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July 25, 2011

MEMORANDUM

TO: Legislative Education Study Committee

FR: Eilani Gerstner

RE: STAFF REPORT: FY 12 PUBLIC SCHOOL BUDGETS

According to the *Public School Finance Act*, on or by July 1 of each year the Public Education Department (PED) must:

- approve and certify the operating budget for each local school board and governing body of a state-chartered charter school; and
- make corrections, revisions, and amendments to the operating budgets to conform the budgets to the requirements of law and PED's rules and procedures.

This staff report summarizes:

- PED guidance for the FY 12 operating budgets;
- waivers allowable in current law; and
- the impact of reduced FY 12 funding on school district and charter school budgets, programs, and staffing.

PED Guidance for FY 12 Operating Budgets

For FY 12, in addition to state law and rule, PED issued guidance for school districts and charter schools in building their budgets. The guidance document, titled "A Smarter Return on New Mexico's Investment: Guiding Principles for the Development of School District Budgets,"

indicates that PED’s School Budget and Financial Analysis Bureau staff, along with program staff, would analyze budgets in line with the following principles:

- (1) Student Achievement Drives Spending: a review of the amount of funding allocated for direct instruction and a focus on where the district or charter school is prioritizing funding to meet appropriations for the coming fiscal year;
- (2) Classroom Dollars Come First: “a comprehensive look at local budgets, review operational FTE and compare to prior year allocations and determine whether administrative costs are kept as low as possible”;
- (3) Transparency and Good Policy Govern Budget Making:
 - a review of administrative expenses;
 - an examination of the number of teachers moving through the three-tiered licensure system;
 - verification that audits are submitted to PED in a timely fashion and findings are addressed quickly; and
 - if emergency supplemental dollars are requested, a review of what types of reductions the district is proposing.
- (4) Academics Inform Long-Range Planning: ensure budgets are aligned with long-term Education Plans for Student Success; and
- (5) Budgets Reflect Reasonable Allocations for Student and Teacher Services: verification that counts are accurate and follow established best practices, PED staff will audit units – “where warranted” – for:
 - membership;
 - special education membership and related services;
 - English Language Learners; and
 - teacher training and experience.

At the time of publication of this staff report, PED had not responded to inquiries regarding how many school district and charter school budgets had to be revised to align with these new guidelines.

Waivers Allowable in Current Law

Provisions in current law allow for waivers of certain requirements relating to the development of school budgets, including:

- a temporary provision in the *Public School Code* for school year 2009-2010 through school year 2011-2012 to allow the Secretary of Public Education to waive requirements pertaining to:
 - individual class load;
 - teaching load;

- length of school day;
- staffing patterns;
- subject areas; and
- purchases of instructional materials.

PED is also required to monitor the waivers and report to the Legislative Education Study Committee and the Legislative Finance Committee on any issues or actions of a school district that appear to adversely affect student learning.

- Other provisions in the *Public School Code*:
 - allow a superintendent implementing a collaborative school improvement program to apply for a waiver of provisions relating to length of day, staffing patterns, subject area, or purchase of instructional material; and
 - exempt all charter schools from requirements pertaining to the length of the school day, staffing patterns, subject areas, and instructional materials.
- Provisions in the *Instructional Material Law* allow school district superintendents to request waivers of the use of funds for the purchase of instructional material either included or not included on the multiple list.

At the time of publication of this staff report, PED reported that information on which waivers had been requested will not be available until after the first reporting period (the “40th day”) for school year 2011-2012.

Impact of Reduced FY 12 Funding on School District/Charter School Budgets, Programs, and Staffing

The attachment to this report provides a comparison of total statewide budgeted operational expenditures of school districts and charter schools from FY 11 to FY 12. According to the data provided by PED:

- schools have budgeted nearly \$8.0 million less, or 0.3 percent, for FY 12 than in FY 11; however,
- the percent of funding to instruction increased nearly 0.5 percent from FY 11 to FY 12.

Presenter

Mr. Tom Sullivan, Executive Director of the New Mexico Coalition of School Administrators, will present the results of a survey of school districts regarding the impact of reduced funding on the FY 12 public school budgets.

ATTACHMENT

Account Type	E
Budget Entity Type	(Multiple Items)

FY11

Finalized Amt	Fund List		
Function List	Budgeted Operational Expenditures	Percent	Total of 1000, 2100, & 2200
1000 - Instruction	\$ 1,518,050,207	60.94%	73.30%
2100 - Support Services-Students	\$ 236,715,785	9.50%	
2200 - Support Services-Instruction	\$ 71,200,297	2.86%	
2300 - Support Services-General Administration	\$ 55,707,056	2.24%	
2400 - Support Services-School Administration	\$ 160,620,796	6.45%	
2500 - Central Services	\$ 87,016,468	3.49%	
2600 - Operation & Maintenance of Plant	\$ 325,544,180	13.07%	
2700 - Student Transportation	\$ 3,005,874	0.12%	
2900 - Other Support Services	\$ 18,893,351	0.76%	
3100 - Food Services Operations	\$ 3,328,055	0.13%	
3300 - Community Services Operations	\$ 2,424,751	0.10%	
4000 - Capital Outlay	\$ 8,736,439	0.35%	
5000 - Debt Service	\$ -		
Grand Total	\$ 2,491,243,259	100.00%	

FY12	Budgeted Operational Expenditures	Percent	Total of 1000, 2100, & 2200
1000 - Instruction	\$ 1,524,484,980	61.39%	73.75%
2100 - Support Services-Students	\$ 241,627,475	9.73%	
2200 - Support Services-Instruction	\$ 65,204,177	2.63%	
2300 - Support Services-General Administration	\$ 51,163,876	2.06%	
2400 - Support Services-School Administration	\$ 153,581,341	6.18%	
2500 - Central Services	\$ 81,936,826	3.30%	
2600 - Operation & Maintenance of Plant	\$ 334,874,201	13.49%	
2700 - Student Transportation	\$ 3,464,288	0.14%	
2900 - Other Support Services	\$ 13,627,998	0.55%	
3100 - Food Services Operations	\$ 2,913,097	0.12%	
3300 - Community Services Operations	\$ 2,697,281	0.11%	
4000 - Capital Outlay	\$ 7,690,449	0.31%	
5000 - Debt Service		0.00%	
Grand Total	\$ 2,483,265,989	100%	