



NEW MEXICO
LEGISLATIVE
FINANCE
COMMITTEE

New Mexico Public Education

Legislative Update – New Mexico School Boards Association

Charles Sallee, Deputy Director for Budget
February 3, 2023

Presentation Overview



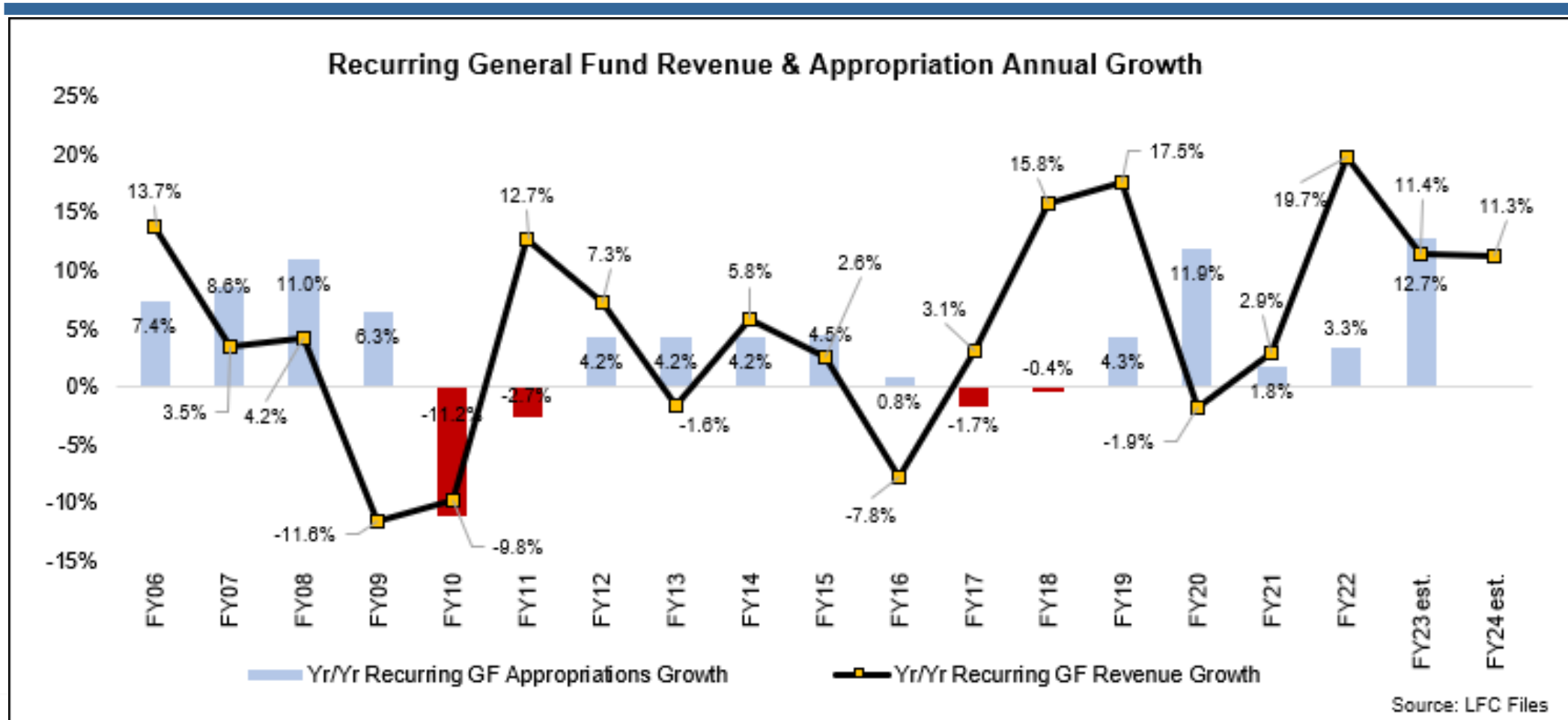
- Fiscal Outlook
- Public Schools Spending Recommendations
- Martinez/Yazzie School Finance Ruling & Public Education Performance



Roller Coasters Aren't Always Fun



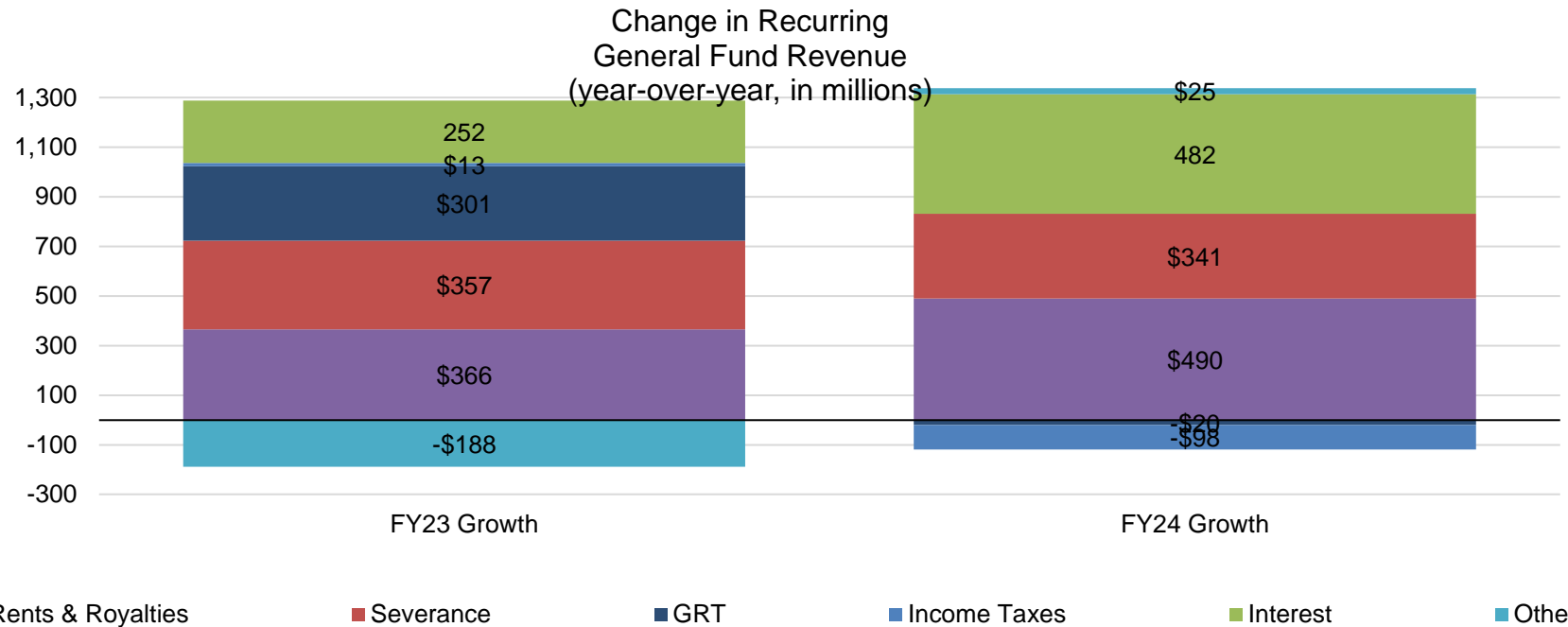
Actual General Fund Roller Coaster



“New Money”=\$3.591 billion

December 2022 Consensus General Fund Recurring Revenue Estimate			
(in millions)			
	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>
August 2022 Consensus	\$9,216.6	\$9,847.1	\$10,859.0
December 2022 Adjustments	\$458.7	\$928.0	\$1,135.9
December 2022 Consensus	\$9,675.3	\$10,775.1	\$11,994.9
Annual amount change	\$1,590.1	\$1,099.8	\$1,219.8
Annual percent change	19.7%	11.4%	11.3%

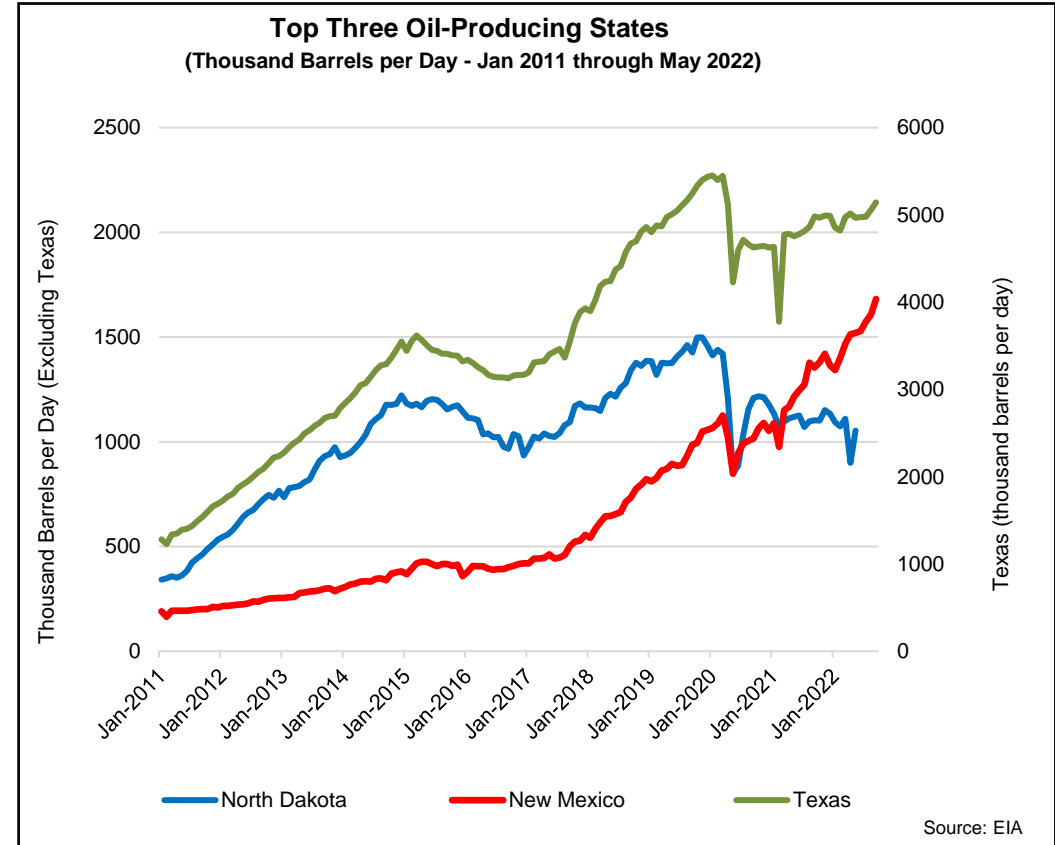
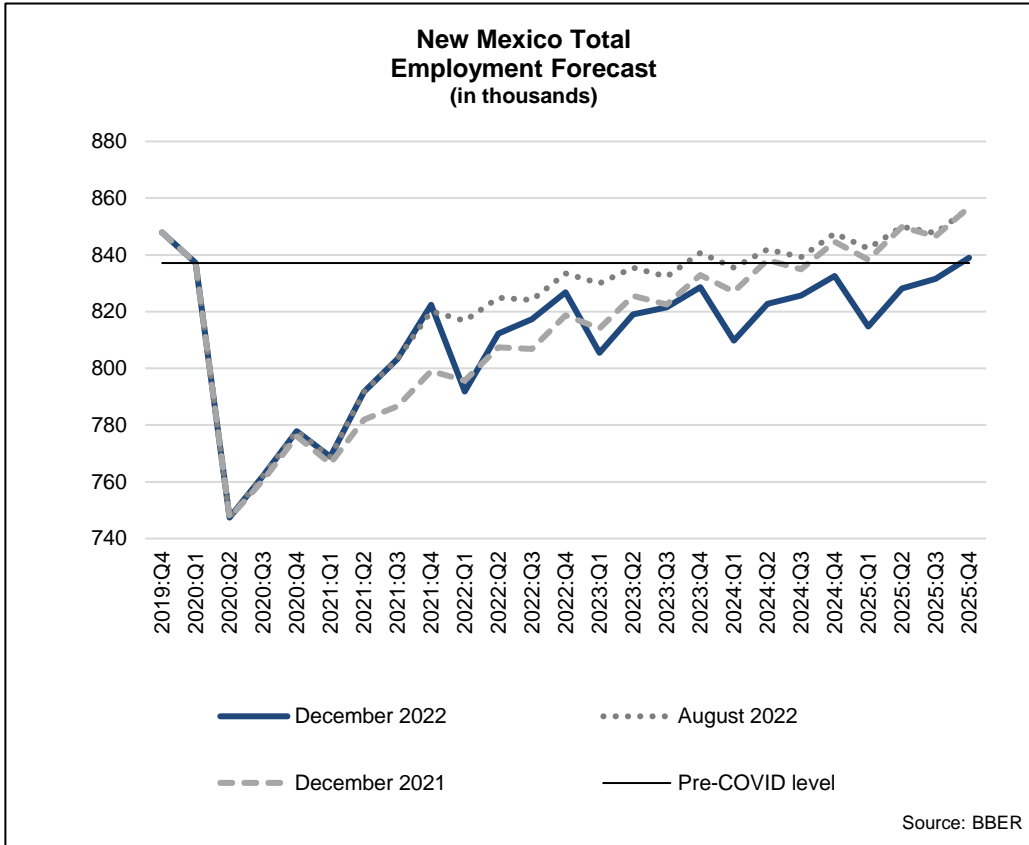
Oil Revenue Driving Overall Revenue



*Severance tax and royalty amounts exclude distributions to the tax stabilization reserve and early childhood trust fund.

Source: Dec. 2022 CREG

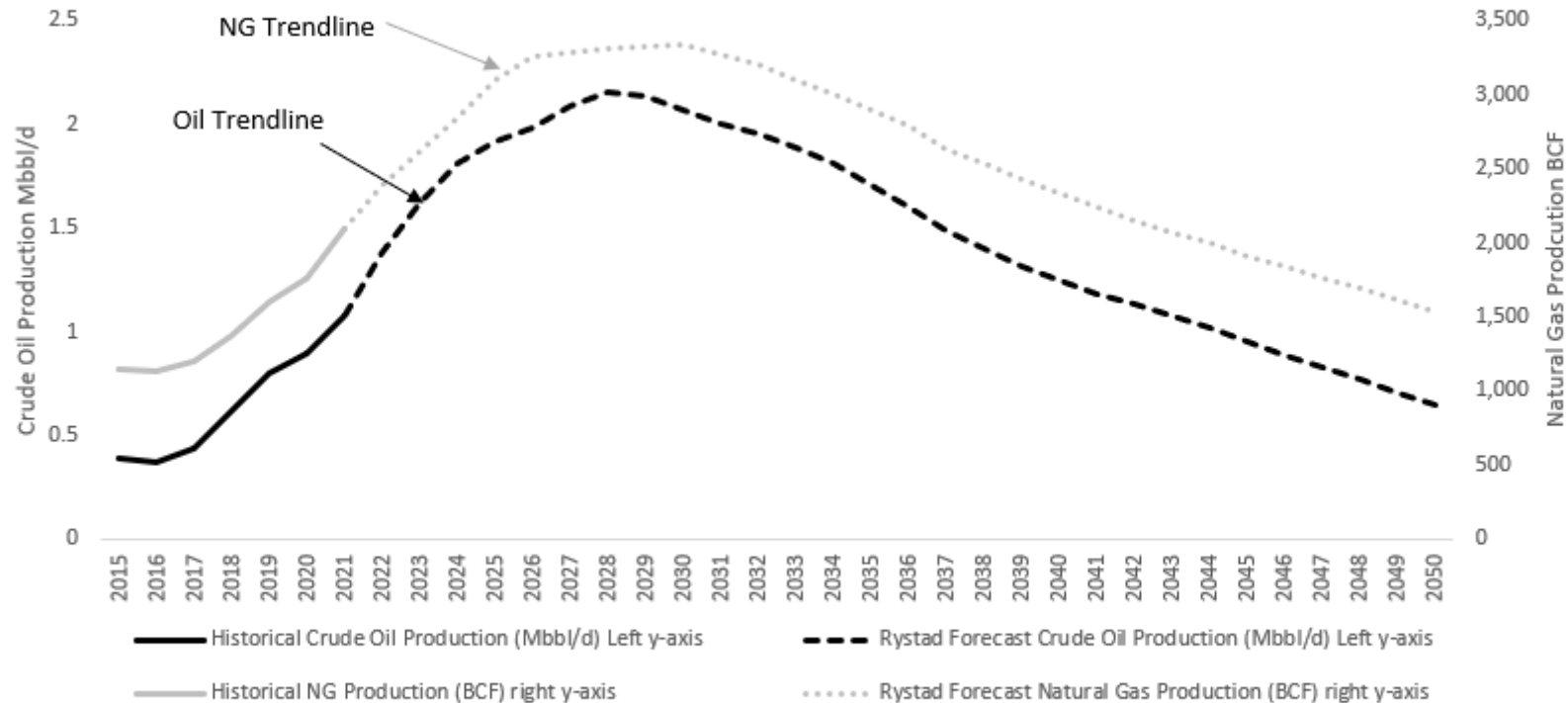
Employment and Oil Production



NM Oil Production Long-Term Forecast

NM Crude Oil Production Forecast (CY 2022 to 2050)

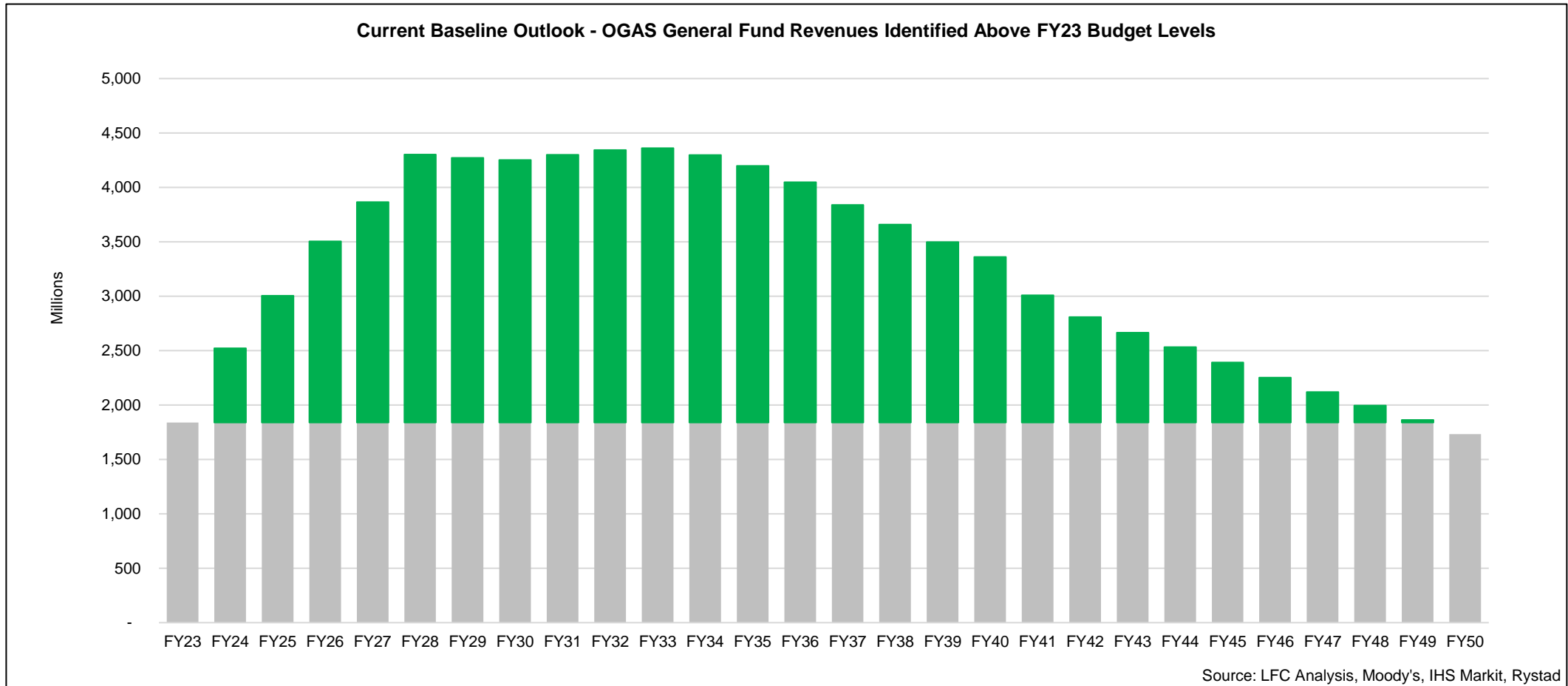
NM Natural Gas Forecast (CY 2022 to 2040)



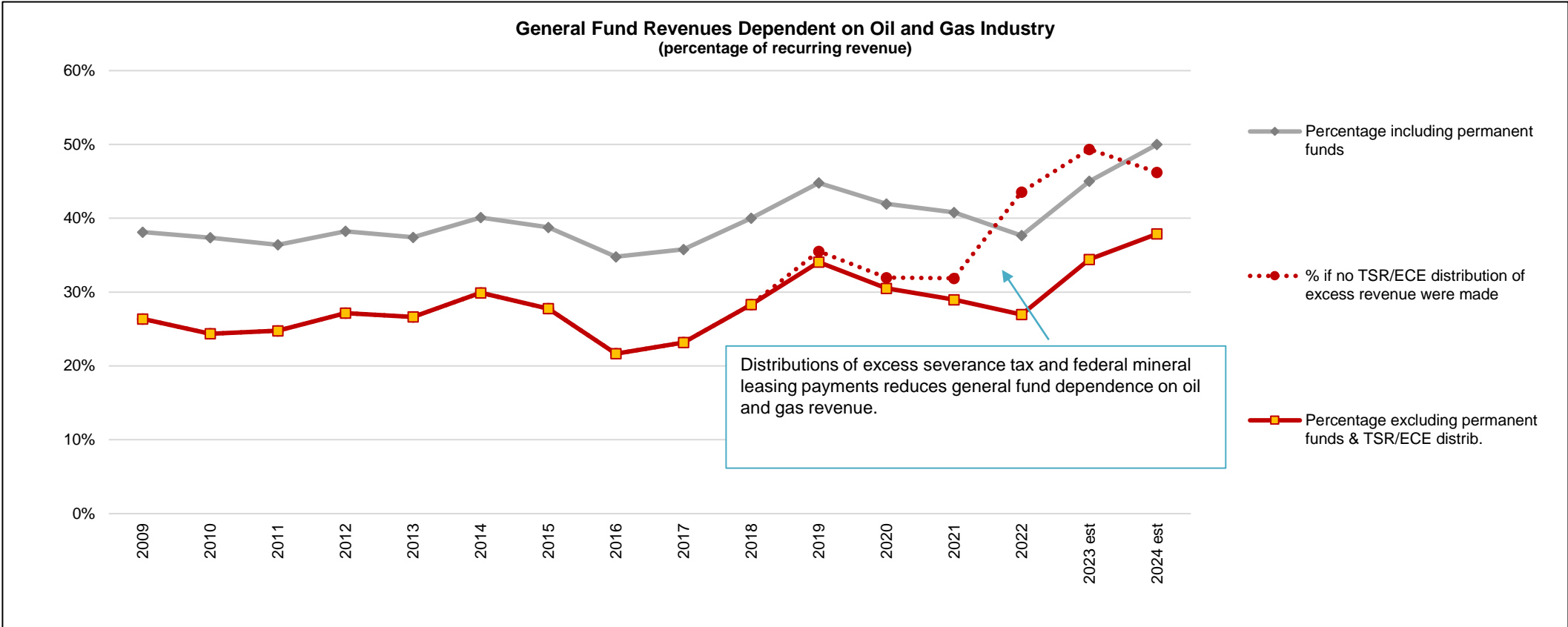
Source: Rystad Energy

- NM specific forecast of oil and natural gas production falls inline with national expectations

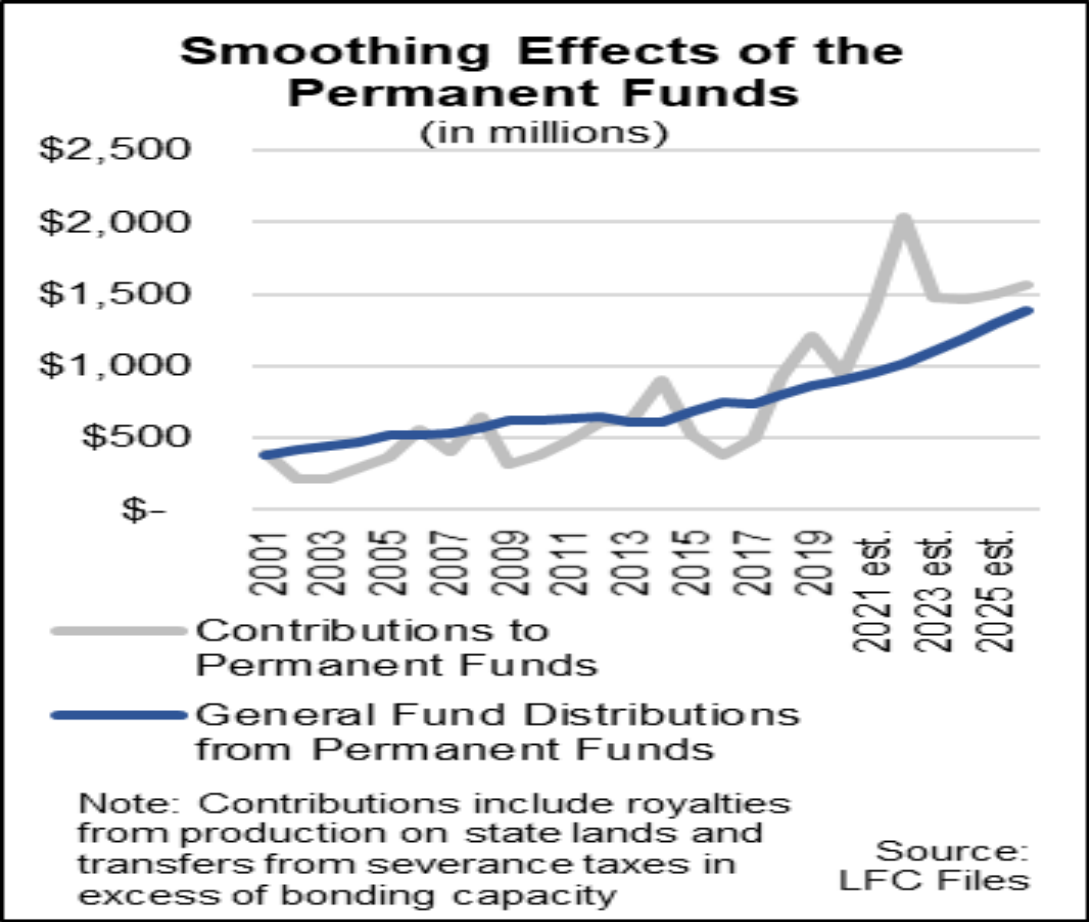
Strong Oil Revenue Outlook – But Won't Last Forever



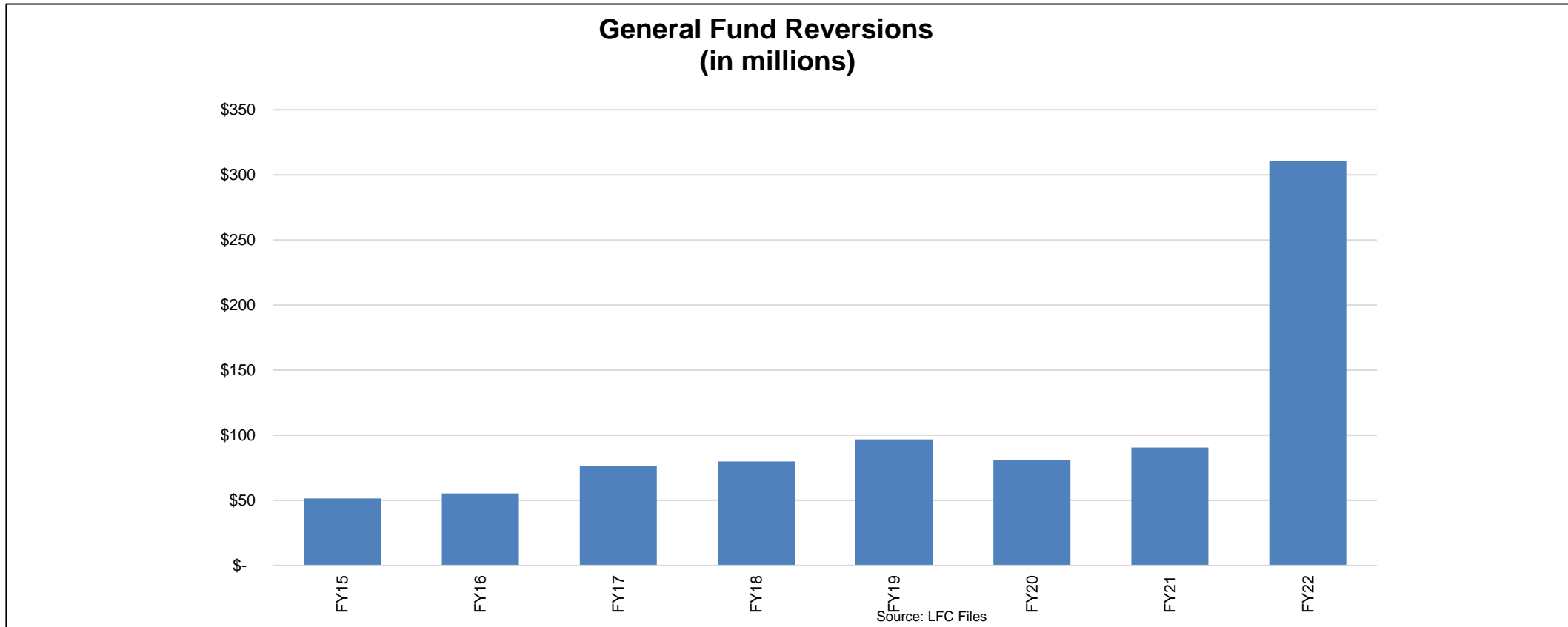
Oil Revenue as a Share of Total General Fund Revenues




Permanent Funds Smooth Volatility and Deliver Increased Funding



Capacity Limits and Best Use of Revenue Windfalls



Legislative Finance Committee and Executive Budget Recommendations

 LFC General Fund Appropriation Comparison (in millions)				
	Exec		LFC	
	FY23	FY24	FY23	FY24
FY23 Reserve Balance-Dec Estimate**	\$ 5,223		\$ 5,223	
FY24 New Money (Aug Est.)		\$ 2,458		\$ 2,458
Adjusted Revenue Estimate (Spot)		\$ 901		\$ 901
Land Grant Permanent Fund Rev.		\$ 234		\$ 234
FY24 Adjusted "New Money"		\$ 3,593		\$ 3,593
Tax Changes		\$ (500.0)		\$ (1,000)
HB2 Recurring (Available)	\$ 5,223	\$ 3,093		\$ 2,593
Schools		\$ (103.4)		\$ (263)
Medicaid		\$ (302.4)		\$ (262)
Other (Including LGPF for ECECD/Schools)		\$ (596.9)		\$ (517)
HB 2 - Recurring		\$ (1,003)		\$ (1,043)
Over/Under		\$ 2,091		\$ 1,550
Major Non-Recurring				
Subtotal: Specials/Supp	\$ (412)	\$ (1,847)	\$ (1,193)	\$ -
House/Senate Supplemental GAA				\$ (52)
Statewide Capital	\$ (250)	\$ (750)		\$ (399)
House/Senate Capital				\$ (250)
Subtotal: Non-Recurring	\$ (662)	\$ (750)	\$ (1,193)	\$ (701)
Other Transfers				\$ (300)
STPF Transfer			\$ (1,000)	\$ -
Transfer Tobacco Perm Fund out of GF				\$ (333)
Other NonRecurring Changes	\$ (1,000)			\$ (500)
Subtotal: Transfers	\$ (1,000)	\$ -	\$ (1,000)	\$ (1,133)
Other Reserve Gains/Losses**	\$ 1	\$ 85	\$ 1	\$ 85
Ending Reserves	\$ 3,561	\$ 3,139	\$ 3,030	\$ 2,831
Recurring Appropriations	\$ 8,401	\$ 9,404	\$ 8,401	\$ 9,444
Reserves as Percent of Recurring	42%	33%	36%	30%

FY24 LFC Recommendation for Public Schools

Formula Funding:

- Allocated by a funding formula called the **State Equalization Guarantee (SEG)** formula.
- School districts and charter schools have discretion over how to spend operational funds.

\$3.92
Billion
+6.7%

Categorical (“Middle-of-the-Line”) Funding:

- Allocated by formulae for specific programs, e.g. transportation.
- School districts and charter schools must use categorical funds for restricted purposes.

\$156.7
Million
+12.6%

PED Initiative (“Below-the-Line” or “Related Recurring”) Funding:

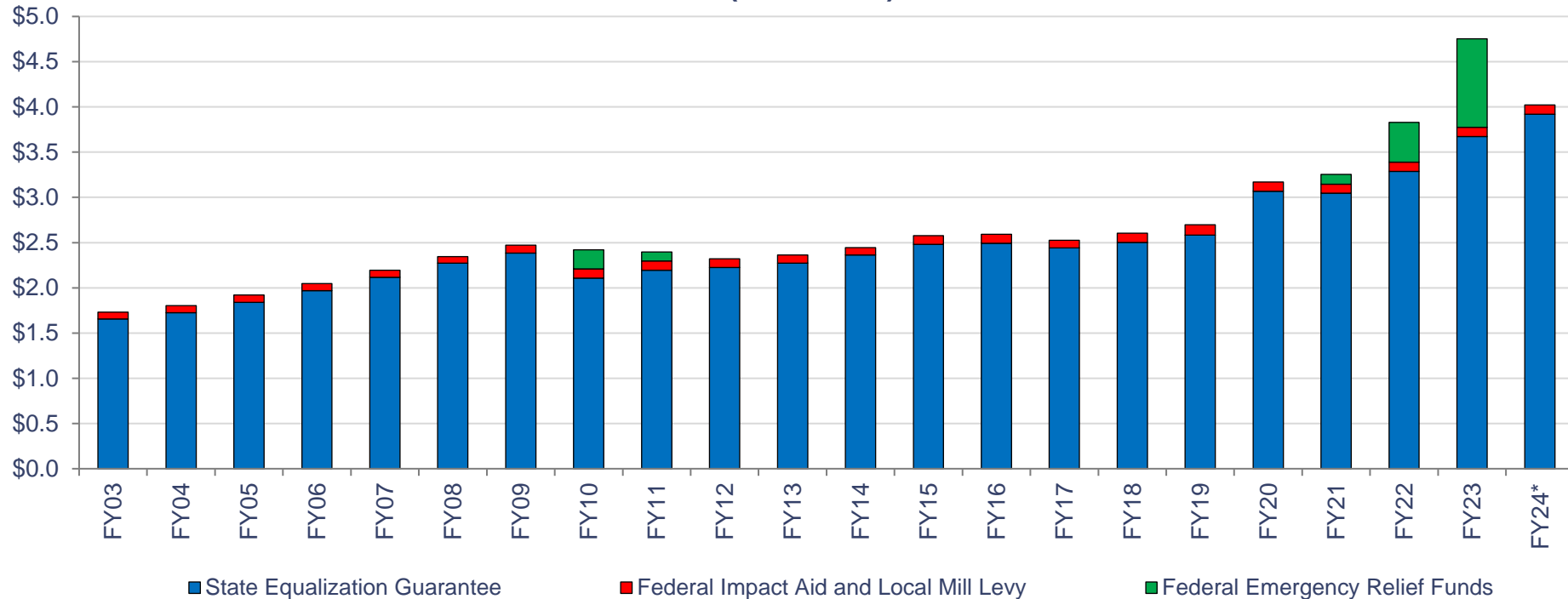
- Allocated by the Public Education Department (PED) for initiatives and pilot projects.
- School districts and charter schools generally apply for competitive grants from PED.

\$35.9
Million
-7.4%



Recurring General Fund Appropriations for New Mexico Public Education (in Billions)

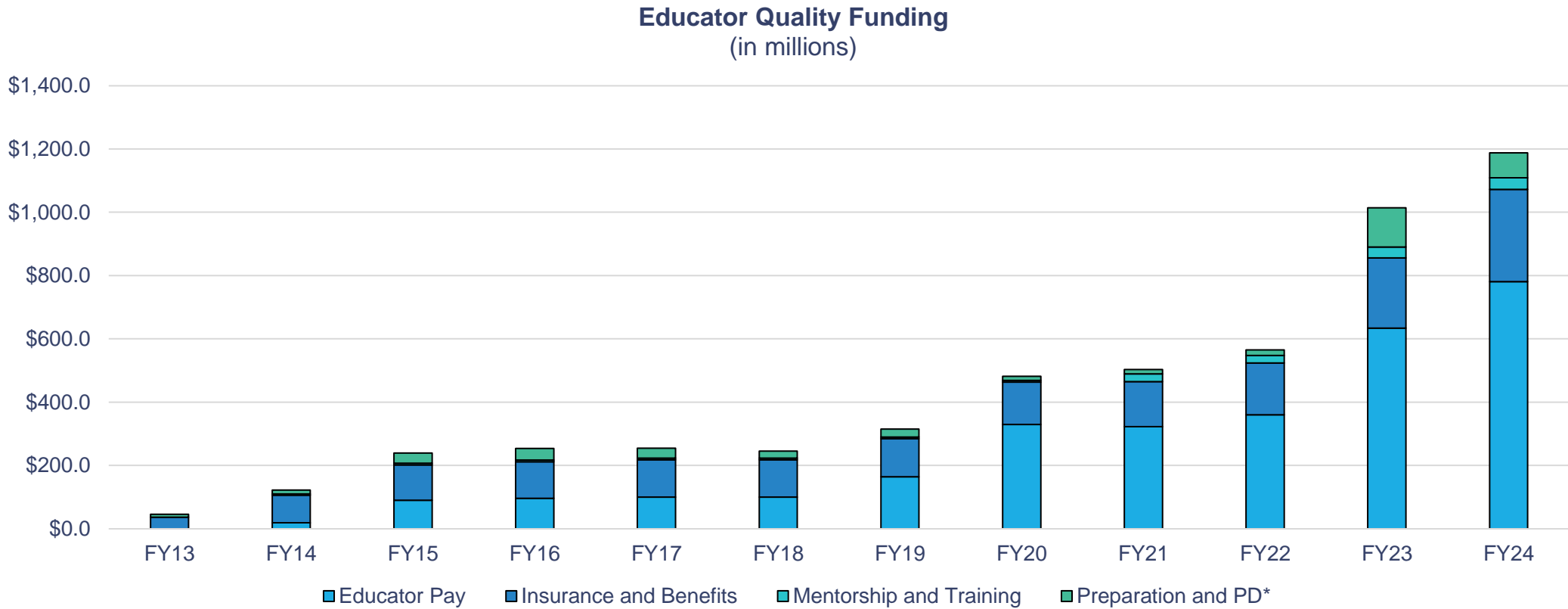
Operational Funding for Public Schools
(in billions)



*All FY24 budget figures in this presentation refer to the LFC Recommendation
Source: LFC Files



Most of the K12 Funding Increases Targeted to Improving Educator Quality



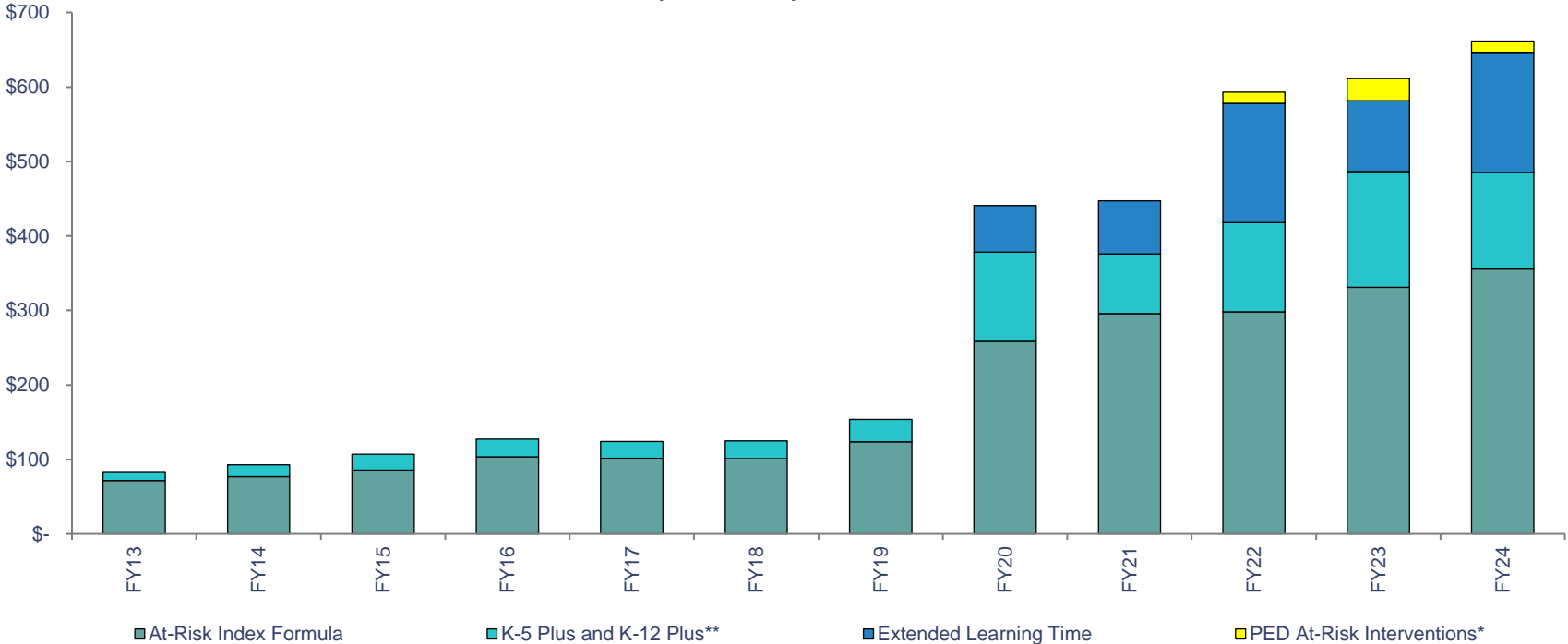
*Includes nonrecurring appropriations, such as transfers to the teacher preparation affordability scholarship and loan repayment funds and endowments for faculty positions

Source: LFC Files



Significant Increases Targeted to Either At-Risk Students or Proven Programs

At-Risk Student Program Funding
(in millions)



*Includes family income index
**Includes tribal and rural extended learning

Source: LFC Files



Addressing Student Outcomes

How Much At-Risk Funding Could be Available Per School?

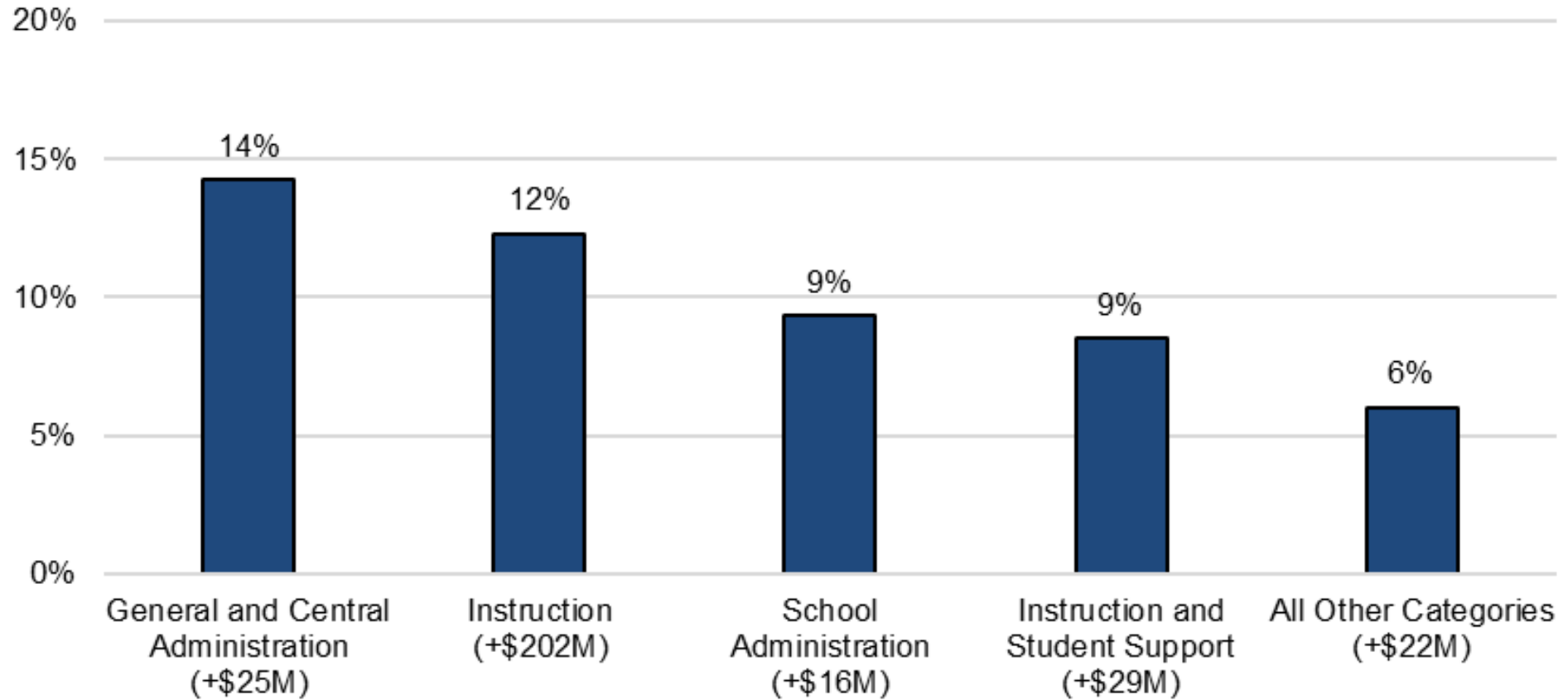
School Size	At-Risk Formula Funds
200	\$ 276,498
400	\$ 552,995
800	\$ 1,105,991
1000	\$ 1,382,488
2000	\$ 2,764,977

At-Risk Formula Funding Generates about \$1,382 per low income student and can fund:

- *School social workers, counselors etc*
- *After school programs, tutoring, reading interventions, CTE and other*
- *Professional and curriculum development*
- *Whole school services such as school based health centers and community schools*
- *Parental engagement*

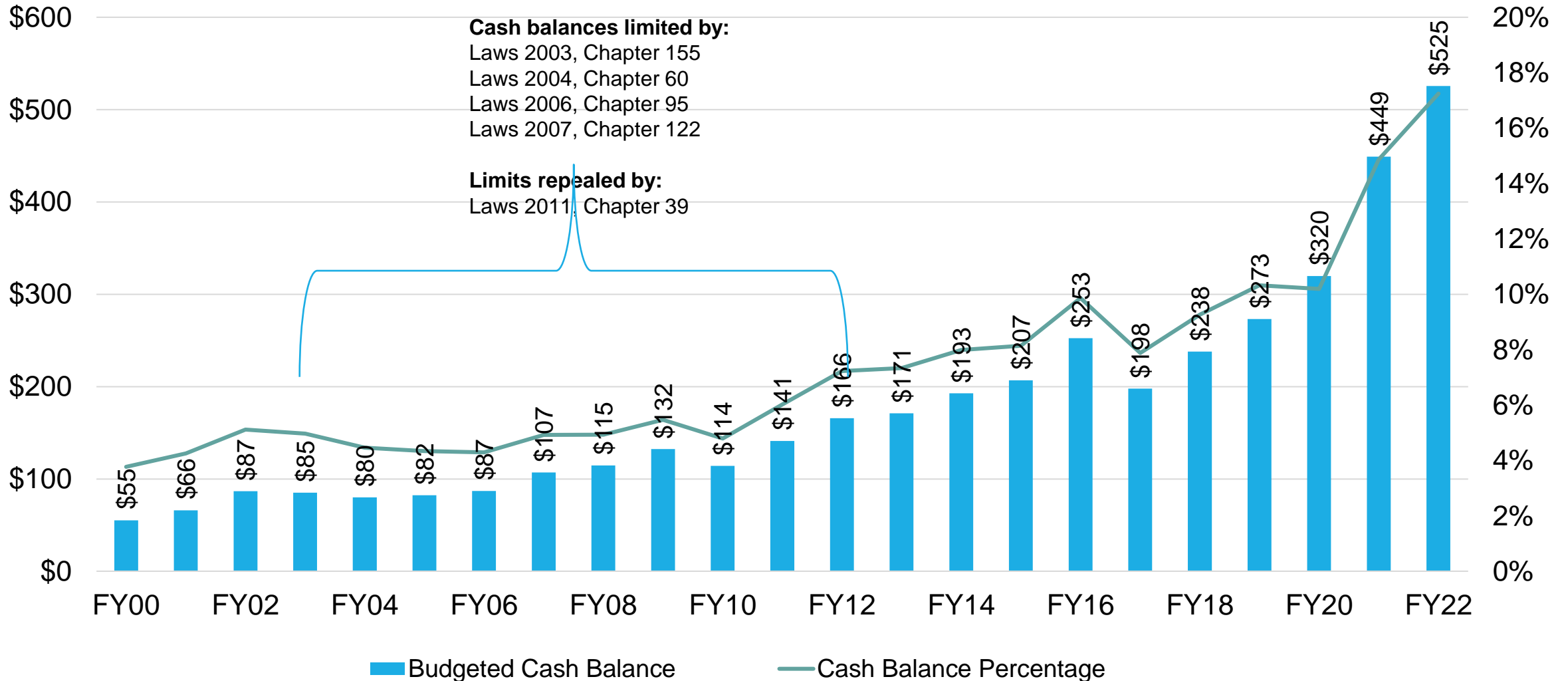


Percentage Change in School Operating Fund Expenditures FY19-FY22



Statewide Public School Program Cost and Cash Balance History

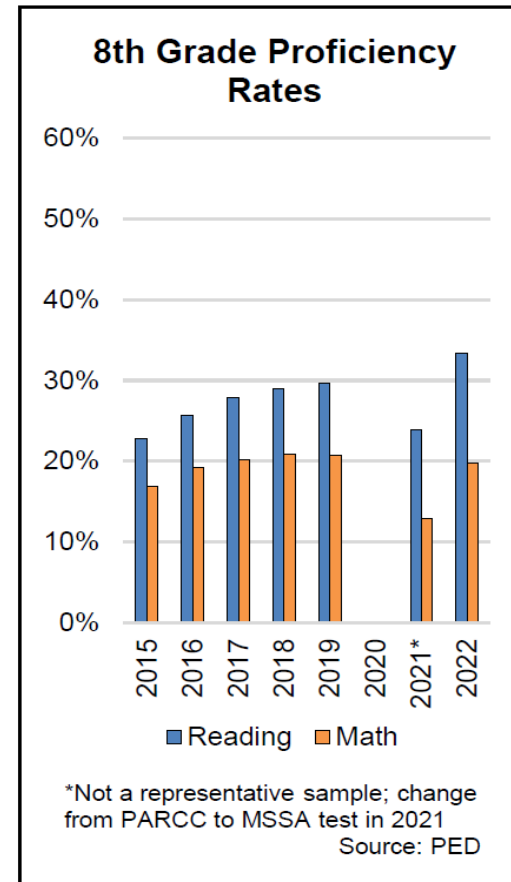
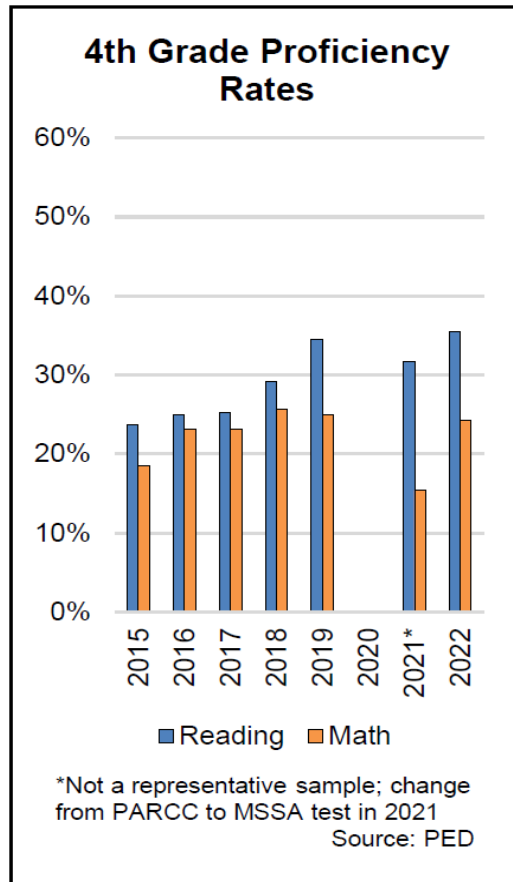
(in millions)



Source: LESC, PED, and LFC Files



New Mexico Public Education: Before COVID-19 Academic Proficiency Was Increasing but Still Low.



NAEP: Student Achievement Changes

 Grade 4 Math – Differences since 2019

	All Students	Male	Female	Eligible for NSLP	Students with Disabilities*	English Learners
NM	↓10	↓9	↓11	↓10	◆	↓10
National Public	↓5	↓4	↓6	↓6	↓2	↓4

↑ Higher ↓ Lower ◆ No significant change — Not available

	White	Black	Hispanic	Asian/ Pacific Islander	American Indian/ Alaska Native	Two or more races
NM	↓9	—	↓9	—	◆	—
National Public	↓4	↓7	↓7	↓4	↓8	↓5

*Students with disabilities including those with a 504 plan.



New Mexico Education Sufficiency Lawsuit: *Martinez and Yazzie v. State of New Mexico*



- The plaintiffs alleged that New Mexico is not meeting its constitutional obligation to provide sufficient funding and programming for at-risk public school students.
- In 2019, the District Court ruled that:
 - 1) Outputs are “dismal” and therefore...
 - 2) Inputs (funding/programming) must be insufficient; and
 - 3) Oversight over public education should be enhanced.



Reform Framework Informs Funding



- **High Quality Teaching and School Leadership**
 - Significant salary increases; funding for recruiting, induction programs, mentorship and ongoing evidence-based professional development
- **Extended Learning Opportunities**
 - Increased funding for services to students learning English or from low-income families; K5 Plus, longer regular school year, afterschool and enrichment programs
- **Responsive and Appropriate Curriculum**
 - Culturally and linguistically responsive curriculum and instructional material development, interim standards-based assessments, flexibility for instructional materials
- **Effective Oversight and Accountability**
 - Performance-based budgets, PED and regional supports have expanded capacity for oversight and assistance



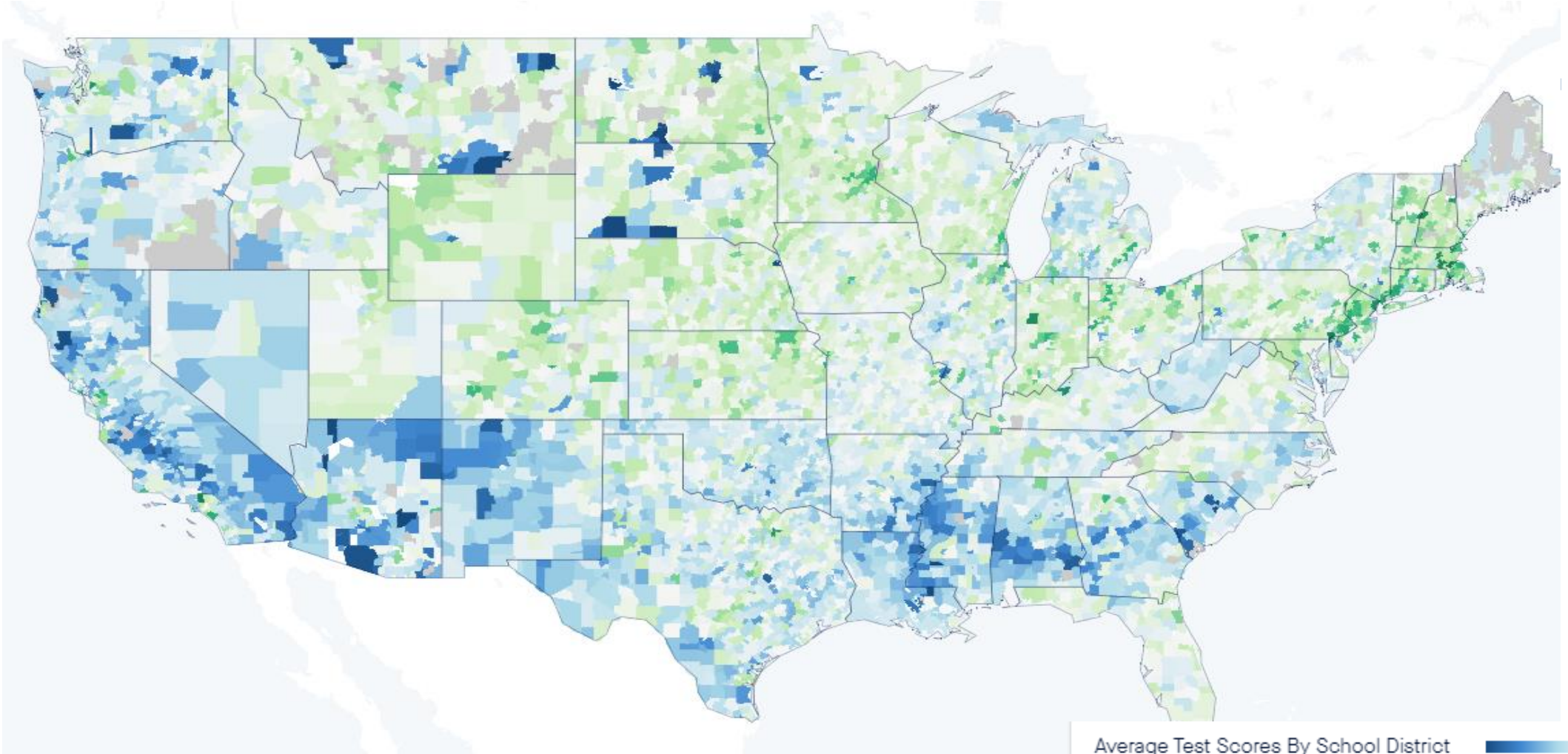
What Works in Public Education: Eight Characteristics of High-Performing Schools.



Source: LFC (2014) Performance and Improvement Trends: A Case Study of Elementary Schools in New Mexico. p.12



National Student Average Test Scores, Grades 3-8, 2009-2018 (Green = Positive, Blue = Negative)

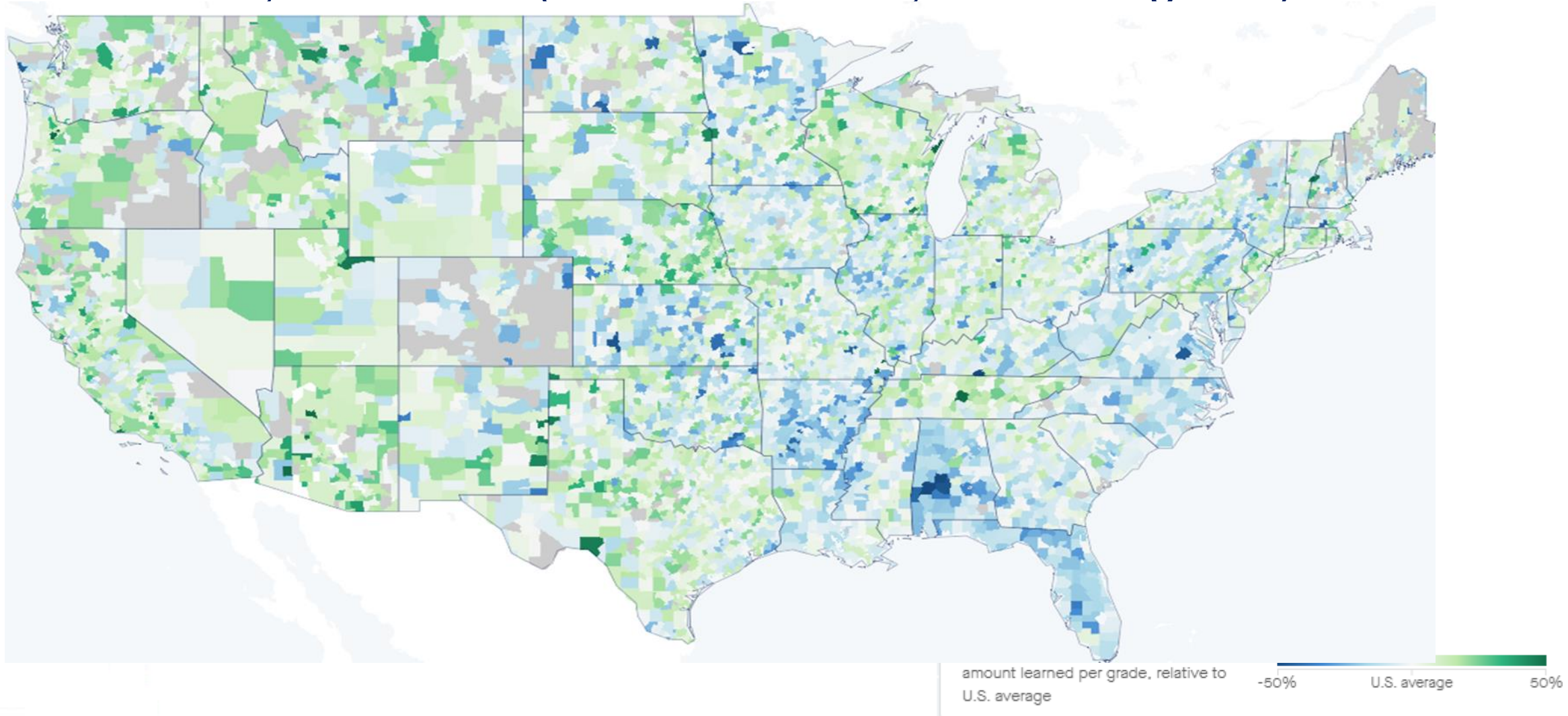


Average Test Scores By School District
in grade levels, relative to the U.S. average -3.5 U.S. average 3.5

Source: The Educational Opportunity Project at Stanford University



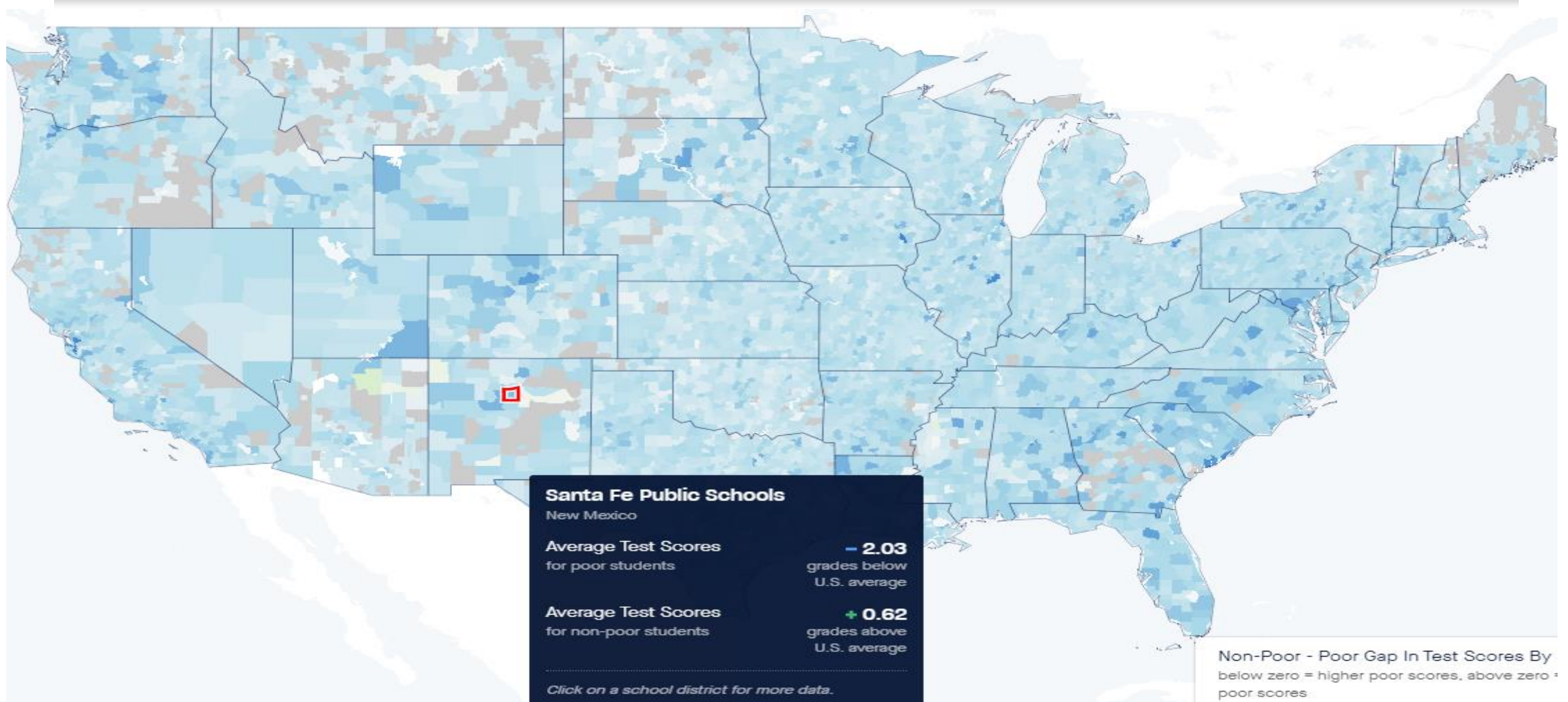
Learning Rates Compared to National Avg. Grades 3-8, 2009-2018 (Green = Positive, Blue = Negative)



Source: The Educational Opportunity Project at Stanford University



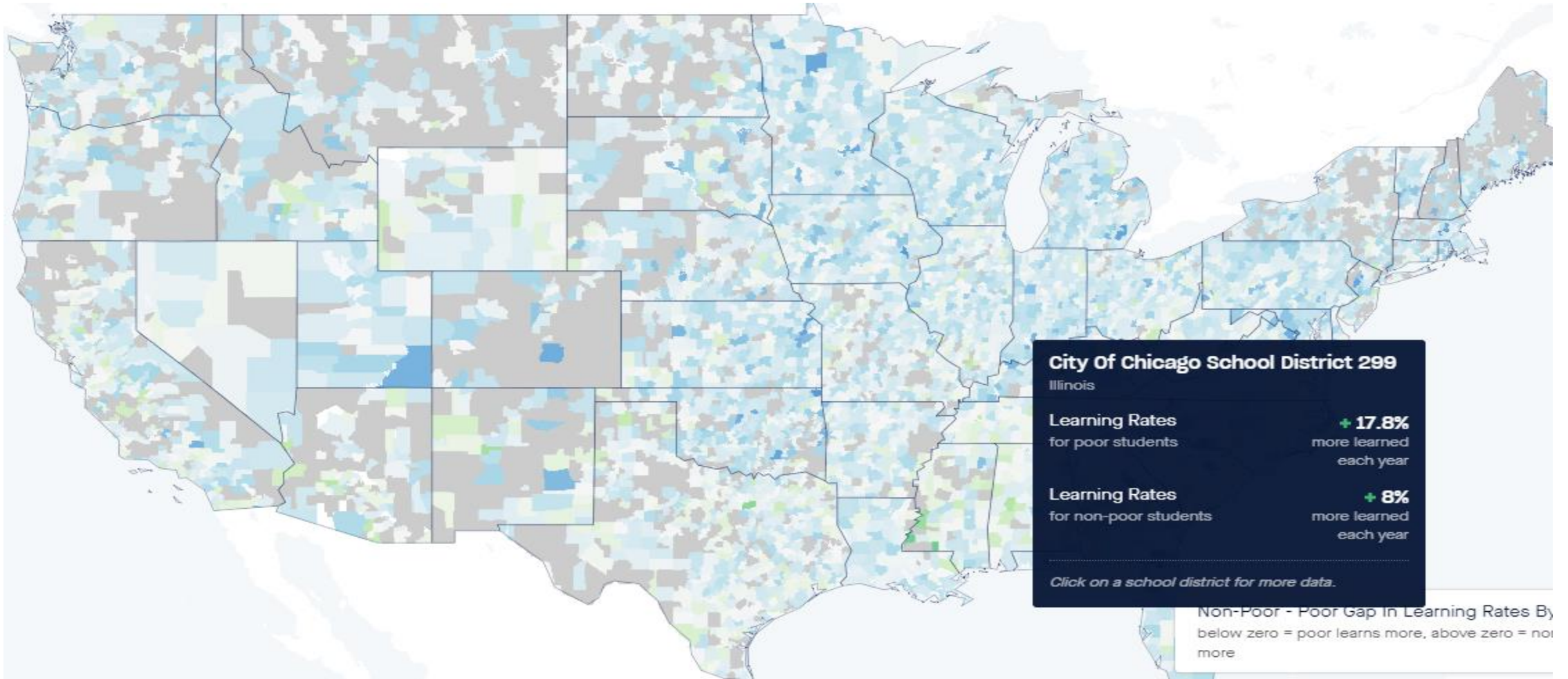
Student Achievement Gap – Poor and Non-Poor



Source: The Educational Opportunity Project at Stanford University



Student Cohorts Both Making Gains in Chicago

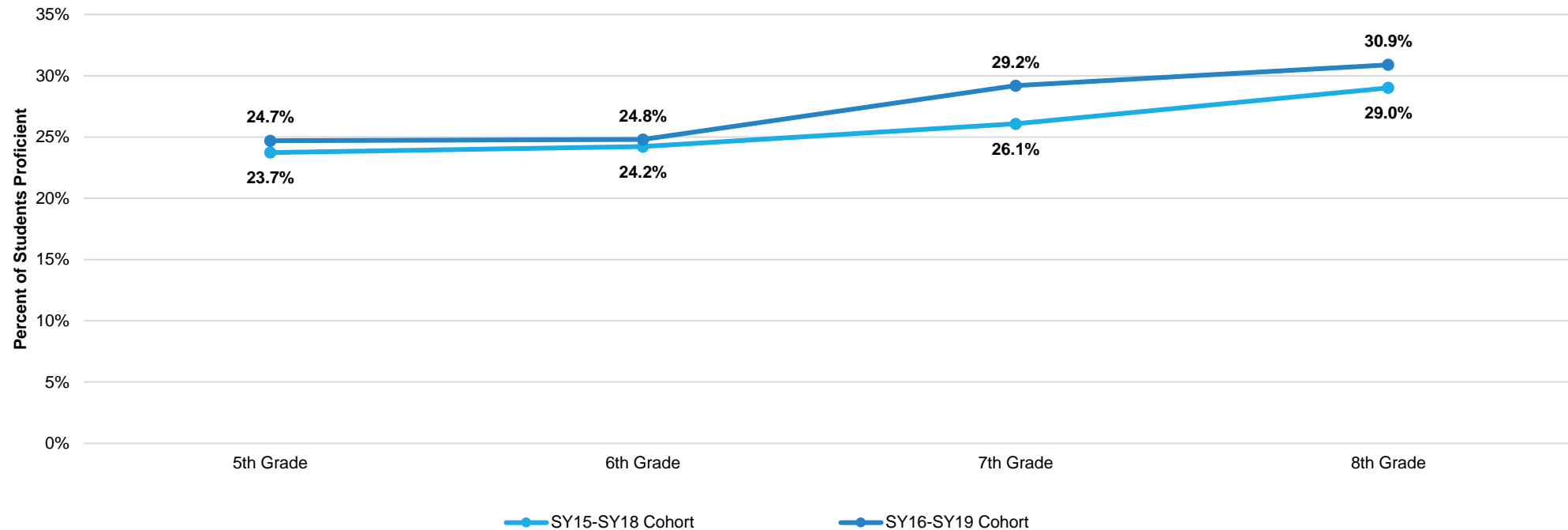


Source: The Educational Opportunity Project at Stanford University

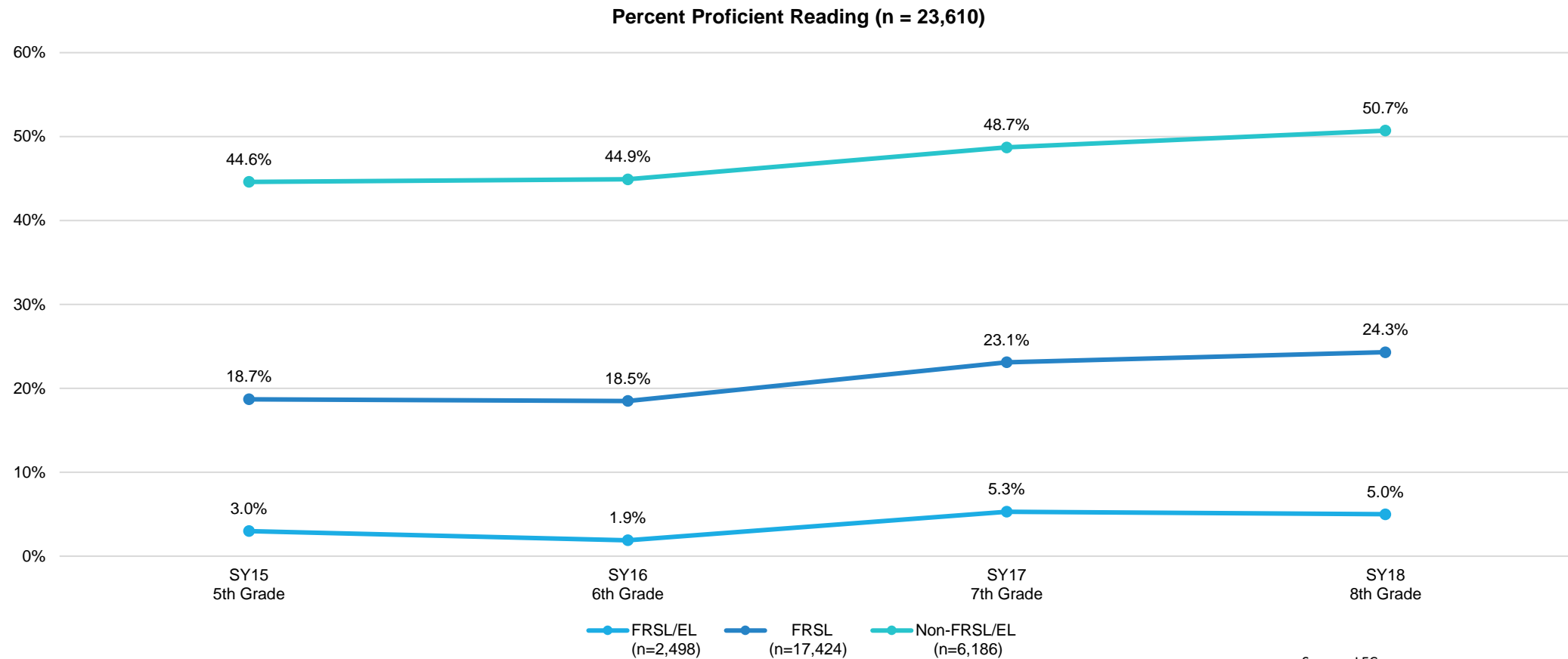


New Findings from NM Longitudinal Data: Students Gaining a Year's Worth of Learning Each Year & Improve Proficiency

Reading Proficiency on PARCC Test from Fifth through Eighth Grade,
SY15-SY18 (N = 23,696 Students), SY16-SY19 (N = 24,011)



Achievement Gap - Reading



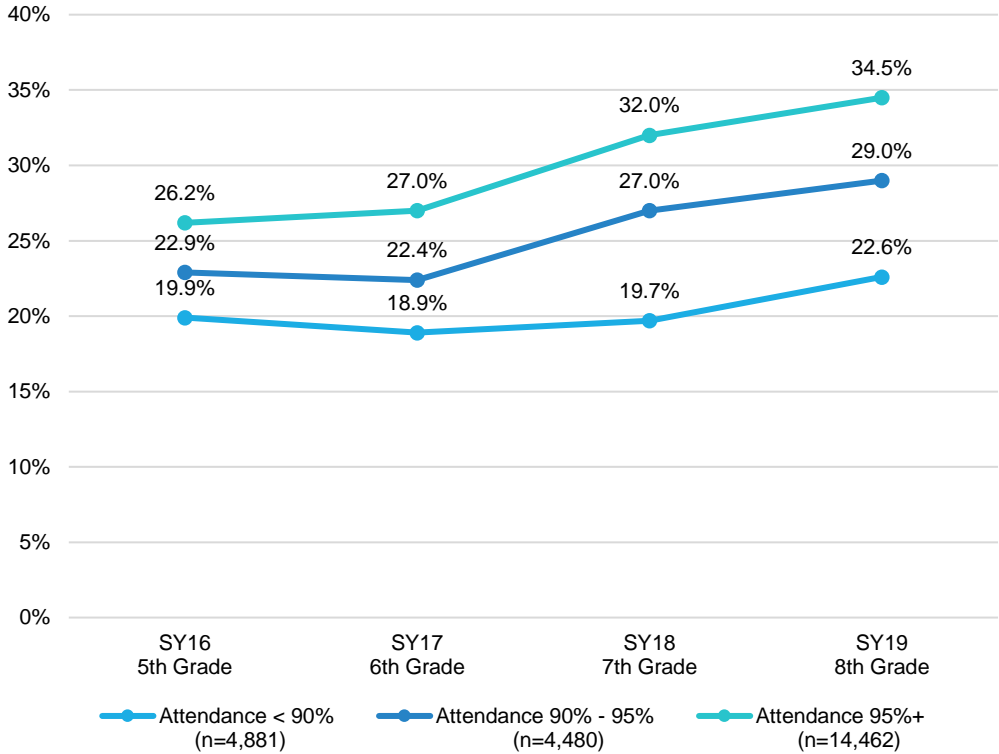
Source: LFC



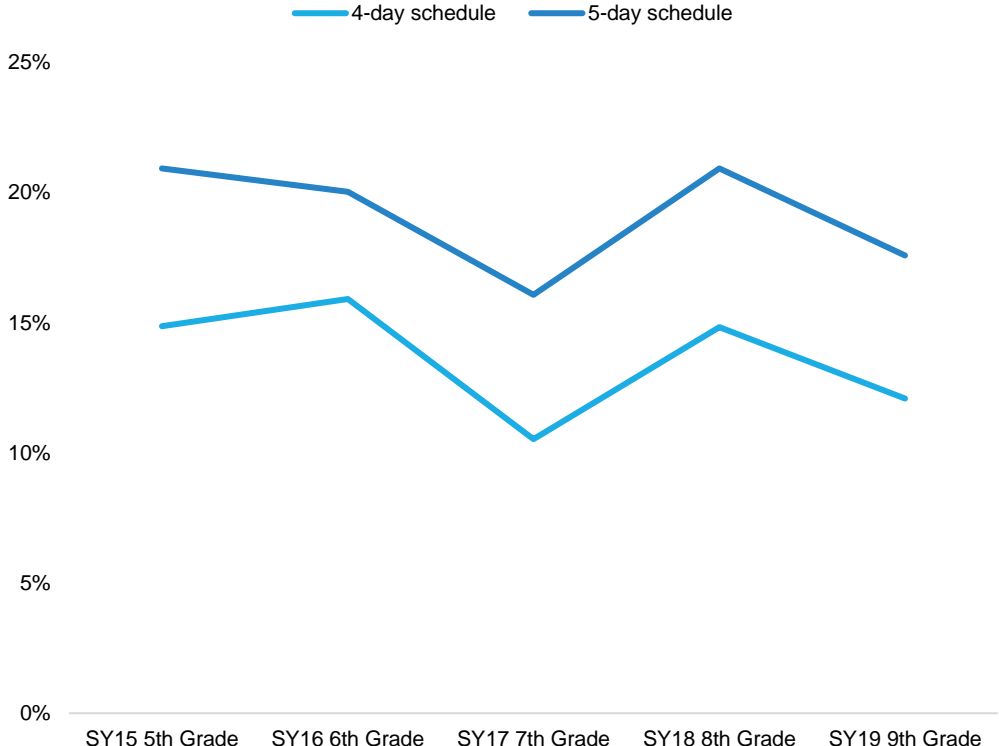
NM Longitudinal Data: No Surprise

Attendance and Length of School Year Impacts Outcomes

Percent Proficient Reading (n = 23,823)

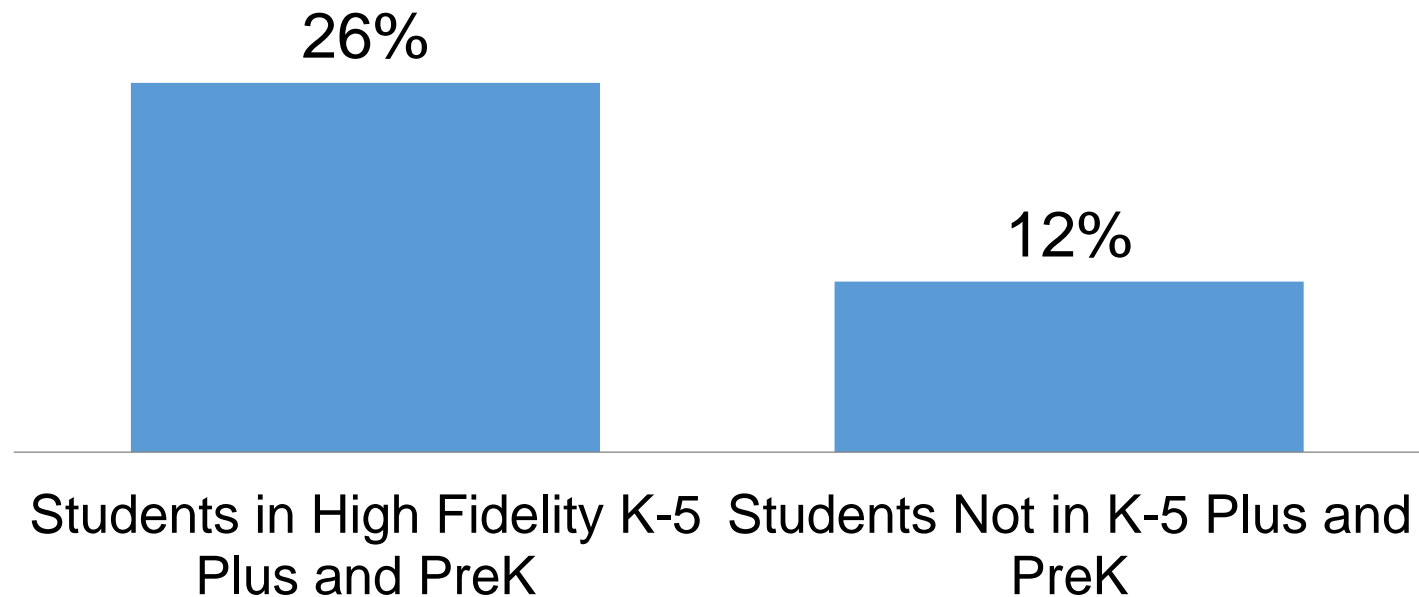


Percent Proficient Math (n = 23,504)



Although “more of the same” has proven effective. PreK and K-5 Plus can help close the Achievement Gap

Low Income Students in Both Prekindergarten and K-5 Plus Reading Proficiency on Istation



Source: LFC Files



LFC FY24 Proposal: Flexibility for Additional Learning

K-12 Plus Program: New two-tiered formula factor that provides additional program units to schools that choose to have a longer school year.

1. *Tier 1:* 0.016 program units (vs. ELT equivalent of 0.011 units) per student for each instructional day provided between:
 - a) 181 – 190 instructional days (5-day school week) or
 - b) 152 – 160 instructional days (4-day school week)
2. *Tier 2:* 0.024 program units per student for each instructional day provided between:
 - a) 191 – 205 instructional days (5-day school week) or
 - b) 161 – 172 instructional days (4-day school week)

Extra funding covers instructional time, professional time, attendance initiatives, community schools, after school/enrichment and CTE

1,140 Instructional hours for all students: Flexibility to determine how hours are allocated; fiscal windfall for districts and charters that are already above this requirement



FY24 Extended Learning Proposals Similar

(dollars in thousands)	FY23	Executive	LESC	LFC
General Fund (R)	\$278,923.4	\$146,134.1	\$252,333.5	\$240,847.0
General Fund (NR)	\$0.0	\$83,065.0	\$0.0	\$0.0
Pub. Ed. Reform Fund (NR)	\$22,183.8	\$115,000.0	\$50,000.0	\$150,000.0
Subtotal	\$301,107.2	\$344,199.1	\$302,333.5	\$390,847.0
Instructional Hours				
Elementary	990 hours	1,140 hours	1,140 hours	1,140 hours
Secondary	1,080 hours	1,140 hours	1,140 hours	1,140 hours
Funding Formula Factor	K-5 Plus: <ul style="list-style-type: none"> 0.30 units per MEM[†] for 25 days Extended Learning Time (ELT) program: <ul style="list-style-type: none"> 0.11 units per MEM[†] for 10 days 	Enhanced ELT program: <ul style="list-style-type: none"> 0.0067 units per MEM per 6 hours above 1,140 hours 	K-12 Plus: <ul style="list-style-type: none"> 0.012 units per MEM per day above 180 days* 	K-12 Plus: <ul style="list-style-type: none"> 0.016 units per MEM per day above 180 days* 0.024 units per MEM per day above 190 days*
Professional Work Hours	80 hours , separate from instructional hours, only for ELT program**	80 hours minimum , separate from instructional hours, and 100 hours for enhanced ELT program	Up to 60 instructional hours can count toward professional work hours	80 hours , separate from instructional hours, only for the higher K-12 Plus weight (0.024 units)**
Instructional Time Definition	School-directed program, home visiting, breakfast, parent-teacher conferences, and next-step plans	Removes current definition except for breakfast; PED will define instructional time through a rulemaking process	Academic instruction or intervention, enrichment, social emotional and applied learning, breakfast, and professional work	Same as current definition

[†]K-5 Plus provides the equivalent of 0.012 units per MEM per day; ELT program provides the equivalent of 0.011 units per MEM per day (current daily rate)

*For 5-day school weeks. For 4-day school weeks, LESE requires over 155 days (0.012 units); LFC requires over 152 days (0.016 units) or 160 days (0.024 units)

**The FY23 ELT program and higher LFC K-12 Plus weight (0.024 units) include a requirement for schools to provide enrichment and out-of-school time programming



Conclusion



- New Mexico has booming revenues, ongoing education litigation, and a growing early childhood system.
- New Mexico needs to strategically target funding to what works, better coordinate its early education programs, and monitor education spending.





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For More Information

- <http://www.nmlegis.gov/lcs/lfc/lfcdefault.aspx>
 - Session Publications – Budgets
 - Performance Report Cards
 - Program Evaluations

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