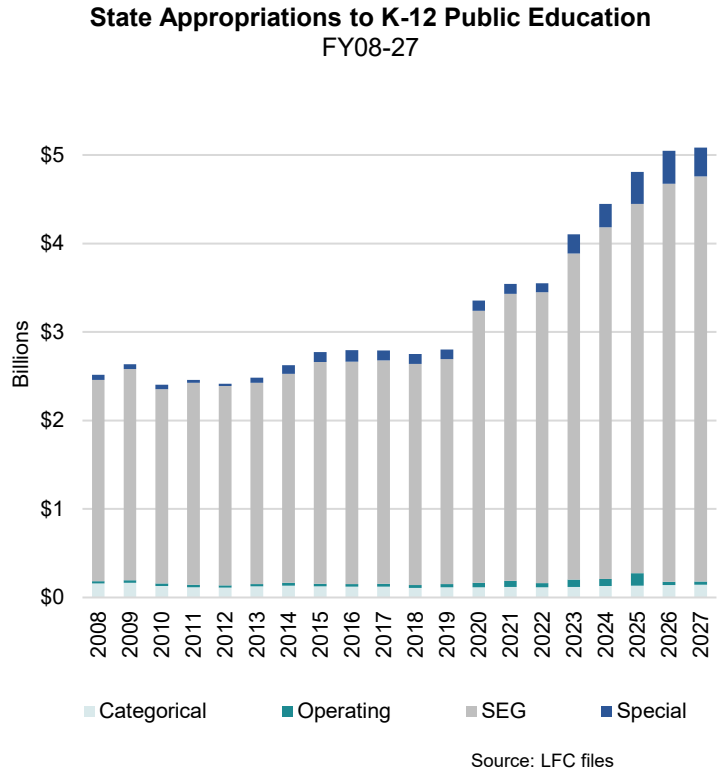
“Below-the-line”

Most public school funding goes directly to districts and charters through the state equalization guarantee (SEG)

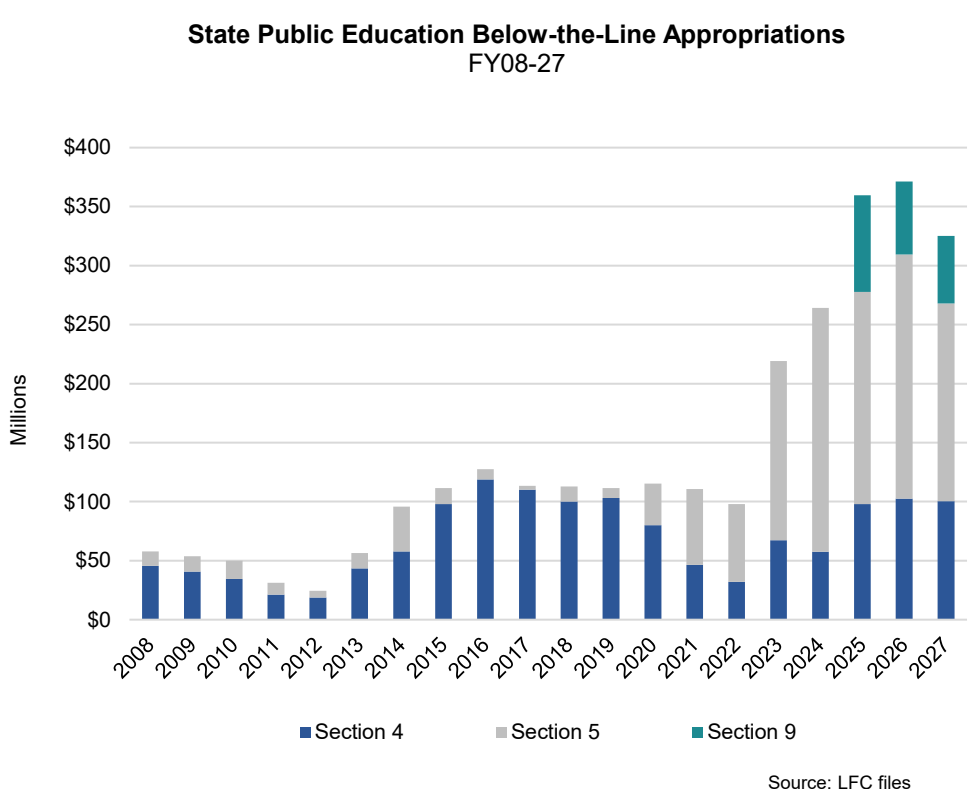
- Spending decisions are made locally

However, a growing share is appropriated to PED for specific purposes

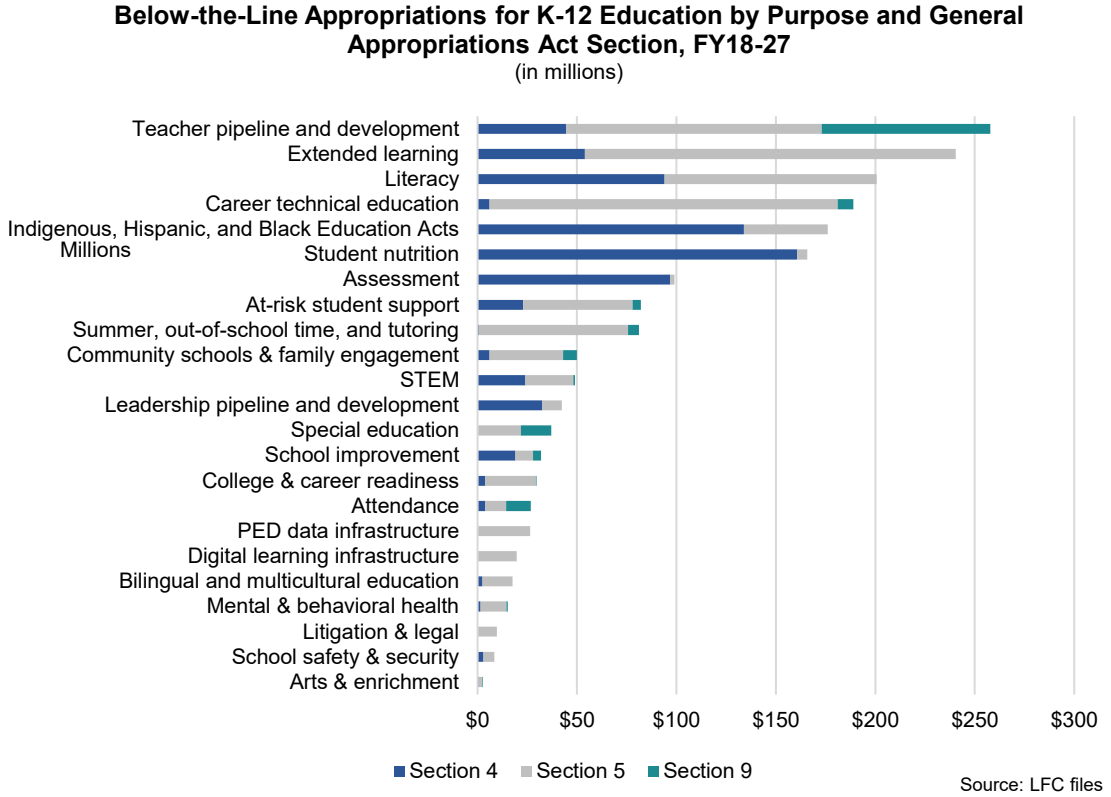
- Those “below-the-line” appropriations fund state-directed initiatives



Tripled below-the-line funding



Source: LFC files



Source: LFC files

Below-the-Line: Conditions for Success

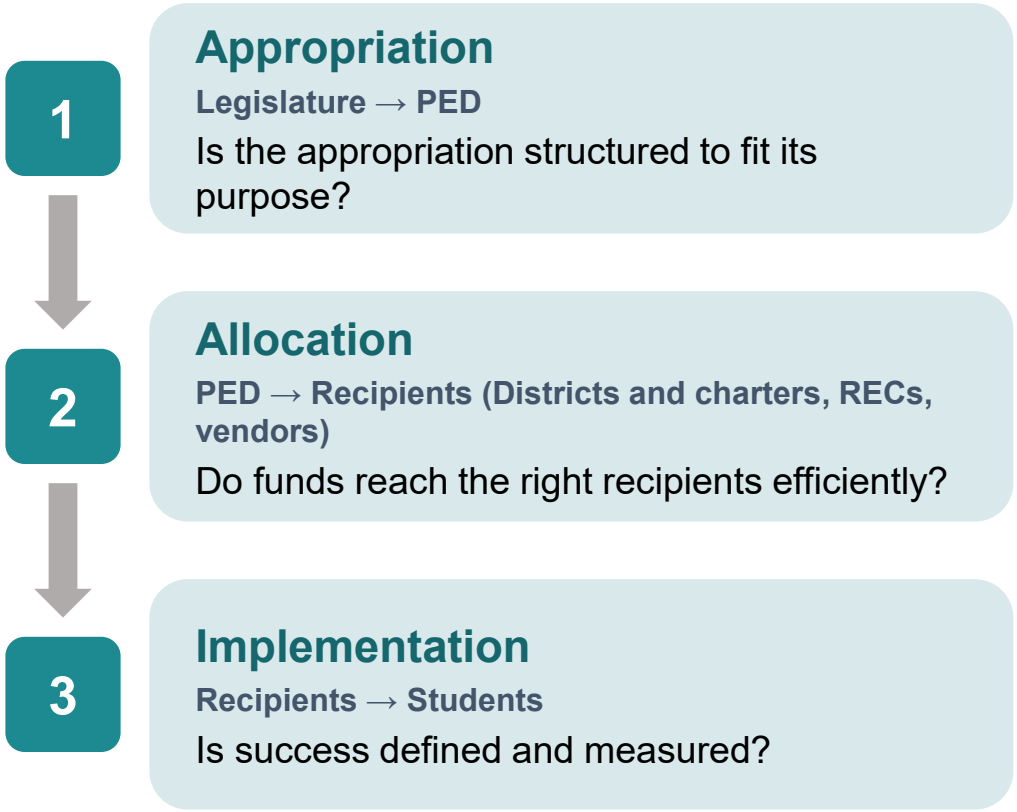
Below-the-line appropriations have grown in number and in dollars since the *Martinez-Yazzie* ruling

State-directed initiatives can improve student outcomes

- Examples: K-3 Plus; Mississippi's investment in early literacy

Results depend on choices made by both the Legislature and PED

- **This report:** how to better match appropriations to their purpose, and how to build the systems needed to carry them out



Funding Structure Doesn't Always Fit Purpose

1 Appropriation | 2 Allocation | 3 Implementation

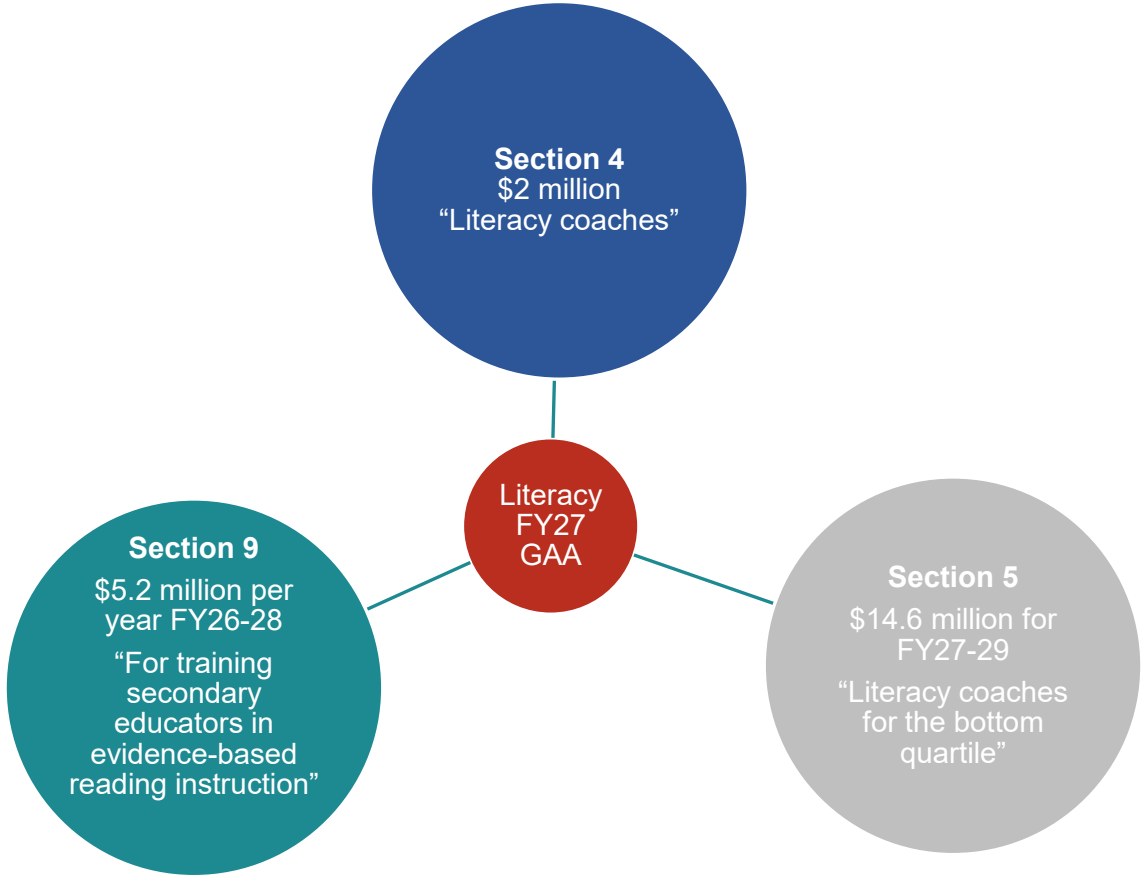
Placement within the GAA doesn't reliably determine how an appropriation is structured

- Section 4 not always recurring, Section 5 not always non-recurring

Initiatives can be funded in multiple places

Many ongoing programs rely on nonrecurring funding

Report pages 4 & 5



A Framework for Matching Funding to Purpose

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

Legislative EDucation Study Committee

1 Appropriation | 2 Allocation | 3 Implementation

As evidence builds

If the appropriation is for…	Best fit	Accountability expected
Planning or a one-time need Planning a program new to NM, or a purchase, study, event or project. One year or less.	**Section 5** Nonrecurring	**Planning:** Sept. 1 report on model, cost per student, outcome measures, evidence tier and whether to pilot **One-time:** report on what was delivered and spent
A promising program not yet tested in NM Research-based or promising, but no rigorous New Mexico evaluation exists.	**Section 9** PERF pilot	Evaluation plan by July 1 (Section 22-8-23.13 NMSA 1978): performance measures, monitoring, and a causal evaluation where possible
A proven or statutorily required program Evidence-based or required by a statute not conditioned on appropriations.	**Section 4** Recurring	Written program model; annual Sept. 1 report on outcomes, each with a baseline and target
Outside below-the-line		
PED's own operations Administration, systems, legal. No funds go to districts or schools.	**PED operating budget**	Agency performance measures with targets, reported quarterly
Students already funded by the formula Target group generates formula funding; no set program model required.	**SEG formula**	Annual district report on the share of the group's funding spent on that group

PED Allocates Appropriated Funding

1 Appropriation | **2 Allocation** | 3 Implementation

Legislature appropriates below-the-line funds to PED

PED allocates funds
Program staff propose a plan; PED leadership decides, within the appropriation language

Grants to school districts and charter schools	**Contracts with vendors**	**Agreements with regional education cooperatives (RECs)**	**PED staff and operations**
Competitive or noncompetitive award	PED contracts directly or procures through CES	RECs decide which one can provide services; PED approves	Operating costs
↓	↓	↓	
District or charter spends first, then requests reimbursement	Vendor delivers services	REC runs program, subcontracts, or subgrants to districts and charters	
↓			
PED reviews and pays; unspent funds revert			

How Funds Are Allocated Matters

1 Appropriation | **2 Allocation** | 3 Implementation

PED does not have clear criteria for choosing grants, RECs, or vendors

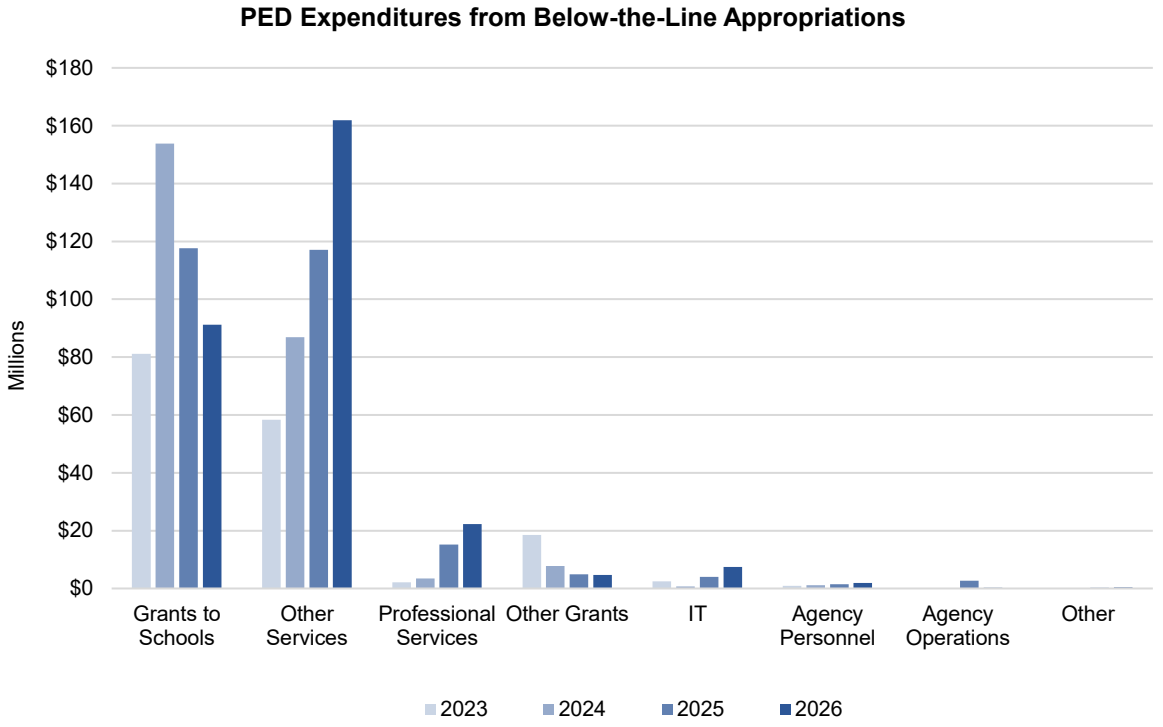
- Example: Attendance initiatives

A growing share flows through noncompetitive contracts, adding cost and reducing visibility

- Example: Summer internships

Inconsistent grant processes may favor higher-capacity districts

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Note: Other Services principally encompasses intergovernmental agreements with RECs, who sometimes in turn grant funding to districts and charters, however it is not possible to quantify how frequently that happens because RECs do not report their spending to the state.

Source: LFC analysis of SHARE data

“Other Services”

1 Appropriation | **2 Allocation** | 3 Implementation

Below-the-Line Expenditures by RECs and CES, FY23-26			
Vendor Name	Invoice Totals	Number of BTL Appropriations	Number of IGAs
Region IX Education Cooperative	$119,394,615.44	35	58
Southwest Regional Education Cooperative	$50,472,400.91	25	26
Northwest Regional Education Cooperative	$33,268,977.86	14	13
Central Region Educational Cooperative	$19,790,190.71	11	12
High Plains Regional Education Cooperative	$16,332,300.90	22	35
Cooperative Educational Services	$10,763,236.14	15	17
Regional Education Center #6	$1,418,888.63	2	1
Regional Education Cooperative VII	$917,590.77	1	3
Four Corners Regional Education Coop #1	$85,628.00	1	1
Total	$252,443,829.36	71	160
Note: Intergovernmental agreements (IGAs) typically must be renewed annually, meaning multiple IGAs may cover the same scope of work			
Source: SHARE			

Defining Success Up Front Makes Results Measurable

1 Appropriation | 2 Allocation | **3 Implementation**

PED typically defines what money can be spent on, not what it should achieve

- Example: FY24 behavioral health supports

When each district or charter sets its own goals, results can't be compared statewide

Where PED sets clear goals, the state can track progress

Report pages 11-12

	State-directed	Local choice within a framework
When it fits	One approach has the strongest evidence, or the state is testing a program	Several approaches meet the evidence bar, and local conditions matter
Who chooses the program	PED	Districts and charters, from options meeting PED's evidence tier
PED's role	Training, technical assistance, checking delivery	Sets the evidence tier, reviews local choices
Outcomes	**Set by PED in both models**	
Good fit for	Science of reading training; school leader development	Out-of-school time; summer internships

Example: Out-of-school time

$70 million

appropriated since FY24

✓ Allowable activities defined

- Purpose not defined in statute
- Expected outcomes not defined
- Program model left to each site

Shifting Oversight from Receipts to Results

1 Appropriation | 2 Allocation | **3 Implementation**

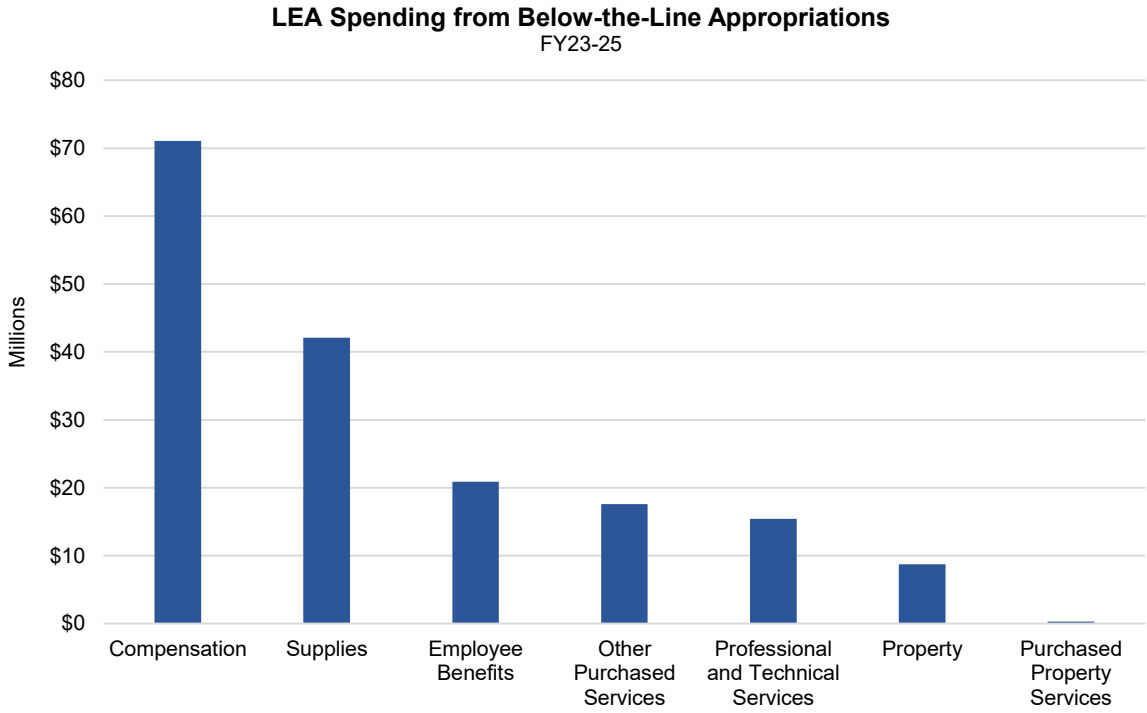
Grant funds are hard to trace from appropriation to spending

- Example: NextGen CTE

PED reviews thousands of reimbursement requests from districts and charters line by line, but few change materially

Clearer guidance on program models could shift staff time from checking receipts to tracking outcomes

Report pages 12-14



Note: Excludes spending for universal school meals. Roughly one-third of compensation spending is additional compensation for existing staff.

Source: LFC analysis of OBMS data

Below-the-line dashboard

Below-the-Line Public Education Appropriations

Legislative Finance Committee (LFC) analysis of recurring and nonrecurring special appropriations for public education: how much was appropriated, how it was spent, and who received it.

The dashboard covers appropriations made from fiscal year 2023 (FY23) through FY26 and spending from them in those years.

Overview | Appropriations | Recipients | Districts and charter schools | About the data

FISCAL YEAR: **All years** | FY23 | FY24 | FY25 | FY26

Appropriated	Spent[1]	Reverted to the general fund	Unexpended balance[2]
$1.17B	**$971M**	**$45.5M**	**$154M**
158 appropriations	83% of appropriated	4% of appropriated	13% of appropriated; $68.3M still authorized

How the money was spent

Spending by category of expenditure. Select a category to see its accounts.

Grants to Schools & Universities	$444M	46%
Other Services	$424M	44%
Professional Services	$43.1M	4%
Other Grants	$35.8M	4%
IT	$14.6M	2%
Agency Personnel	$5.5M	1%

Who received payments

Payments made by voucher, by type of recipient. Percentages are shares of all voucher payments ($925M). Smaller recipients are those paid less than $25,000 in total, plus all payments to individuals.

Districts and charters	$417M	45%
Regional education cooperatives	$252M	27%
Vendors and other	$167M	18%
Higher education	$87.7M	9%
Smaller recipients	$635K	<1%

Considerations

	Finding	Recommendation
1 Appropriation	Funding structure doesn't consistently fit purpose; ongoing programs often rely on one-time funding	**The Legislature should consider using a common framework (see Appendix A, page 18) to match budget placement and accountability to purpose**
2 Allocation	PED lacks clear allocation criteria; a growing share flows through noncompetitive REC agreements	**PED should document allocation decisions, standardize agreement terms, and bring REC spending into SHARE**
3 Implementation	Success is rarely defined up front, so results are hard to measure	**PED should define outcomes and program models before funds flow; the Legislature and PED should work together to build pilots that answer "did it work?"**

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