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November 16, 2009

**MEMORANDUM**

**TO:** Legislative Education Study Committee

**FR:** Peter B. van Moorsel

**RE: STAFF REPORT: FY 11 PUBLIC EDUCATION DEPARTMENT BUDGET REQUEST**

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Current statute requires state agencies to submit their budget requests to the State Budget Division of the Department of Finance and Administration (DFA) for the following fiscal year no later than September 1 of the current fiscal year. However, the requests submitted on September 1 do not necessarily reflect the Governor's budget recommendations that must be submitted to the Legislative Finance Committee (LFC) and to every legislator prior to the session in January.<sup>1</sup> Throughout the intervening months, DFA and agency staff work to refine the initial requests before DFA submits its recommendations for all state agencies to the Governor.

Every year, the State Budget Division issues written directives that state agencies must follow in preparing their budget requests for the succeeding fiscal year. The *State of New Mexico Performance-Based Appropriation Request Instructions - Fiscal Year 2011* directs agencies to keep their FY 11 General Fund budget requests flat unless the agency:

- is proposing to expand an existing program or adopt a new program that is "directly and convincingly tied to Governor Richardson's core agenda";

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<sup>1</sup> Statute requires that the Governor's recommendations be submitted "not later than January 5 in even-numbered years and not later than January 10 in odd-numbered years."

- intends to continue a recurring program previously funded from nonrecurring revenue sources;
- is experiencing significant increases in General Services Department (GSD) group health or risk insurance costs or the Department of Information Technology (DoIT) rates for information systems, radio communications, or telecommunication costs;
- will be annualizing the effect of new or expanded programs approved by the Governor and Legislature for FY 10;
- is funded through a funding formula that is predicting an increase in cost; or
- provides Medicaid or correctional services and is forecasting significant caseload and/or population increases.

### Public Education Department Budget Request for FY 11

Table 1 includes the Public Education Department’s (PED) FY 10 appropriated revenue, its FY 10 approved operating budget, and its FY 11 base and expansion budget requests, as submitted to DFA on September 1, 2009.

**TABLE 1**

	A	B	C	D	E
	FY 10 Appropriated Revenue	FY 10 Operating Budget	FY 11 Base Request	FY 11 Expansion Request	FY 11 Total Request
<b>Revenue</b>					
General Fund	\$15,996.4	\$15,979.3	\$17,108.7	\$0.0	\$17,108.7
Other Transfers		\$0.0	\$90.6 <sup>1</sup>	\$0.0	\$91.6
Other State Funds	\$1,178.0	\$872.9	\$1,542.3 <sup>2</sup>	\$0.0	\$1,544.3
Federal Funds	\$29,769.9	\$42,594.4	\$28,956.0	\$0.0	\$28,956.0
Fund Balance		\$305.1	\$0.0	\$0.0	\$0.0
<b>TOTAL REVENUE</b>	<b>\$46,944.3</b>	<b>\$59,751.7</b>	<b>\$47,697.6</b>	<b>\$0.0</b>	<b>\$47,700.6</b>
<b>Uses</b>					
Personal Services & Employee Benefits	\$22,349.1	\$22,332.0	\$21,954.5	\$0.0	\$21,954.5
Contractual Services	\$20,262.1	\$27,291.7	\$18,965.3	\$0.0	\$18,965.3
Other	\$4,333.1	\$10,128.0	\$6,777.8	\$0.0	\$6,777.8
<b>TOTAL USES/EXPENDITURES</b>	<b>\$46,944.3</b>	<b>\$59,751.7</b>	<b>\$47,697.6</b>	<b>\$0.0</b>	<b>\$47,697.6</b>
<b>FTE Positions</b>					
Permanent	216.2	216.2	216.2	0.0	216.2
Term	111.0	111.0	109.0	0.0	109.0
Temporary	4.6	4.6	4.6	0.0	4.6
<b>TOTAL FTE</b>	<b>331.8</b>	<b>331.8</b>	<b>329.8</b>	<b>0.0</b>	<b>329.8</b>

<sup>1</sup> NM Statewide Behavioral health System Transformation Grant to support the Behavioral Health Collaborative.

<sup>2</sup> Educator certification license fees (\$1,292,300) and 2% of Charter School Program Cost - PED Administrative Fee (\$250,00)

SOURCE: Finance & Operations, PED

LESC: 11/19/2009

PED’s FY 11 General Fund base request (Table 1: Column C-Row 2) exceeds General Fund revenue in its FY 10 operating budget (B-2) by approximately \$1.13 million (7.1 percent) in accordance with the exceptions allowed by DFA. PED reports that this increase reflects an increase for the Student Teacher Accountability Reporting System (STARS) and Operating Budget Management System (OBMS) data systems, which have been previously funded out of

recurring special appropriations. According to PED, these systems are no longer considered “projects”; therefore, PED, at the direction of the DFA, has included the increase in PED’s FY 11 base operating budget. PED also reports reduced federal funding, resulting in a decline in the ability to recover indirect costs. According to the department, the percentage of the salaries of the identified indirect cost pool paid from the General Fund is increasing from 45 percent to 68 percent.

PED’s FY 11 federal funds base request (C-5) is approximately \$13.6 million lower than in the department’s FY 10 operating budget (B-5). PED reports that the department’s FY 10 operating includes federal funds that were carried over from previous fiscal years, adding that the FY 11 base request is lower because it does not include any carryover.

Overall, PED’s FY 11 total request from all funding sources (C-7) is \$13.9 million lower than revenues in the department’s FY 10 operating budget (B-7). PED does not make an expansion request for FY 11.

In a vacancy report dated November 10, 2009, PED indicates that the department has an overall vacancy rate of 18.5 percent. Of the 59 vacant positions, 30 are state-funded, 13 are federally funded, 12 are funded from both state and federal revenue sources, and four are funded from other state funds. (NOTE: Although the total number of full-time equivalent positions in PED’s base request for FY 11 is 329.8, the department has used 319.0 as the denominator for calculating the current vacancy rate. PED reports that the denominator is lower because the department has deleted term positions for which no funding was available.)

## **Presenters**

Dr. Veronica C. García, Secretary of Public Education, and Mr. Don Moya, Deputy Secretary for Finance and Operations, PED, will review PED’s FY 11 budget request.