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December 18, 2014

**MEMORANDUM**

**TO:** Legislative Education Study Committee

**FR:** David T. Craig  
Ian Kleats

**RE: STAFF BRIEF: FY 16 APPROPRIATION REQUESTS**

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**PUBLIC SCHOOL SUPPORT RECOMMENDATIONS**

Provisions in current law also require the Public Education Department (PED) to:

- review the financial needs of each school district or state-chartered charter school for the succeeding fiscal year; and
- submit annually, on or before November 30, to the Secretary of Finance and Administration the recommendations of the department for:
  - amendments to the public school funding formula;
  - appropriations for the succeeding fiscal year to the public school fund for inclusion in the executive budget document; and
  - appropriations for the succeeding fiscal year for pupil transportation.<sup>1</sup>

This staff report provides information on PED's public school support recommendation for FY 16.

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<sup>1</sup> 22-8-12.1 NMSA 1978.

The **Attachment, *Public School Support and Related Services for FY16***, outlines the PED request for public school support and related appropriations for FY 16 that shows the following:

- over \$2.7 billion in recurring funding (line 78), representing an increase of \$67.9 million, or 2.5 percent increase (line 79) over the FY 15 appropriation; and
- an additional \$13.1 million in nonrecurring or supplemental appropriations (lines 82 through 92).

### **Recurring Appropriations**

The PED request for FY 16 also includes recurring appropriations for the State Equalization Guarantee (SEG), Categorical Public School Support, and PED as follows:

#### ***State Equalization Guarantee***

- approximately \$2.5 billion to the SEG) (lines 24 through 26), an increase of \$43.1 million, or 1.7 percent over the FY 15 appropriation, including:
  - \$11.1 million for estimated enrollment growth in school districts and charter schools (line 3);
  - \$5.5 million for increases in insurance costs (line 4);
  - \$5.0 million for increases in school district and charter school fixed costs (line 5)
  - \$15.2 million for costs associated with a funding formula change for new at-risk units (line 6);
  - \$5.0 million for the transition to teacher effectiveness to provide bonuses for Level 3 teachers earning a “highly effective” or “exemplary” rating in the NMTEACH educator evaluation system (line 15);
  - \$6.6 million for increasing Level 1 minimum teacher salaries from \$32,000 to \$34,000 per year (line 16);
  - removing \$309,400 from the program cost for college- and career-readiness (line 9); and
  - removing \$6.0 million from the program cost for Partnership for Assessment of Readiness for College and Career (PARCC) assessments in school year 2015-2016 (line 18);

#### ***Categorical Public School Support***

- approximately \$130.2 million in categorical public school support (line 42), an increase of over \$3.1 million, or 2.5 percent over the FY 15 appropriation, including:
  - approximately \$99.8 million for the pupil transportation program, a decrease of over \$1.9 million, or about 1.8 percent (line 35); and
  - \$25.0 million for the Instructional Material Fund, an increase of approximately \$4.6 million, or about 23.1 percent (line 39);

### ***Related Recurring Appropriations to PED***

- approximately \$128.5 million in related recurring appropriations to PED, an increase of \$21.6 million (line 77), or about 20.2 percent over FY 15 appropriations, including:
  - in addition to continued funding for Regional Education Cooperatives (RECs), \$500,000 in new funding to RECs for student achievement support grants (lines 48 through 49);
  - \$22.2 million for K-3 Plus, an increase of approximately \$977,000 (line 50);
  - \$21.0 million for Prekindergarten, an increase of over \$1.7 million (line 51);
  - \$200,000 for Books for Elementary Students (line 53);
  - \$2.4 million for Breakfast After the Bell (line 54);
  - \$1.1 million for Afterschool Enrichment and Summer Programs (line 55);
  - \$5.0 million for NMTEACH Evaluation System and Support and Innovation (line 56);
  - over \$2.7 million for Next Generation School Leader Preparation (line 57);
  - \$2.0 million for Next Generation Teacher Preparation (line 58);
  - \$9.0 million for Teacher and School Leader Programs and Supports (line 61);
  - \$1.0 million in new funding for incentives for districts and teachers for increasing AP (Advanced Placement) participation and success (line 62);
  - \$3.0 million for New Mexico Graduate Now! College Preparation, Career Readiness and Dropout Prevention (line 63);
  - \$12.5 million for Interventions and Support for Students, Struggling Schools and Parents (line 64);
  - \$2.5 million in new funding for a Teachers Pursuing Excellence Program, modeled on the Principals Pursuing Excellence Program (line 73);
  - \$2.3 million in new funding for Teacher Supplies (line 74); and
  - \$1.5 million for provide stipends to districts or charter schools seeking to recruit or retain in hard to staff areas such as PreK-12 special education or Bilingual education (line 75).

### ***Non-recurring Appropriations***

Finally, the PED request for public school support and related appropriations for FY 16 includes the following nonrecurring appropriations:

- over \$8.1 million in nonrecurring appropriations, a decrease of over \$1.9 million (line 89), including:
  - \$1.2 million for legal fees (line 82);
  - \$960,000 for audit costs (line 83);
  - \$2.0 million for Common Core teacher Support (line 84);
  - \$4.0 million for Emergency Support to School districts Experiencing Shortfalls (line 85); and
- \$5.0 million in a supplemental request for PARCC assessments administered in school year 2014-2015.

## **PUBLIC EDUCATION DEPARTMENT (PED) BUDGET REQUEST**

Current law requires state agencies to complete and return budget forms for a tentative budget to the State Budget Division of the Department of Finance and Administration (DFA) no later than September 1 of each year.

For FY 16, the Public Education Department (PED) budget request includes approximately \$43.8 million in revenue, flat from its FY 15 operating budget, from the following sources:

- approximately \$11.97 million in General Fund dollars;
- \$36,000 in Medicaid funds transferred from the Human Services Department (HSD) for behavioral health services provided through PED;
- approximately \$28.0 million from Federal revenue sources; and
- approximately \$3.8 million from other state funds including educator certification fees and the 2.0 percent administrative withholding from state-chartered charter schools.

Overall expenditures in the PED FY 16 budget request are also flat from FY 15 budgeted levels of approximately \$43.8 million; however, the composition of those expenditures varies slightly from FY 15 budgeted amounts, including:

- approximately \$19.2 million requested for FY 16 personal services and employee benefits (down from about \$19.3 million in FY 15);
- approximately \$20.3 million requested for FY 16 contractual services (down from about \$21.9 million in FY 15); and
- approximately \$4.23 million requested for other FY 16 expenditures (up from about \$2.5 million in FY 15).

Full-time equivalent (FTE) positions requested by PED for FY 16 are relatively unchanged from the previous fiscal year, increasing by only 0.4 FTE over FY 15. The requested positions include:

- 158.2 FTE for permanent positions (up from 157.8 FTE in FY 15);
- 120.5 FTE for term positions (unchanged from FY 15); and
- 1.0 FTE for temporary positions (unchanged from FY 15).

PUBLIC SCHOOL SUPPORT AND RELATED SERVICES FOR FY16

ATTACHMENT

(dollars in thousands)

School Year 2014-2015 Final Unit Value = \$4,005.75		FY15 Approp	FY16 PED Revised Request	
1	<b>PROGRAM COST</b>	2,426,395.8	2,544,811.0	1
2	0.75 Percent ERB Retirement Contribution Increase	11,554.6	-	2
3	Enrollment Growth	11,154.8	11,100.0	3
4	Insurance	13,500.0	5,500.0	4
5	Fixed Costs	5,827.8	5,000.0	5
6	At- Risk Unit Increase (contingent on statutory change)	-	15,200.0	6
7	Micro District Size Adjustment (contingent on statutory change)	5,761.6	-	7
8	Reestablish Class Size Maximums	6,000.0	-	8
9	College and Career Readiness (ACT, SAT, PSAT, Explore, Plan)	-	(309.4)	9
10	H4 Science Retest - NMSBA	264.0	-	10
11	Statewide Formative Assessments (Short Cycle Grades 4-10)	1,000.0	-	11
12	Teacher Mentorship Program for Beginning Teacher	1,500.0	-	12
13	Compensation Increase (COLA and Flexible Implementation)	56,042.9	-	13
14	Education Assistants Additional Compensation (Average 3 percent)	2,651.9	-	14
15	Transition to Teacher Effectiveness Tiered Model (Level 3 Teacher only) <i>Contingent on Legislation</i>	-	5,000.0	15
16	Increase Level 1 Minimum Teacher Salaries (\$32,000 - FY15; \$34,000 - FY16)	10,000.0	6,670.0	16
17	Section 11 Adjustment - .0275 percent sanding reduction	(6,842.4)	-	17
18	PARCC 2015-2016 School Year Assessments	-	(6,000.0)	18
19	<b>SUBTOTAL PROGRAM COST - SECTION 4 -</b>	<b>2,544,811.0</b>	<b>2,586,971.6</b>	19
20	Dollar Difference over Previous Year's Appropriation	118,415.2	42,160.6	20
21	Percentage Change	4.9%	1.7%	21
22	LESS PROJECTED CREDITS	(62,000.0)	(59,000.0)	22
23	LESS OTHER STATE FUNDS (from driver's license fees)	(1,500.0)	(3,500.0)	23
24	<b>STATE EQUALIZATION GUARANTEE</b>	<b>2,481,311.0</b>	<b>2,524,471.6</b>	90.7% 24
25	Dollar Difference over Previous Year's Appropriation	119,415.2	43,160.6	25
26	Percentage Increase	5.1%	1.7%	26
27	<b>CATEGORICAL PUBLIC SCHOOL SUPPORT</b>			27
28	<b>TRANSPORTATION</b>			28
29	<b>Operational</b>			29
30	Maintenance and Operations	74,751.0	76,000.0	30
31	Fuel	14,659.2	15,000.0	31
32	0.75 Percent ERB Retirement Contribution Increase	372.2	-	32
33	Compensation Increase (COLA and Flexible Implementation)	1,772.0	-	33
34	Rental Fees (Contractor-owned Buses)	10,235.7	8,865.8	34
35	<b>SUBTOTAL TRANSPORTATION</b>	<b>101,790.1</b>	<b>99,865.8</b>	35
36	<b>SUPPLEMENTAL DISTRIBUTIONS</b>			36
37	Out-of-state Tuition	299.2	300.0	37
38	Emergency Supplemental	1,994.5	2,000.0	38
39	<b>INSTRUCTIONAL MATERIAL FUND</b>	<b>20,308.6</b>	<b>25,000.0</b>	39
40	Dual Credit Instructional Material	854.6	1,250.0	40
41	INDIAN EDUCATION FUND	1,819.6	1,824.6	41
42	<b>TOTAL CATEGORICAL</b>	<b>127,066.6</b>	<b>130,240.4</b>	4.7% 42
43	<b>TOTAL PUBLIC SCHOOL SUPPORT</b>	<b>2,608,377.6</b>	<b>2,654,712.0</b>	43
44	Dollar Difference over Previous Year's Appropriation	109,635.9	46,334.4	44
45	Percentage Increase	4.4%	1.8%	45

**PUBLIC SCHOOL SUPPORT AND RELATED SERVICES FOR FY16**

(dollars in thousands)

	<i>School Year 2014-2015 Final Unit Value = \$4,005.75</i>	FY15 Approp	FY16 PED Revised Request	
46	<b>RELATED APPROPRIATIONS: RECURRING (to PED unless otherwise noted)</b>			46
47	<b>PUBLIC EDUCATION DEPARTMENT (Includes PARCC Assessment)</b>	11,787.3	17,787.3	47
48	Regional Education Cooperatives Operations	935.6	935.6	48
49	Regional Education Cooperatives - Student Achievement Support Grants	-	500.0	49
50	Kindergarten-Three-Plus	21,223.0	22,200.0	50
51	Pre-kindergarten Program	19,236.6	21,000.0	51
52	New Mexico Reads to Lead! (Includes Reading Coaches, Dibels Next, Reading Interventions, Reading Instructional Materials)	14,460.1	15,500.0	52
53	Books for Elementary Students	-	200.0	53
54	Breakfast After the Bell	1,919.3	2,400.0	54
55	Afterschool Enrichment and Summer Programs	1,097.0	1,100.0	55
56	NMTEACH Evaluation System & Support & Intervention	4,986.3	5,000.0	56
57	Next Generation School Leader Preparation	2,991.8	2,750.0	57
58	Next Generation Teacher Preparation	1,645.5	2,000.0	58
59	Teaching Support in Schools with a High Proportion of Low-Income Students or in Hard to Staff Areas.	498.6	500.0	59
60	STEM Initiative (Science, Technology, Engineering, and Math); includes stipends for math and science teachers, professional development for STEM teachers K-12.	1,994.5	2,500.0	60
61	<b>Teacher and School Leader Programs and Supports for Training Preparation Recruitment and Retention</b>	7,230.1	9,000.0	61
62	Advanced Placement	747.9	1,000.0	62
63	<b>New Mexico Graduates Now! College Preparation Career Readiness, and Dropout Prevention (A.P., Workforce readiness, ECHS, Dropout Prevention, CCR and Counselor Scholarships)</b>	2,901.0	3,000.0	63
64	<b>Interventions and Support for Students, Struggling Schools and Parents (Includes funding for Principals Pursuing Excellence PPE, UVA, Support for Middle and Secondary Struggling Students)</b>	10,471.1	12,500.0	64
65	Parent Portal	1,196.7	1,196.7	65
66	Teacher Mentorship	24.9	-	66
67	New Mexico Cyber Academy (IDEAL-NM)	887.6	1,000.0	67
68	Mock Trial	111.8	-	68
69	GRADS – Teen Pregnancy Prevention	199.5	200.0	69
70	New Mexico grown fresh fruits & vegetables	239.3	-	70
71	Parent advocacy project	99.7	-	71
72	Reading support	24.9	-	72
73	Teachers Pursuing Excellence which will be modeled after Principals Pursuing Excellence	-	2,500.0	73
74	Teacher Supplies	-	2,300.0	74
75	Hard To Staff Areas (includes funding to recruit and retain Special Ed and Bilingual teachers as well as recruit and retain teacher in hard to staff schools)	-	1,500.0	75
76	<b>TOTAL RELATED REQUESTS APPROPRIATIONS: RECURRING</b>	106,910.0	128,569.6	4.6%
77	<b>Dollar Difference over Previous Year's Appropriation</b>	38,101.6	21,659.6	
78	<b>GRAND TOTAL</b>	2,715,287.6	2,783,281.6	
79	<b>Dollar Difference over Previous Year's Appropriation</b>	147,737.5	67,994.0	
80	<b>Percentage Increase</b>	5.8%	2.5%	
81	<b>RELATED APPROPRIATIONS: NONRECURRING</b>			
82	Legal Fees	-	1,200.0	82
83	Audit Costs	-	960.0	83
84	Common Core Teacher Support	2,500.0	2,000.0	84
85	Emergency Support to School Districts Experiencing Shortfalls	1,000.0	4,000.0	85
86	Supplemental Special Education Maintenance of Effort	3,000.0	-	86
87	INSTRUCTIONAL MATERIAL FUND (\$1.5M fr Other State Funds)	3,500.0	-	87
88	NMAA Study	100.0	-	88
89	<b>TOTAL RELATED REQUESTS: NONRECURRING</b>	10,100.0	8,160.0	89
90	<b>SUPPLEMENTAL APPROPRIATIONS</b>			90
91	PARCC 2014-2015 School Year Assessments	-	5,000.0	91
92	<b>TOTAL SUPPLEMENTAL REQUESTS</b>	-	5,000.0	92

<b>TOTAL NEW REVENUE</b>	\$	140,000.0
<b>TOTAL NEW MONEY TO EDUCATON</b>	\$	67,994.0 48.6%

PSS Request Above the Line	\$	43,160.6	63.5%
PSS Request Categorical and Supplemental Distribution	\$	3,173.8	4.7%
PSS Targeted Investments	\$	21,659.6	31.9%