

PUBLIC EDUCATION DEPARTMENT AND PUBLIC SCHOOL SUPPORT BUDGET REQUESTS

AGENCY: Public Education
Department (PED)

DATE: December 15, 2016

PURPOSE OF HEARING:
PED and Public School Support
Budget Requests

WITNESSES:

Hanna Skandera, Secretary,
PED; and Paul Aguilar, Deputy
Secretary, Finance and
Administration, PED

PREPARED BY: Joseph W.
Simon and Heidi L. Macdonald,
LESC staff

EXPECTED OUTCOME: Better
understanding of PED's
department and public school
support budget requests.

Due to continued weakness in general fund revenue collections, the Legislature was reconvened in October to adjust FY17 appropriations to account for significantly reduced revenue. The state's revenue situation led to a total of \$69.3 million in reductions to general fund appropriations for public education, excluding a \$22 million reduction that was passed by the Legislature but vetoed by the governor. When accounting for a \$12.5 million appropriation made from the Public School Capital Outlay fund during the 2016 special session, total public education appropriations were decreased by \$56.8 million from initial FY17 appropriations. The Public Education Department's (PED) FY18 request for public school support and the department's operating budget is largely flat from the FY17 adjusted appropriation, but reflects significant cuts to transportation and the department's continued prioritization of "below-the-line" appropriations.

PUBLIC SCHOOL SUPPORT REQUEST

Statute requires PED to review the financial needs of each school district and state-chartered charter school for the succeeding fiscal year and submit to the Secretary of Finance and Administration annually, on or before November 30, its recommendations for amendments to the public school funding formula and appropriations the public school fund and for student transportation.

For FY18, PED requested nearly \$2.7 billion in recurring general fund revenue for public school support, categorical, and related appropriations, a decrease of \$3.5 million, or 0.1 percent from FY17 adjusted appropriations. (See lines 77 through 79 of Attachment 1: Public School Support and Related Appropriations for FY18). PED's FY18 request for the state equalization guarantee (SEG) distribution totaled \$2.5 billion (line 21). PED's FY18 request for categorical appropriations totaled \$92 million in general fund appropriations and also included \$25 million from the Public School Capital Outlay fund (line 40). PED requested \$96.6 million for related recurring appropriations.

Program Cost and State Equalization Guarantee Distribution Requests. PED uses the SEG, also known as the "funding formula," to distribute money to public schools. More than 90 percent of school districts' operational revenue is derived through the formula. The formula is enrollment-driven with weighted factors for school and district size, teacher qualifications, students' special needs, and other circumstances to generate a program unit. The number of units generated by all students statewide is divided into the

annual program cost to determine the unit value. As part of determining a school district's or charter school's distribution, the state takes credit for 75 percent of three revenue sources: a 0.5 local mill levy, federal forest funds, and the operational portion of federal impact aid funds, all of which remain at the school district. School districts and charter schools may spend formula dollars according to local priorities; however, they must comply with statutory requirements and relevant PED directives.

For FY18, PED's request reflected a flat program cost of \$2.5 billion. After adjusting for assumed local and federal revenue for which the state takes credit for, and fees received from the Taxation and Revenue Department pursuant to the Motor Vehicle Code for the issuance of each driver's license, the department requested a general fund appropriation of \$2.49 billion for the SEG distribution, an increase of \$6 million, or 0.2 percent from FY17 adjusted appropriations. A reduction in the assumed amount of federal and local revenue credits and driver's license fees increases the amount of SEG that will need to be appropriated to ensure the assumed program cost is met.

Enrollment Growth (line 3) and Other Units (line 5). PED's request does not account for any anticipated changes in the number of program units generated through the public school funding formula. PED typically requests additional appropriations to account for enrollment growth units, but did not do so for FY18. Enrollment growth units could be offset by a drop in other units, particularly those generated by the training and experience (T&E) index. In the last five years, the T&E index has decreased significantly; T&E will continue to decrease in FY18.

**Enrollment Growth Units
5-Year History**

FY13	4,386
FY14	5,297
FY15	6,032
FY16	3,991
FY17*	2,697

*Preliminary Source: LESC files

**Training and Experience
Index Units
5-Year History**

FY13	53,727
FY14	50,246
FY15	47,313
FY16	43,963
FY17*	42,514

*Preliminary Source: LESC files

In some years, a small number of program units are generated by newly authorized charter schools which, if unfunded, may depress the unit value, particularly if a large number of new charter schools are authorized. PED historically has not request additional appropriations to account for these units. Currently, no new charter schools have been approved for FY18; however, it appears two charter applicants whose applications were denied may appeal these denials. The appeal would go to the Secretary of Public Education and, if reversed, these schools could be authorized to open in FY18.

Insurance (line 8). Public school employees of 88 school districts and all charter schools receive health insurance from the New Mexico Public School Insurance Authority (NMPSIA); Albuquerque Public Schools (APS) administers its fund separately. In the department's FY18 request, PED did not request additional funding for increased insurance costs; however, NMPSIA requested \$351 million for benefits in FY18,

Projected Credit History and Actual Credits
(in thousands)

	PED		Actual
	Request	Budgeted	Credits
FY13	\$ 67,000	\$ 69,000	\$ 66,740
FY14	\$ 62,000	\$ 63,000	\$ 61,818
FY15	\$ 58,000	\$ 62,000	\$ 72,283
FY16	\$ 59,000	\$ 56,000	\$ 75,405
FY17	\$ 59,000	\$ 64,000	

Source: LESC

an increase of 9.7 percent from FY17. NMPSIA estimates the employer share of insurance benefits will increase by \$19 million in FY18. APS did not request additional appropriations for insurance costs.

Projected credits (line 19). To maintain an equalized funding formula, the Public School Finance Act directs PED to reduce a school district's SEG distribution by 75 percent of these additional revenue sources directly received by a school district. PED projects \$58 million in credits for FY18 but acknowledges this is a conservative estimate, based on uncertainty these credits will materialize. The FY17 appropriation assumed \$64 million in credits for these revenues and the FY16 appropriation assumed \$56 million; actual credits received in FY16 were in excess of \$75 million. However, PED reports credits for federal Impact Aid have been supplemented by prior year undistributed balances in recent years, and it is unclear if those payments will continue.

Categorical Appropriations. For FY18, PED requested a total of \$92 million in general fund appropriations for categorical public school support (line 40), a \$7 million, or 7 percent decrease in general fund revenue from FY17. However, this is offset by a request to use \$25 million in Public School Capital Outlay funds authorized by Laws 2016 (2nd Special Session), Chapter 2 (Senate Bill 4) bringing the total request to an increase of \$5.5 million, or 4.9 percent from adjusted FY17 appropriations (which also included the use of \$12.5 million in Public School Capital Outlay Fund revenue). Senate Bill 4 from the special session authorized \$25 million of Public School Capital Outlay funds in FY18 for appropriation to transportation or instructional materials.

School District and Charter School Transportation Funds
In millions

	Revenue	Spending	Diff.
FY13	\$ 97.0	\$ 101.5	\$ (4.6)
FY14	\$ 100.2	\$ 104.2	\$ (4.0)
FY15	\$ 104.6	\$ 108.1	\$ (3.4)
FY16	\$ 98.0	\$ 104.1	\$ (6.2)

Source: LESC analysis

Amounts include emergency supplemental and exclude reversions to PED

Transportation (lines 25-32). PED's request of \$77.8 million in general fund revenue and \$7.5 million in Public School Capital Outlay Fund revenue effectively holds transportation funding flat from adjusted FY17 appropriations, but represents a reduction of \$12.5 million, or 12.8 percent from FY16 appropriations. PED requested \$7.5 million, or about one third of the amount available for appropriation in FY18 from the Public School Capital Outlay Fund for student transportation. In recent years, many school districts have used operational funds to cover student transportation costs to supplement their transportation distribution. According to FY16 school district and charter school revenue and expenditure data, school districts spent \$6.1 million in SEG dollars in addition to the \$97.8 million received from the transportation distribution to provide to-and-from student transportation.

In November, LESC endorsed legislation for the 2017 session that would increase the school bus replacement cycle to 15

years from the current statutory 12-year replacement cycle. New Mexico's school bus replacement cycle is shorter than those in other jurisdictions, and lengthening the cycle could result in delayed lease payments made on behalf of contractors for contractor-owned buses and purchase payments made on behalf of school district-owned buses. According to PED, 82 contractor-owned buses will need to be replaced, which will cost the state \$1.6 million in amortized lease payments in FY18. Payments for contractor-owned buses come off the top of the annual appropriation. If enacted, revenue available for school district and charter school operating costs would be increased by \$1.6 million.

Emergency Supplemental Funding (lines 35 and 81). Each year, PED requests supplemental distributions for emergency funding for school districts and out-of-state tuition payments provided for in the Public School Finance Act. PED requested flat recurring funding for out-of-state tuition and \$2 million from recurring general fund revenues in FY18 and \$4 million from nonrecurring general fund revenues to be used in either FY17 or FY18 for emergency funding. The Legislature appropriated \$3.5 million in FY17 to provide emergency funding and extended authorized up to \$2 million in unspent FY16 appropriations to be spent in FY17.

Instructional Material Fund (line 36). PED requested \$3.2 million in general fund revenue and \$17.5 million in Public School Capital Outlay Fund revenue for instructional materials in FY18, increasing instructional materials funding by \$5 million from FY17. The FY17 adoption cycle involved kindergarten through eighth grade reading, reading intervention, and languages and involved 90 adopted titles. As a 2014 LFC evaluation noted, not all instructional materials cycles are equally as expensive. The adoption cycle for FY18 is directed to social studies, reference, and Native American art and culture and will include only 44 adopted titles. As such, the FY18 adoption cycle may be less expensive than the previous year.

Indian Education Fund: (line 39). PED's request of \$1.8 million in general fund revenue was flat from the FY17 adjusted appropriation; however, in prior years the Legislature has authorized PED to spend down fund balance. In FY17, the Legislature appropriated \$675 in fund balance. In addition, PED requested a budget increase of \$1.2 million of Indian Education Fund balance in FY17 to fund multi-year contracts to support the Indian Education Bureau. PED indicated the fund ended FY16 with a balance of \$2.5 million. Assuming the BAR is approved and PED expends all authorized FY17 funds, \$654 thousand in fund balance would be available for appropriation in FY18.

Related Recurring Appropriations. PED requested approximately \$96.6 million for related recurring “below-the-line” initiatives. The request holds funding flat for most programs but requests a total reduction of \$2.5 million in recurring funding for the for the following eight initiatives:

- \$949 thousand less for teacher and school leader preparation programs;
- \$750 thousand less for the pay for performance pilot;
- \$600 thousand less for the educator evaluation system;
- \$500 thousand less for each of the three programs: the science, technology, engineering, and math (STEM) initiative; interventions and supports for struggling schools and parents; and the parent portal;
- \$451 thousand less for college preparation, career readiness, and dropout prevention; and
- Elimination of the \$250 thousand appropriation for New Mexico grown fruits and vegetables.

In addition, PED requested an additional \$2 million in recurring general fund revenue for the department’s teacher supply initiative. Currently, the initiative is funded with nonrecurring revenue. The program provides a \$100 debit card to all teachers in the state to be used to offset classroom materials (line 66).

PED’s total general fund request for related recurring appropriation was a reduction of \$2.5 million from FY17 appropriations. Legislative action from the October 2016 special session reduced related recurring appropriations \$22 million; however, the reductions were vetoed by the governor and the governor instead directed PED to voluntarily revert \$4.5 million of FY17 initiative appropriations. After accounting for new recurring appropriations, PED’s request only carries forward \$2.5 million of the \$4.5 million reduction in FY17.

Transparency and Accountability. As spending on below-the-line initiatives has increased, so has the importance of the transparent use of funds to achieve a measurable purpose. Currently, the Legislature places few controls on how PED expends below-the-line appropriations, and it can be difficult for legislators to anticipate how funds will be used.

For example, in FY16, more than \$1 million in below-the-line funding was spent on department personnel salaries and benefits and FY17 budget documents show the department budgeted about \$1.3 million of funds appropriated to below-the-line initiatives. It is common for PED to use the appropriation for IDEAL-New Mexico staff salaries and

In early October, LESC staff requested detailed data on the performance of PED’s “below-the-line” initiatives. As of mid-December, this information has not been received by staff.

benefits. Statutory language anticipate PED will use a portion of appropriations made to prekindergarten and K-3 Plus for department administrative costs and caps those amounts, but no such language exists for other below-the-line initiatives. Although PED's FY18 budget request mentions, in a few cases, that a portion of the appropriation will be used to fund PED staff, PED does not generally request specific amounts for staff salaries and benefits from below-the-line initiatives appropriations.

In addition, it can be difficult at times to determine if below-the-line initiatives are having their intended effect. Performance measures are incomplete and uneven across programs. High-quality research has accompanied some programs, such as a recent independent study evaluating the K-3 Plus program. But for other programs, there is little, if any, performance data and where specific data points have been shared, the underlying data has not been provided.

In some cases, PED contends that there has not been sufficient time to evaluate certain programs. Basic questions about how PED will measure a particular program and how long it will take to demonstrate results could provide the Legislature with valuable information on where to make strategic investments. The Legislature could ask PED to clearly articulate the criteria that will be used to determine a program's outcomes prior to allocating funds to a particular initiative.

Following staff discussions between the LFC, LESC, and PED, staff are exploring ways to cooperate more closely on the development of performance measures and the evaluation of below-the-line initiatives to provide policymakers much needed data.

Special and Supplemental Requests. In addition to the recurring \$2 million requested by PED for emergency supplemental funding, the department requested \$4 million in nonrecurring general fund revenue for emergency support to school districts (line 81). PED also requested a total of \$3.8 million in nonrecurring revenue to offset costs associated with defending the state in lawsuits that challenge the adequacy of public education funding, the funding formula, Impact Aid, and the state's teacher evaluation system (line 82-84). PED requested \$1.3 million in FY17 to supplement the existing \$1.2 million appropriation. For FY18, PED requested an additional \$2.5 million. PED indicates not funding this request would leave the state vulnerable to a decision from the judiciary that dictates a level of education funding or makes changes to the funding formula. Such a decision could potentially cost the state hundreds of millions of dollars annually.

For FY18, PED requested \$17.3 million through the capital outlay process to replace 204 school district owned school buses pursuant to the state's statutory 12-year replacement cycle. When funds are not available for school bus replacements, school districts are required to receive a temporary waiver from PED to operate school buses for to-and-from transportation beyond the 12-year statutory replacement cycle. As mentioned above, if the LESC endorsed legislation to increase the replacement cycle from 12 years to 15 years is enacted, these buses will not need to be replaced for an additional three years.

PED FY18 BUDGET REQUEST

For FY18, PED requested approximately \$43.3 million for the department's operating budget, which remains flat from its adjusted FY17 operating budget, from the following sources: \$11.1 million in general fund revenue; \$36 thousand in Medicaid funds transferred from the Human Services Department (HSD) for behavioral health services provided through PED; \$28.1 million from federal revenue sources; and \$4.1 million from other state funds including \$1.5 million in educator certification fees and \$2.6 million in administrative withholding from state-chartered charter schools.

State-Chartered Charter School
2 Percent Set-Aside History
(in thousands)

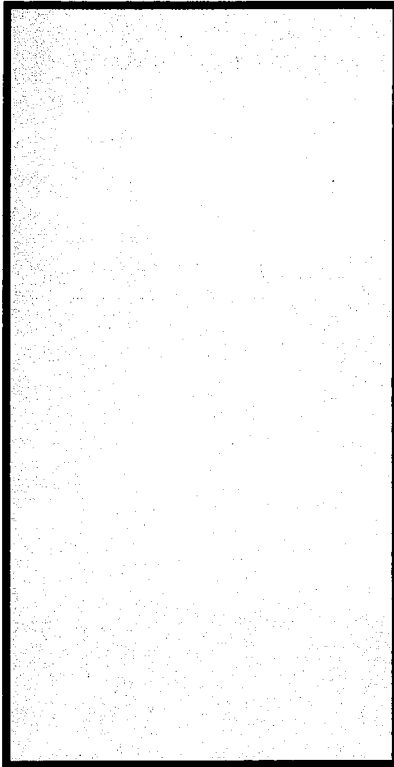
FY16	\$2,591
FY15	\$2,210
FY14	\$1,936
FY13	\$1,681
FY12	\$1,286
FY11	\$1,037

Source: LESC

Historically, PED's budget request underestimates the amount of the 2 percent administrative withholding from state-chartered charter schools. In FY16, the department initially budgeted just under \$2.3 million, but ultimately received nearly \$2.6 million. As enrollment in state-chartered charter schools has increased, the amount of funds withheld has increased dramatically, more than doubling between FY11 and FY16.

The composition of estimated expenditures varies slightly from FY17 budgeted expenditures, including: approximately \$18.7 million for FY18 personal services and employee benefits (a decrease from the revised budget of \$19.1 million in FY17); approximately \$20.2 million for FY18 contractual services (remains flat with revised FY17 appropriations); and approximately \$4.4 million for other FY18 expenditures (an increase from the revised budget of nearly \$4 million in FY17).

In FY18, PED requested funding for 275.6 full-time employees (FTE), which is a decrease of 17.1 FTE from the number of FTE assumed for FY17. Additionally, PED budgeted almost \$1.4 million to support PED staff from a number of appropriations made for categorical public school support and initiatives. Generally, as noted above, PED only uses a portion of the appropriations made for prekindergarten, K-3 Plus, Indian education, and IDEAL-NM to fund department staff.



However, in FY17, PED began funding a number of positions not directly reflected in the agency's budget request through "below-the-line" initiatives appropriations.

**FY17 BELOW-THE-LINE AND OTHER GENERAL FUND
ALLOCATIONS FOR PED FTE**

PROGRAM	AMOUNT FROM PROGRAM USED TO FUND PED FTEs
Teachers Pursuing Excellence	\$79,000
Parent Portal	\$88,000
Indian Education	\$200,000
Interventions	\$360,000
IDEAL NM	\$200,000
K-3+	\$220,000
Pre-K	\$240,000
NMTEACH Evaluation System FY16 Carry Forward	\$94,000
TOTAL	\$1,481,000

Source: PED Operating Budget

PUBLIC SCHOOL SUPPORT AND RELATED APPROPRIATIONS FOR FY18

(in thousands of dollars)

School Year 2016-2017 Preliminary Unit Value = \$4,040.24 School Year 2016-2017 Estimated Final Unit Value = \$3,979.64		FY16 OpBud	Adjusted FY17 OpBud	FY18 PED Request
1	PROGRAM COST	\$2,544,811.0	\$2,569,331.1	\$2,550,192.4
2	UNIT CHANGES			
3	Enrollment Growth Units	\$5,171.7	\$2,756.2	
4	Eliminate Enrollment Growth Units for New Programs	(\$2,924.2)		
5	Other Projected Net Unit Changes		\$1,960.3	
6	At-Risk Unit Increase: Laws 2014, Chapter 55	\$12,561.0		
7	UNIT VALUE CHANGES			
8	Insurance	\$4,351.0	\$3,500.0	
9	Fixed Costs	\$5,000.0	\$5,000.0	
10	College and Career Readiness (ACT, SAT, PSAT, Explore, Plan)	(\$309.4)		
11	Increase Level Two and Level Three Minimum Salaries (\$2 thousand)		\$5,444.8	
12	Increase Level One Minimum Teacher Salaries (FY16 \$34 thousand)	\$6,670.0		
13	PARCC Standards-Based Assessments (English Language Arts and Math)	(\$6,000.0)		
14	Laws 2016, Chapter 11, Section 10 Reduction	(\$15,805.3) ¹		
15	Laws 2016 (2nd S.S.), Chapter 6 (SB9 Reductions)		(\$37,800.0)	
16	SUBTOTAL PROGRAM COST	\$2,553,525.8	\$2,550,192.4	\$2,550,192.4
17	Dollar Increase/Decrease Over Prior Year Appropriation		(\$3,333.4)	\$0.0
18	Percentage Increase/Decrease		-0.1%	0.0%
19	LESS PROJECTED CREDITS (FY15 Actuals \$72.2 million)	(\$56,000.0)	(\$64,000.0)	(\$58,000.0)
20	LESS OTHER STATE FUNDS (From Driver's License Fees)	(\$5,000.0)	(\$5,000.0)	(\$5,000.0)
21	STATE EQUALIZATION GUARANTEE	\$2,492,525.8	\$2,481,192.4	\$2,487,192.4
22	Dollar Increase/Decrease Over Prior Year Appropriation	\$27,020.1	(\$11,333.4)	\$6,000.0
23	Percentage Increase/Decrease	1.1%	-0.5%	0.2%
24	CATEGORICAL PUBLIC SCHOOL SUPPORT			
25	TRANSPORTATION - School District (PED Request includes district and charter)			
26	Maintenance and Operations	\$77,113.5	\$76,726.1 ²	\$66,753.0
27	Fuel	\$11,786.2	\$11,092.9	\$9,531.1
28	Rental Fees (Contractor-Owned Buses)	\$8,865.8	\$8,771.4	\$1,481.4 ^{6,7}
29	TRANSPORTATION - State-Chartered Charter School (with language)		\$965.1 ²	
30	Rental Fees (Contractor-Owned Buses)		\$210.0	
31	Laws 2016 (2nd S.S.), Chapter 6 (SB9 Reductions)		(\$12,500.0) ³	
32	SUBTOTAL TRANSPORTATION	\$97,765.5	\$85,265.5	\$77,765.5
33	SUPPLEMENTAL DISTRIBUTIONS			
34	Out-of-State Tuition	\$300.0	\$300.0	\$300.0
35	Emergency Supplemental	\$2,000.0 ⁴	\$1,500.0 ⁴	\$2,000.0
36	INSTRUCTIONAL MATERIAL FUND	\$21,900.0	\$3,150.0 ^{3,5}	\$3,150.0 ^{6,7}
37	Dual Credit Instructional Materials	\$1,000.0	\$1,000.0	\$1,000.0
38	PARCC Standards-Based Assessments (English Language Arts and Math)	\$6,000.0	\$6,000.0	\$6,000.0
39	INDIAN EDUCATION FUND	\$1,824.6	\$1,824.6	\$1,824.6
40	TOTAL CATEGORICAL	\$130,790.1	\$99,040.1	\$92,040.1
41	TOTAL PUBLIC SCHOOL SUPPORT	\$2,623,315.9	\$2,580,232.5	\$2,579,232.5
42	Dollar Increase/Decrease Over Prior Year Appropriation	\$30,743.6	(\$43,083.4)	(\$1,000.0)
43	Percentage Increase/Decrease	1.2%	-1.6%	0.0%
44	RELATED REQUESTS: RECURRING (Highlight=Reduced Request in FY18)			
45	Regional Education Cooperatives Operations	\$935.6	\$935.6	\$935.6
46	K-3 Plus Fund	\$23,700.0	\$23,700.0	\$23,700.0
47	Public Pre-Kindergarten Fund	\$21,000.0 ⁸	\$21,000.0 ⁸	\$21,000.0 ⁸
48	Early Reading Initiative	\$15,000.0	\$15,000.0	\$15,000.0
49	Breakfast for Elementary Students	\$1,924.6	\$1,924.6	\$1,924.6
50	After School and Summer Enrichment Programs	\$350.0	\$350.0	\$350.0
51	Teacher and School Leader Programs and Supports for Training, Preparation, Recruitment, and Retention	\$6,645.0 ¹	\$6,000.0	\$5,250.0
52	Teaching Support in Schools with a High Proportion of Low-Income Students	\$500.0	\$500.0	\$500.0
53	NMTEACH Evaluation System	\$5,000.0	\$4,600.0	\$4,000.0

School Year 2016-2017 Preliminary Unit Value = \$4,040.24
School Year 2016-2017 Estimated Final Unit Value = \$3,979.64

	FY16 OpBud	Adjusted FY17 OpBud	FY18 PED Request
54 STEM Initiative (Science, Technology, Engineering, and Math Teachers)	\$2,400.0	\$2,400.0	\$1,900.0
55 Next Generation School Teacher and School Leader Preparation Programs	\$4,145.5	\$4,145.5	\$3,196.5
56 New Mexico Cyber Academy (IDEAL-NM)	\$250.0	\$250.0	\$250.0
57 College Preparation, Career Readiness, and Dropout Prevention	\$2,901.0	\$2,901.0	\$2,450.0
58 Advanced Placement	\$875.0	\$875.0	\$875.0
59 Interventions and Support for Students, Struggling Schools, and Parents	\$10,500.0	\$10,500.0	\$10,000.0
60 Parent Portal	\$1,196.7	\$1,100.0	\$600.0
61 New Mexico Grown Fruits and Vegetables	\$364.3	\$250.0	
62 Black Student Union	\$30.0		
63 GRADS – Teen Pregnancy Prevention	\$200.0	\$200.0	\$200.0
64 Teacher Mentorship - Teachers Pursuing Excellence	\$1,000.0	\$1,000.0	\$1,000.0
65 Stipends for Teachers in Hard to Staff Areas (Sp. Ed., Bilingual, STEM, etc.)	\$1,500.0	\$1,500.0	\$1,500.0
66 Teacher Supplies			\$2,000.0
67 Laws 2016 (2nd S.S.), Chapter 6 (SB9 Reductions)		(\$22,000.0)	
68 TOTAL RELATED APPROPRIATIONS: RECURRING	\$100,417.7	\$99,131.7	\$96,631.7
69 Dollar Increase/Decrease Over Prior Year Appropriation	\$5,899.9	(\$1,286.0)	(\$2,500.0)
70 Percentage Increase	6.2%	-1.3%	-2.5%
71 SUBTOTAL PUBLIC EDUCATION FUNDING	\$2,723,733.6	\$2,679,364.2	\$2,675,864.2
72 Dollar Increase/Decrease Over Prior Year Appropriation	\$36,643.5	(\$44,369.4)	(\$3,500.0)
73 Percentage Increase	1.4%	-1.6%	-0.1%
74 PUBLIC EDUCATION DEPARTMENT	\$11,879.7	\$11,065.3⁹	\$11,065.3
75 Dollar Increase/Decrease Over Prior Year Appropriation	(\$89.5)	(\$814.4)	\$0.0
76 Percentage Increase	-0.7%	-6.9%	0.0%
77 GRAND TOTAL	\$2,735,613.3	\$2,690,429.5	\$2,686,929.5
78 Dollar Increase/Decrease Over Prior Year Appropriation	\$36,554.0	(\$45,183.8)	(\$3,500.0)
79 Percentage Increase	1.3%	-1.7%	-0.1%

¹ The FY16 OpBud column reflects reductions totaling \$16.5 million pursuant to Section 10 of Chapter 11 of Laws 2016. Of that amount, \$15.8 million was reduced from the program cost (line 14), \$605 thousand reduced from the performance pay appropriation (line 51), and \$71.6 thousand from PED's operating budget (line 74).

² The GAA of 2016 included language directing PED to calculate two transportation distributions (with one separate distribution for charter schools), which was vetoed by the governor.

³ Laws 2016 (2nd S.S.), Chapter 6 (SB9) reductions totaled \$30 million to categorical appropriations.

⁴ Any remaining balances of the \$2 million appropriated in Section 4 and the \$2 million appropriated in Section 5 of the GAA of 2015 were reauthorized for use in FY17.

⁵ Laws 2016 (2nd S.S.), Chapter 2 (SB4) appropriations included a \$12.5 million nonrecurring appropriation to the Instructional Material Fund from the Public School Capital Outlay Fund for use in FY17.

⁶ Laws 2016 (2nd S.S.), Chapter 2 (SB4) authorized up to \$25 million for appropriation to the Instructional Material Fund and Transportation Distribution from the Public School Capital Outlay Fund from FY18 to FY22. The FY18 staff recommendation includes the \$25 million.

⁷ The PED request includes \$7.5 million for contractor rental fees in the transportation distribution and \$17.5 million for instructional materials from the Public School Capital Outlay Fund.

⁸ The GAA of 2015 and 2016 included \$3.5 million in TANF funds for prekindergarten. PED has requested to continue this transfer.

⁹ Laws 2016 (2nd S.S.), Chapter 6 (SB9) reduction totaled \$644 thousand to PED's operating budget.

80 SECTION 5 - NONRECURRING SPECIAL			
81 Emergency Supplemental Funding for School Districts	\$2,000.0	\$2,000.0	\$4,000.0
82 Sufficiency Lawsuit Fees	\$1,200.0	\$1,200.0	\$2,500.0
83 SECTION 6 - NONRECURRING SUPPLEMENTAL			
84 Sufficiency Lawsuit Fees			\$1,300.0

75 Percent Credit History and Budget Assumptions

75 Percent Credits	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17 Legislative Estimate	FY18 PED Request
Half Mill	\$13,252,290.85	\$12,768,423.77	\$14,227,401.19	\$14,045,409.80	\$13,816,910.66	\$15,232,543.97	\$15,227,489.99	\$14,810,345.25	\$14,000,000.00	\$12,000,000
Impact Aid	\$67,582,749.77	\$60,271,578.31	\$57,117,046.99	\$52,723,165.44	\$49,324,907.44	\$43,242,029.38	\$56,810,717.25	\$54,315,843.86	\$49,000,000.00	\$43,000,000
Forest Reserve	\$6,522,084.90	\$5,869,876.43	\$5,658,508.82	\$4,134,251.74	\$3,598,834.94	\$3,343,461.83	\$245,338.27	\$6,279,302.18	\$1,000,000.00	\$3,000,000
Total	\$87,357,125.52	\$78,909,878.50	\$77,002,956.99	\$70,902,826.97	\$66,740,653.04	\$61,818,035.18	\$72,283,545.51	\$75,405,491.30	\$64,000,000.00	\$58,000,000
Total Assumed in Budget	\$55,400,000.00	\$64,400,000.00	\$59,400,000.00	\$68,436,000.00	\$69,000,000.00	\$63,000,000.00	\$62,000,000.00	\$56,000,000.00	\$64,000,000.00	
Difference	\$31,957,125.52	\$14,509,878.50	\$17,602,956.99	\$2,466,826.97	(\$2,259,346.97)	(\$1,181,964.83)	\$10,283,545.51	\$19,405,491.30		

Source: PED and LESC Files

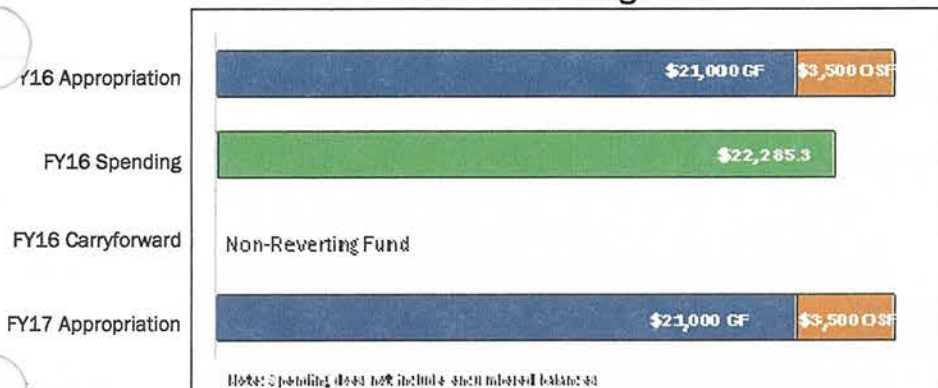
FY16 Below the Line General Fund Appropriations, Cash Carry Forward and FY17 Appropriations

	FY16 Appropriation (After Section 10 Reduction)	Unspent FY16 General Fund Appropriation (Carried Forward to FY17)	Percent FY16 Unspent	FY17 General Fund Appropriation	Total Available in FY17
Early Reading Initiative	\$15,000	\$874.5	5.8%	\$15,000	\$15,875
Breakfast for Elementary Students	\$1,925	\$374.2	19.4%	\$1,925	\$2,299
After School and Summer Enrichment Programs	\$350	\$184.1	52.6%	\$350	\$534
Teacher and School Leader Programs and Supports for Training, Preparation, Recruitment, and Retention	\$6,645	\$5,886.0	88.6%	\$6,000	\$11,886
Teaching Support in Schools with a High Proportion of Low-Income Students	\$500		0.0%	\$500	\$500
NMTEACH Evaluation System	\$5,000	\$492.0	9.8%	\$4,600	\$5,092
STEM Initiative (Science, Technology, Engineering, and Math Teachers)	\$2,400	\$603.2	25.1%	\$2,400	\$3,003
Next Generation School Teacher and School Leader Preparation Programs	\$4,146	\$3,028.0	73.0%	\$4,146	\$7,173
New Mexico Cyber Academy (IDEAL-NM)	\$250	\$20.4	8.2%	\$250	\$270
College Preparation, Career Readiness, and Dropout Prevention	\$2,901	\$480.9	16.6%	\$2,901	\$3,382
Advanced Placement	\$875	\$84.9	9.7%	\$875	\$960
Interventions and Support for Students, Struggling Schools, and Parents including Truancy and Dropout Prevention	\$10,500	\$4,657.0	44.4%	\$10,500	\$15,157
Parent Portal	\$1,197	\$563.6	47.1%	\$1,100	\$1,664
New Mexico Grown Fruits and Vegetables	\$364	\$131.6	36.1%	\$250	\$382
Black Student Union	\$30	\$1.6	5.5%		\$2
GRADS – Teen Pregnancy Prevention	\$200	\$1.3	0.6%	\$200	\$201
Teacher Mentorship - Teachers Pursuing Excellence	\$1,000	\$532.1	53.2%	\$1,000	\$1,532
Stipends for Teachers in Hard to Staff Areas (Special Education, Bilingual, STEM, etc.)	\$1,500	\$146.8	9.8%	\$1,500	\$1,647
Total	\$54,782	\$18,062	33.0%	\$53,496	\$71,558

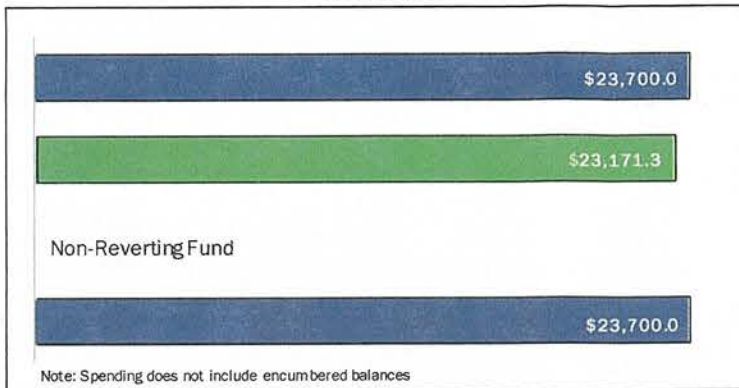
Source: LESC

Targeted Public Education Programs Joint LFC/LESC Accountability Report: Early Childhood Education

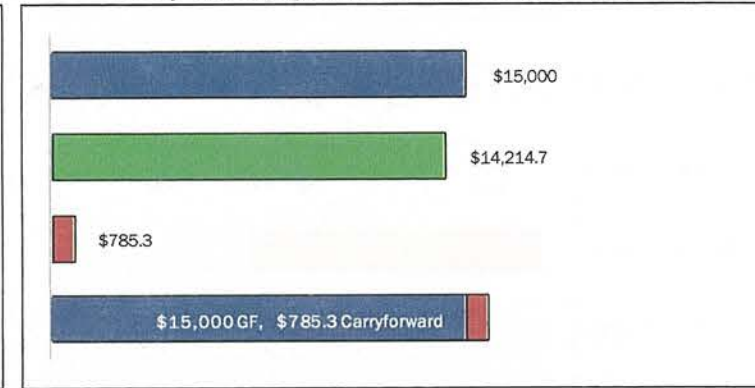
PED Prekindergarten



K-3 Plus



Early Reading Initiative ("Reads to Lead")



Purpose of Program

PED's prekindergarten program is a voluntary program that seeks to address the total developmental needs of 4-year-old children through half-day or extended day services. The purpose of the program includes providing developmentally appropriate activities for children and developing school readiness.

K-3 Plus is an extended school year program for kindergarten through third grade students. The program targets high-poverty or low performing elementary schools providing a minimum of 25 additional instructional days prior to the start of the school year.

This initiative primarily funds Reads to Lead (RTL), an early literacy intervention program providing interventions in kindergarten through third grade with a focus on improving literacy.

Number of Students Directly Served

In FY16 the program provided direct services to 5,248 students at an average cost of \$4,246 per participant.

In 2015, the program provided direct services to 21,059 students. Estimates from 2016 are 18,949 students served. In FY16, PED allocated \$210 thousand to PED personnel, \$618 thousand for contractual services, and \$22.3 million for other expenses, which includes grants to school districts and charter schools.

It is unknown how many students are directly served

Amount Spent on Direct Instruction

In FY16, \$22 million was distributed to school districts and charter schools

In FY16, \$22 million was distributed to school districts and charter schools

In FY16, \$9.6 million was distributed to school districts and charter schools. RECs received \$2.3 million for reading specialists. DIBELS Next interim assessment cost \$1.9 million. The program also used \$197 thousand in FY16 to distribute 27,925 books to first grade students.

Accountability and Performance Measures

In FY16 5,248 students participated in PED funded prekindergarten (3,902 half-day and 1,346 extended-day) according to PED's quarterly performance report.

A Utah State University study indicated K-3 Plus has clear achievement boosting prospects; however, these gains are not maintained through the school year for all students. Researchers suggest program details such as maintaining the same teacher and class throughout the school year and addressing the needs of English learners may explain achievement persistence.

PED's quarterly performance report includes a measure for increasing the percentage of all kindergarten through third grade students demonstrating growth in reading proficiency, but the measure is not directly tied to the program.

The 2nd annual LFC early childhood accountability report showed that PreK participants scored significantly higher on the DIBELS in kindergarten, and were more likely to be proficient in reading and math in 3rd grade as measured by the PARCC.

In FY16, 75 percent met benchmark for phonological awareness for students participating in K-3 Plus. Results are based from DIBELS Next interim assessment according to PED's quarterly performance report.

In FY16 kindergarten through third grade saw a 20.3 percentage point increase in meeting benchmark in reading proficiency, however without knowing which kindergarteners participated in RTL it is unclear if these gains are attributable to the program or other initiatives.

Other LFC reports have also found that PreK provides up to a \$2 return on investment for every \$1 spent on the program.

Evidence Based:

LFC research found that prekindergarten participation significantly improves math and reading proficiency, lowers the need for special education, almost eliminates retention, and provides a positive return on investment for taxpayers.

A study from Utah State University found K-3 Plus students have improved student performance. Even greater improvements were seen compared to peers when students remained with the same teacher.

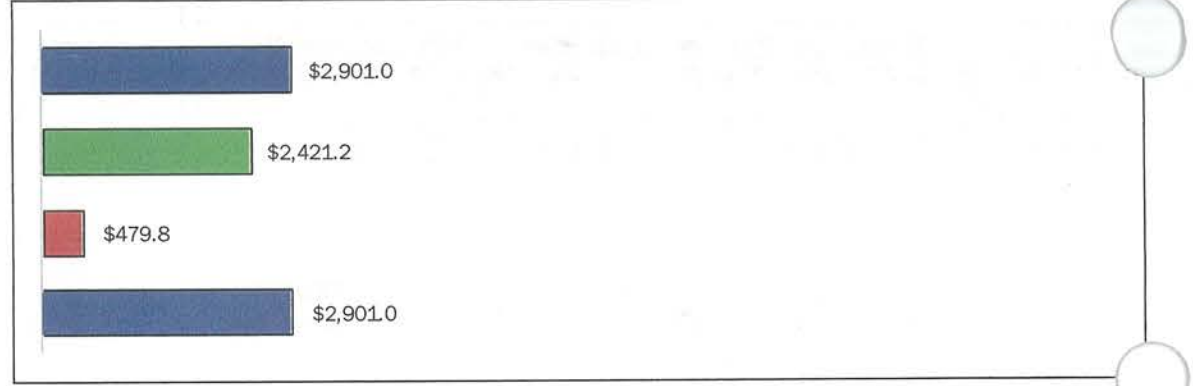
A national study on Reading First, the program on which RTL is based, showed no significant effects on reading comprehension for grades 1 through 3. However the program did boost instructional time spent on essential components of reading comprehension and boosted decoding for first graders.

Targeted Public Education Programs Joint LFC/LESC Accountability Report: School Improvement

Interventions and Supports for Students, Struggling Schools, and Parents



College Preparation, Career Readiness, and Dropout Prevention



Purpose of Program

The appropriation provides professional development and specialized staff to improve academic and social outcomes for students. The program includes **principals pursuing excellence (PPE)** (\$1.5 million), **University of Virginia school turnaround program** (\$1 million), **truancy and dropout prevention coaches** (\$3 million), **The social workers for middle schools initiative** (\$1 million), and **training and support to C,D, and F schools** (\$4 million).

Intervention Type

Interventions include professional development, support services, and school turnaround programs.

Number of Students Directly Served

The number of students directly served is unknown.

Amount Spent on Direct Instruction

Funds are spent on professional development and specialist services rather than on direct instruction.

The appropriation supports a collection of programs designed to reduce the need for college remediation, improve graduation rates, increase college enrollment, and the decrease the time to attain a degree. These programs include:

College advisors (\$653) provided \$65 thousand for first year of college entrance counselors program. Schools receive \$32.5 thousand in the second year and must self-support after that. Fourteen participants in FY16. **Early College High School (\$433)** funds tuition-free schools where low-income students can earn a diploma as well as a degree or certificate. Two participating schools in FY16. The **Early Warning System (\$350)**, operated by High Plains REC, identifies students at risk of missing educational milestones to increase the graduation rate. **Workforce Readiness (\$349)** integrates academic and technical readiness at four participating schools. **Other components (\$636)** provided support to career and technical student organizations, Advanced placement test fees for low incomes students, a dropout prevention initiative, and department expenses.

Accountability and Performance Measures

Proficiency rates for mathematics and reading in schools receiving state grant funding for interventions in D and F schools decreased 16.4 percent between FY15 and FY16.

Percent of high school students habitually truant (not necessarily targeted by prevention coaches) increased from 21.7 percent in FY15 to 24.1 percent in FY16 and the percent of middle school students habitually truant (not necessarily targeted by prevention coaches) increased from 11.4 percent in FY15 to 14.4 percent in FY16.

PED reports in FY16, PPE schools increased Math proficiency by 4.2 percent versus state average of 2.5 percent and English language arts proficiency increased by 4.9 percent versus state average of 1.3 percent. LESC has asked for the data to independently verify these findings.

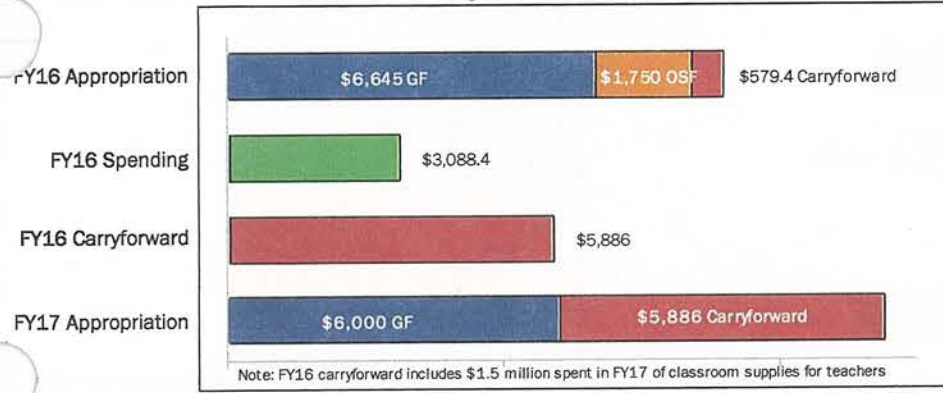
No accountability plan or performance measures submitted by PED.

Evidence Based:

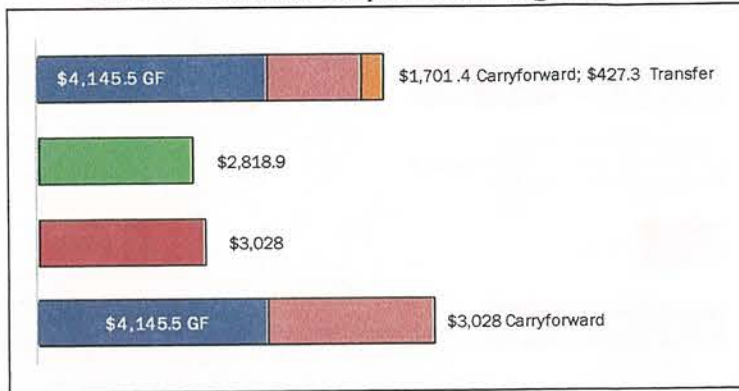
Targeted truancy interventions have been found to be highly effective, evidence based practices, however it is unclear whether PED's interventions are evidence based

Targeted Public Education Programs Joint LFC/LESC Accountability Report: Educator Quality

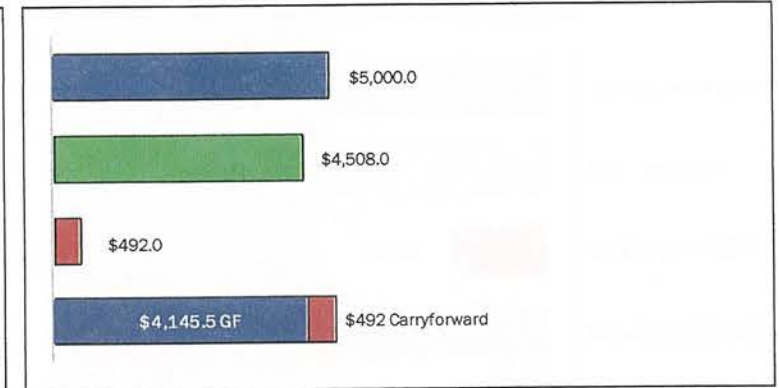
Pay for Performance



Next Generation Preparation Programs



NMTEACH Evaluation System



Purpose of Program Provides individual or group-based awards to teachers, principals, and other school staff, with the goal of increasing retention and improving the performance of teachers and principals.

Intervention Type

Number of Students Directly Served In FY16, PED awarded \$9 million to school districts. \$2.5 million was dispersed in FY16 and PED's FY18 budget request indicates that FY16 awards will be distributed in the fall of FY18.

Amount Spent on Direct Instruction One school district, Santa Fe Public Schools, accounted for 48% of FY16 awards.

Promotes alternative teacher and school leader preparation programs with the goal of bringing more qualified and effective individuals into those pipelines. Also provides professional development. According to PED, New Mexico Lead had 46 participants and New Mexico Prep had 78 program completers in FY16.

In FY16, \$881 thousand was distributed to New Mexico State University, \$176 thousand to University of New Mexico, \$111 thousand to Eastern New Mexico University, \$109 thousand to New Mexico Highlands University, and \$74 to Region IX REC.

Funds maintenance and support for online evaluation system and establishes specific areas of improvement for each teacher and principal.

In FY16 17,522 teachers were evaluated based on student achievement.

No students directly served and no money spent on direct instruction.

Accountability and Performance Measures No accountability plan or performance measures submitted by PED.

PED notes that for employees eligible to receive an award in FY15, the average payment was \$2,923.24.

PED indicated NM Prep participants' summative evaluation scores will be compared to other first year teachers when data is available.

PED reports NM Lead programs will be evaluated after the first cohort completes their course of study.

PED reports 71.3 percent of teacher received a rating of effective or higher in FY16, down from 73.8 percent in FY15.

Evidence Based: PED cites studies that found merit pay increased retention and performance; however, a wider view of academic research shows mixed results, particularly for programs that were small and based on group incentives.

Targeted Public Education Programs Joint LFC/LESC Accountability Report: Educator Quality

	STEM Initiative	Teachers Pursuing Excellence	Hard-to-Staff Stipends	Teaching Support for Low-Income Students
FY16 Appropriation	\$2,400.0	\$1,000 GF; \$1,000 OSF	\$1,500.0	\$500.0
FY16 Spending	\$1,796.8	\$1,467.9	\$1,353.2	\$500.0
FY16 Carryforward	\$603.2	\$532.1	\$146.8	\$0.0
FY17 Appropriation	\$2,400 GF; \$603.2 Carryforward	\$1,000 GF; \$532.1 Carryforward	\$1,500 GF; \$146.8 Carryforward	\$500.0
Purpose of Program	Funds professional development and support programs for teachers in science, technology, engineering and math fields.	Professional development and mentorship initiative to improve the performance of low-performing teachers.	Provides stipends to recruit and retain teachers in areas where there have been shortages of qualified teachers, including science, technology, engineering, and math (STEM) fields as well as bilingual and special education.	Program to recruit, select, train, and support teachers to be placed in schools with a D or F grade and at least 60 percent of students are eligible for free or reduced fee lunch.
Intervention Type				
Number of Students Directly Served	The programs funded by the initiative included 1,304 participants in FY16, with 298 scholarships to attend the MidSchool Math Conference and 449 teachers attending the New Mexico STEM symposium. Sixty five teachers received scholarships towards a Masters of Science Teaching degree from the New Mexico Institute of Mining and Technology.	The program has had 170 participants.		
Amount Spent on Direct Instruction			In FY16, 15 school districts and 9 charter schools received funds.	Provided grants to Teach for America (\$323.7) and the Native American Community Academy (\$177.3) in FY16.
Accountability and Performance Measures	In November 2016, PED released a report detailing the activities funded by the initiative and statewide data on PARCC, SAT, and ACT science and math results. The report did not contain any performance data directly tied to participants in the program.	No accountability plan or performance measures submitted by PED.	No accountability plan or performance measures submitted by PED. School districts and charter schools applied for grants to fund stipends for 326 FTE teachers in FY16, but it is unknown how many were actually paid or the average amount of the award. LFC data has shown a 50 percent attrition rate for new teachers. It is unknown if the program has had any affect on attrition.	No accountability plan or performance measures submitted by PED.
Evidence Based:				

Targeted Public Education Programs Joint LFC/LESC Accountability Report: Miscellaneous Programs

Regional Education Cooperatives









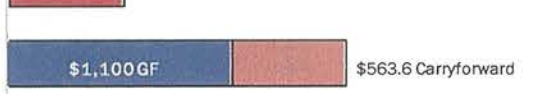

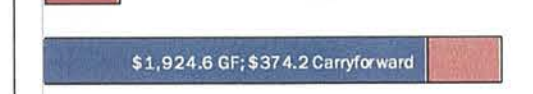
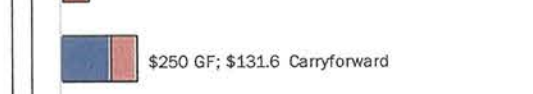
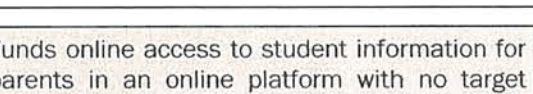
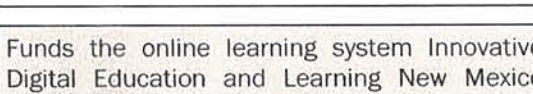
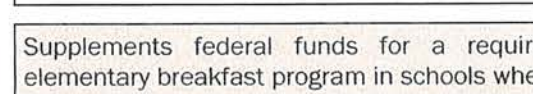
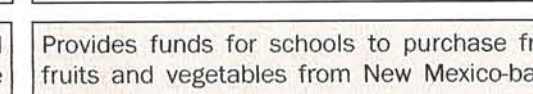
After School & Summer Enrichment

GRADS Teen Pregnancy Prevention

Advanced Placement

FY16 Appropriation	\$935.6	\$350.0 GF, \$750.8 OSF	\$200.0	\$875.0
FY16 Spending	\$935.6	\$938.7	\$198.7	\$790.1
FY16 Carryforward	\$0.0	\$184.1	\$1.3	\$84.9
FY17 Appropriation	\$935.6	\$350 GF; \$184.1 Carryforward	\$200 GF; \$1.3 Carryforward	\$875 GF; \$84.9 Carryforward
Purpose of Program	<p>Funds recurring operation costs of 9 RECs with no target population. RECs deliver statewide education initiatives for students, including those with Individual Education Programs, and offer training and support to districts regarding Title I applications, special education, data-driven teaching strategies, and common core standards.</p>			
Intervention Type	<p>Summer and after school programs for students with a focus on literacy, retaining core skills, and physical education to maintain student growth and close the achievement gap.</p>			
Number of Students Directly Served	<p>FY16 appropriations served 14 sites statewide, with the second round of funding estimated to serve an additional 12 sites. No student numbers are specified.</p>			
Amount Spent on Direct Instruction	<p>New Mexico Graduation Reality and Dual-role Skills (GRADS) is a multi-component, school-based program for expectant and parenting teens. GRADS works to facilitate graduation and the pursuit of higher education and employment while promoting healthy parenting skills.</p>			
Accountability and Performance Measures	<p>In FY16, funding was utilized as follows: course development for 5 AP classes; site selection of 4-6 middle schools for pre-AP implementation; 300 student course fees waived; 7,500 exam fees waived; about 931 teachers trained; and about 150 counselors trained.</p>			
Evidence Based:	<p>No accountability plan or performance measures submitted by PED.</p>			
Evidence Based:	<p>No accountability plan or performance measures submitted by PED.</p>			
Evidence Based:	<p>In FY16, 73 percent (130 out of 185) of 12th graders enrolled in a GRADS class graduated from high school.</p> <p>The repeat pregnancy rate for GRADS students is 2.45 percent (14 out of 408 students) compared to 17 percent nationally.</p> <p>GRADS low birth rate is 2 percent (4 out of 193) compared to 8 percent nationally.</p>			
Evidence Based:	<p>While PED reports performance and tuition cost savings for all students who take AP exams, it does not report results for those receiving exam fee waivers, or results for students who had a teacher or counselor trained by the program or participated in a course developed by the program.</p> <p>Studies suggest students enrolled in AP are better prepared for college, more likely to be accepted into college, and more likely to finish.</p>			

Targeted Public Education Programs Joint LFC/LESC Accountability Report: Miscellaneous Programs

	Parent Portal	New Mexico Cyber Academy	Elementary Breakfast	New Mexico Grown Fruit and Veg.
FY16 Appropriation	 \$1,196.7	 \$250 GF, \$250 OSF	 \$1,924.6	 \$364.3
FY16 Spending	 \$633.1	 \$479.6	 \$1,550.4	 \$232.7
FY16 Carryforward	 \$563.6	 \$20.4	 \$374.2	 \$131.6
FY17 Appropriation	 \$1,100 GF; \$563.6 Carryforward	 \$250 GF; \$20.4 Carryforward	 \$1,924.6 GF; \$374.2 Carryforward	 \$250 GF; \$131.6 Carryforward
Purpose of Program	Funds online access to student information for parents in an online platform with no target audience.	Funds the online learning system Innovative Digital Education and Learning New Mexico (IDEAL-NM), with no target population. Funds allow PED to hire more staff.	Supplements federal funds for a required elementary breakfast program in schools where at least 85 percent of students are eligible for free or reduced-fee lunch. The appropriations cover students in these schools not covered by the federal program.	Provides funds for schools to purchase fresh fruits and vegetables from New Mexico-based farmers.
Intervention Type	No students directly served and no money spent on direct instruction.	1 Bureau of Indian Education School (BIE), 27 school districts (37 schools), 19 charter schools, and 2 non-public schools participated in the program during FY16.	242 elementary schools participated in the program during FY16. PED reports 76,789 students participated in the state-funded elementary breakfast programs, but it is not clear how many were federally funded.	47 school districts (52 percent), 18 charter schools (18 percent), and one other school received funds in FY16. 37 school districts (42 percent), 10 charter schools (10 percent), and four schools have been allocated funds for FY17.
Number of Students Directly Served	No students directly served and no money spent on direct instruction.	Over 1,600 students were directly served in FY16.		No money spent on direct instruction
Amount Spent on Direct Instruction				
Accountability and Performance Measures	No accountability plan or performance measures submitted by PED.	91 percent of students who began a course completed the IDEAL-NM course in FY15. FY16 data is not yet available. There is a combined pass rate of 85% for all course completions since the program began in 2008 but PED has not provided year or course specific pass rates for FY16 .	The number of schools, number of students, and percentage of students participating in the program are included in PED's quarterly performance report. 64 percent of elementary students participated in the program in FY16. Although the program is mandatory for high-poverty schools, schools are allowed to opt out due to financial hardship.	No accountability plan or performance measures submitted by PED.
Evidence Based:				