



Mastering the Fiscal Frontier: A Blueprint for School Board Members

Prepared for NMSBA
February 19, 2005

Cooperative Education Services (CES)





Welcome and Overview

- Budget and Finance Process Aligned to the Strategic Plan
- Operational and Capital Outlay Funding
- Funding Formula and Equity

These steps overlap and the order can be modified, as needed.

Open Mic

- Introduce yourself
- Share a summary of your district goals and strategic plan
- Identify items of interest in budget and finance





Today's Objectives

This highly interactive session will enhance understanding of the New Mexico public education budget and finance system. Participants will learn how to:

- Explain key components of NM public education financing and funding including the State Equalization Guarantee (SEG), recurring and non-recurring dollars, and fiduciary responsibility
- Understand the potential of Artificial Intelligence in school budgeting
- Develop a budget that aligns with district goals and priorities

Importance of a Well-Developed Budget



A high quality budget is essential to meet or exceed educational goals for students.

Budgets provide a roadmap about the allocation of funds and are useful for (1) communicating direction and priorities, (2) monitoring expenditures for public accountability, and (3) tracking progress toward financial objectives and strategic plan goals.

Open Mic

What is your level of familiarity with education budgets?



School Board Finance Subcommittee



New Mexico Statutes, Chapter 22 - Public School NM Stat § 22-8-12.3 (2013)

Each local school board shall appoint at least two members of the board as a finance subcommittee to assist the board in carrying out its budget and finance duties. The finance subcommittee shall:

(1) make recommendations to the local school board in the following areas:

(a) financial planning, including reviews of the school district's revenue and expenditure projections;

(b) review of financial statements and periodic monitoring of revenues and expenses;

(c) annual budget preparation and oversight; and

(d) procurement; and

(2) serve as an external monitoring committee on budget and other financial matters

“The trouble with not having a goal is that you spend your life running up and down the field and never score.”

-Bill Copeland



Budgets should be based upon goals and objectives in the strategic plan.



Open Mic

What is the
status of your
strategic
plan?



Six-step Budgeting Process

- 1. Strategic Plan:** Schools and the district office conduct a situational assessment to identify the resources required to meet student needs and achieve educational goals. This assessment and strategic plan development must involve input from teachers, staff, parents, and community members.
- 2. Budget Proposal:** The superintendent and leadership team develop a budget proposal based on the strategic plan goals and available funding. The proposal outlines projected revenues and expenditures for the upcoming school year.
- 3. Public Hearings and Board Approval:** The proposed budget is presented at public hearings where community members can provide feedback. The school board then reviews the proposed budget.

Budget Adoption



- At a public meeting, the superintendent presents the proposed budget to the School Board for review and approval
- Opportunities for additional feedback from parents and the community
- School Board questions, discussion, possible changes, and vote



Budgeting Process, page 2

4. Submission to State: The Board approved budget is submitted to the New Mexico Public Education Department (NMPED) for review and approval. NMPED ensures that the budget complies with state laws and regulations along with expectations from the Governor and any changes from the last legislative session.

5. Ongoing communications: staff, parents, and the community.

6. Monitoring and Adjustments: Using performance-based budgeting, school districts track actual expenditures against budgeted amounts. Monthly adjustments are made, as needed. The School Board reviews and approves all BARs (budget adjustment requests).

Major Expenditure Categories - Chart of Accounts

Category	Description
1. Staff Salaries (largest portion)	1. Salaries and benefits for staff constitute the largest expenditure category in most public school budgets
1. Instructional Materials & Supplies	2. Textbooks, online resources, classroom materials, manipulatives, and other learning materials
1. Technology	3. Computers, online security, connectivity, software, and other educational technological
1. Safety, Facilities and Maintenance	4. Funds for school safety and the upkeep and improvement of school buildings and grounds
2. Transportation	5. Transporting students and staff
3. Student Nutrition Programs	6. Funding is provided for breakfast, lunch, and other meal programs for students
4. Professional Development	7. This category covers the costs of training and professional development for teachers and staff
1. Administration	8. Funds for school administrators, central office staff, Principals and other non-instructional staff



Financial Budget

Open Mic

What are budget challenges in your schools?

Examples:

- Recruiting and retaining staff
- Keeping pace with inflation
- Meeting the needs of a diverse student population
- Safety
- Facilities



**BUDGETING
CHALLENGES**

Operational Funding



- Most operational funds are appropriated by the Legislature through the Public School Fund. Revenues come from the: [General Fund](#), [Public Education Reform Fund](#) (est. 2019), [Land Grant Permanent Fund](#) (est. 1912), [federal government](#), and [Federal Mineral Leasing](#).
- In November 2022, 70% of New Mexico voters approved a Constitutional Amendment to add a distribution for [early childhood education from the Land Grant Permanent Fund](#) (LGPF).
- Revenue in the LGPF comes from leases and royalties on non-renewable natural resources, such as oil and gas, and returns on invested capital.
- The FY24 LGPF distribution = \$1.34 billion.

Note: [underlined text](#) is a website link

Artificial Intelligence

AI is Much More Than a Tool

- AI can enhance budgeting, administration, teaching, and learning.
- It can save time, automate tasks, personalize instruction, and provide valuable insights.

The AI Challenge

- AI can “hallucinate” or “spit out garbage”
- One serious concern is academic integrity and the authenticity of student, teacher and administrator work.

Advantages and Disadvantages of Artificial Intelligence in Education

The background features various mathematical and scientific formulas, including:
$$ad+ac = a(d+c)$$
$$\frac{a}{\frac{b}{c}} = \frac{ab}{c}$$
$$\frac{\frac{a}{b}}{c} = \frac{a}{bc}$$
$$\frac{a}{\frac{b}{c}} = \frac{ac}{b}$$
$$f(x) \leq 5$$
$$X^2 - 4X + 5 \leq 5$$
$$X^2 - 4X \leq 0$$
$$\frac{a+b}{c} = \frac{a}{c} + \frac{b}{c}$$
$$\frac{ab+ac}{a} = b+c, a \neq 0$$
$$\frac{\frac{a}{b} + \frac{c}{d}}{\frac{a}{b} + \frac{c}{d}} = \frac{ad}{bc}$$
$$\frac{\sqrt{3}}{2} = \frac{4\sqrt{3}}{x}$$
$$x\sqrt{3} = 8\sqrt{3}$$
$$f = \frac{R}{2}$$
$$\frac{10}{15} \cdot 4 \frac{2}{3} + 5 \frac{1}{3} = \frac{(15 \times 4) + 10}{15}$$
$$C_2H_2Cl_4 + Ca(OH)_2 \rightarrow C_2HCl_3 + CaCl_2 + H_2O$$
$$Zn_3Sb_2 + 6H_2 \rightarrow 3Zn(OH)_2 + 2SbH_3$$
$$2C_2H_2Cl_4 + Ca(OH)_2 \rightarrow 2C_2HCl_3 + CaCl_2 + 2H_2O$$
$$2K + O_2 + 4HF$$
$$M = \frac{0.046765 \text{ m}}{3}$$
$$n(B \cap C) = 22$$
$$n(B) + n(C) - n(B \cap C)$$
$$126 = 6xy$$
$$2x + 2y = 20$$
$$a_n = \frac{1}{2^{n-1}} = \frac{1}{2^{10-1}}$$
$$= \frac{1}{2^9} = \frac{1}{512}$$
$$A = \pi r^2 h$$
$$2\pi r h$$
$$2\pi r (r+h)$$
$$\pi r^2 h$$
$$|a| = |-a|$$
$$ab+ac = a(b+c)$$
$$\frac{a}{b} = \frac{ab}{b}$$
$$x^2 - a^2 = (x+a)(x-a)$$
$$x^2 + 2ax + a^2 = (x+a)^2$$
$$x^2 - 2ax + a^2 = (x-a)^2$$
$$x^2 + (a+b)x + ab = (x+a)(x+b)$$
$$a^2 + b^2 = c^2$$
$$a = \sqrt{c^2 - b^2}$$
$$y = ax + b$$
$$\cos(B) = \frac{y}{r}$$
$$\cos(60^\circ)$$
$$AB + BC = \dots$$

Open mic!



**HOW WILL
ARTIFICIAL INTELLIGENCE
IMPACT FUTURE EDUCATION?**

Funding Distributions

- 1. State Equalization Guarantee (SEG):** Totaling more than 90 percent of school districts' operational revenue, the SEG (or funding formula) is the largest state distribution.
- 2. Transportation Distribution:** Allocated to pay for “to-and-from” student transportation.
- 3. Supplemental Distributions:** The Secretary of Education is authorized to make supplemental funding distributions for: (1) Out-of-State Tuition, (2) Operational Emergencies, and (3) Capital Outlay Emergencies.
- 4. Special Programs:** Usually non-recurring funds



Funding Formula



- In 1974, the New Mexico Legislature enacted the Public School Finance Act, widely acclaimed as one of the most innovative of the school finance plans currently being used across the country.
- The formula is designed to distribute operational funds to school districts objectively and in a noncategorical manner while providing for local school district autonomy.
- Formula dollars received by local districts are not earmarked for specific programs.
- Within statutory and regulatory guidelines, school districts have the latitude to spend their dollars according to local priorities.

Open Mic

How much latitude does a School Board actually have in developing the budget?



Funding Formula

Goals: The SEG is intended to equalize financial opportunity and to guarantee each New Mexico public school student equal access to programs and services appropriate to his or her educational needs regardless of geographic location or local economic conditions.

Program Cost: The formula uses cost differentials to reflect the costs associated with providing educational services to students all of whom have differing needs. For example, research indicates that educating high school students costs more than educating first graders and that additional funding is required for the provision of bilingual education and special education services.

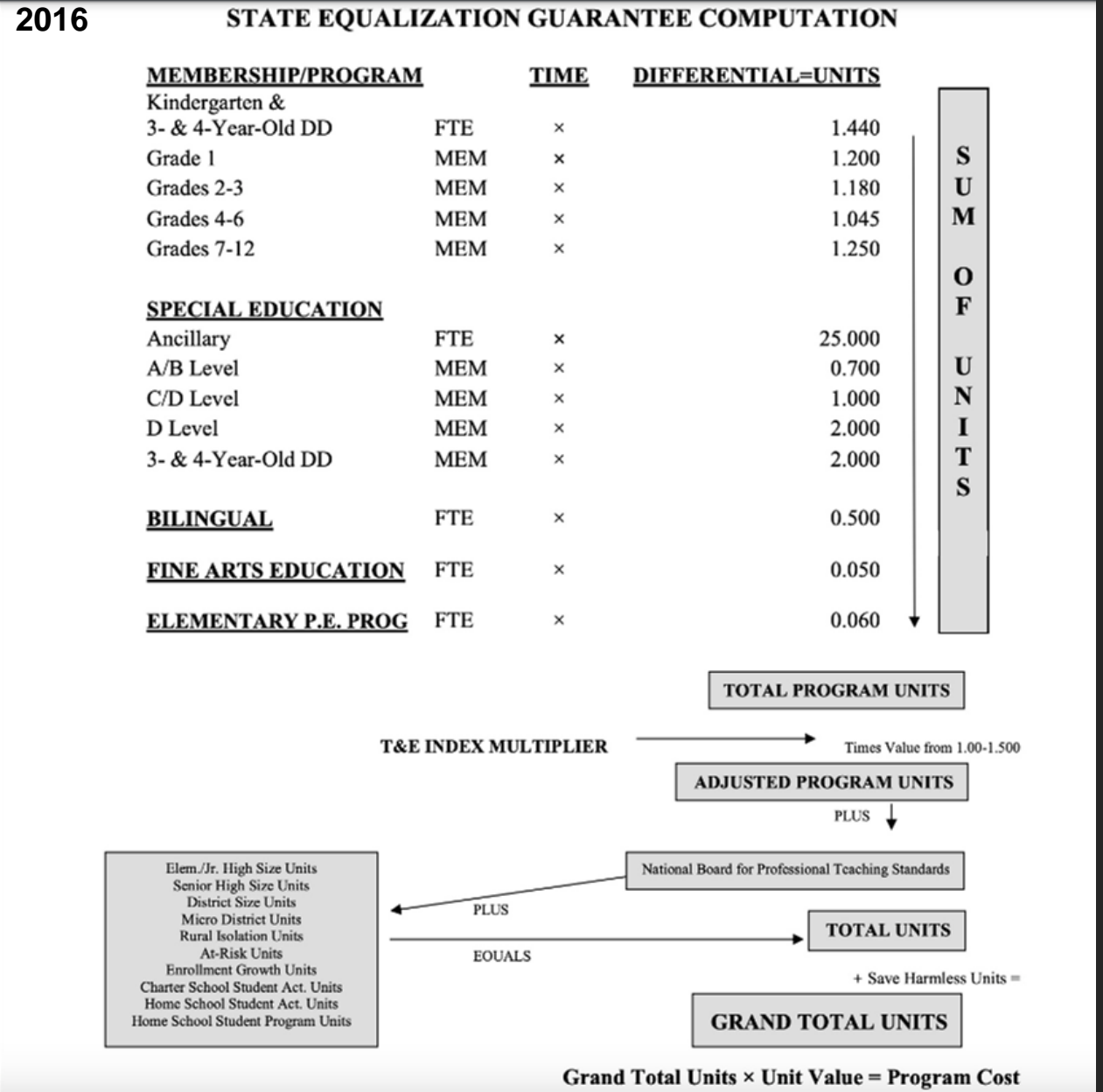


Equity Principles in the Funding Formula

Designed to distribute funding to *equalize educational opportunity* for all students in New Mexico using two principals:

1. “The Equal Treatment of Equals” - the formula allocates the same amount of funding for students in the same circumstances. Example: first grade students receive the same amount of funding in every district.
1. “The Unusual Treatment of Unequals” - the formula allocates additional funding for students that require extra resources. Example: additional funding is provided for first grade students with an IEP. (Equitable, not equal funding)

Funding Formula in 2016



State Equalization Guarantee Computation

	Grade Level/Program Membership	Times	Cost Differential = Units		
Basic Program Units	Kindergarten & 3- and 4-Year-Old DD	FTE MEM	×	1.44	SUM OF UNITS
	Grade 1	MEM	×	1.20	
	Grades 2-3	MEM	×	1.18	
	Grades 4-6	MEM	×	1.045	
	Grades 7-12	MEM	×	1.25	
Staffing Cost Multiplier	Staffing Cost Multiplier:		= TOTAL PROGRAM UNITS		
	75 percent T&E Index (years of experience and academic degree)		→	Times Value from 1.000 to 1.500	
	25 percent TCI (years of experience and licensure level)		= ADJUSTED PROGRAM UNITS		
PLUS					
Special Education					
Special Education Units	Related Services (Ancillary)	FTE STAFF	×	25.00	
	A/B Level Service Add-on	MEM	×	0.70	
	C Level Service Add-on	MEM	×	1.00	
	D Level Service Add-on	MEM	×	2.00	
	3- and 4-Year-Old DD Program Add-on	MEM	×	2.00	
Special Program Units	<u>Bilingual Education</u>	FTE MEM	×	0.50	
	<u>Fine Arts Education</u>	FTE MEM	×	0.05	
	<u>Elementary Physical Education</u>	MEM	×	0.06	
	<u>K-5 Plus Programs</u>	MEM	×	0.30	
	<u>Extended Learning Time Programs</u>	MEM	×	0.11	
Size Units	Elementary/Jr. High Size Units				
	Senior High Size Units				
	District Size Units				
	Micro District Size Units				
	Rural Population Units				
	((Title I + English Learners + Student Mobility) * .25) * Total MEM		At-Risk Units		
	Enrollment Growth Units				
Add-on Units	National Board for Professional Teaching Standards Units				
	Charter School Activities Units				
	Home School Activities and Program Units				
	= TOTAL UNITS				
	Plus Save Harmless Units				
	= GRAND TOTAL PROGRAM UNITS				
	Grand Total × Unit Value = Program Cost				
	- 75% Noncategorical Revenue Credits				
	- Utility Conservation Program Contract Payments				
	- 90% of the Certified Amount (<i>Energy Efficiency and Renewable Energy Bonding Act</i>)				
	= STATE EQUALIZATION GUARANTEE				

NM Funding Formula

- Updated and changed almost every year during the Legislative Session
- Funding is distributed to school districts and charter schools based upon student population and unique circumstances
- In other states, schools are often funded through a majority of local property taxes
- According to the U.S. Census Bureau, New Mexico is the fourth least reliant on local sources of revenue
- In NM, almost all local revenue is for capital outlay

Open Mic



What is your involvement in capital outlay funding, school maintenance, and construction?

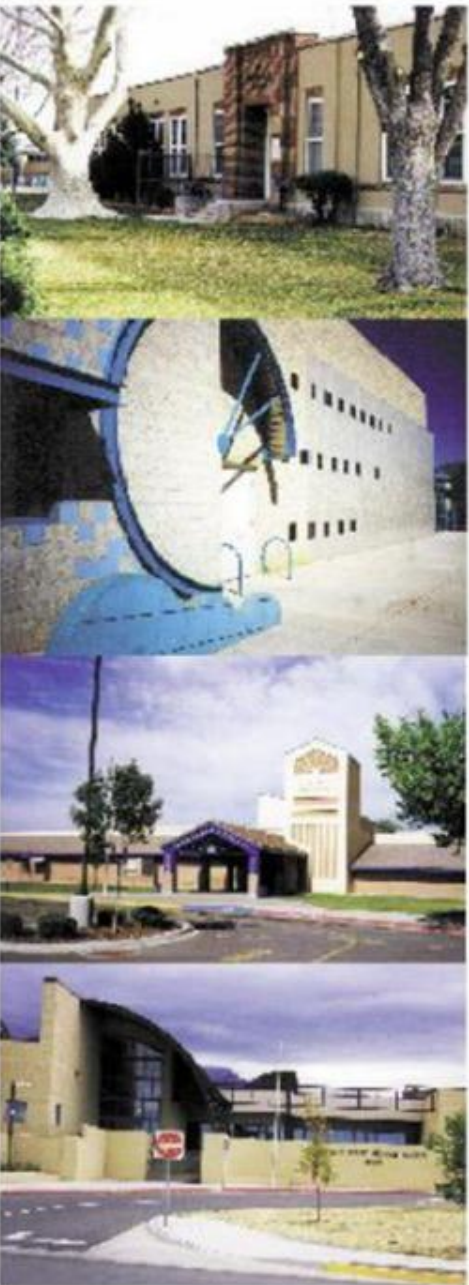


Deming High School

Capital Outlay Funding

- Public school capital outlay financing is both a local and state responsibility in New Mexico.
- School districts can generate state revenues through two statutory measures.
 1. Direct legislative appropriations, which provides funding for specific needs
 2. Standards based process under the Public School Capital Outlay Act

Locally, districts can generate capital outlay revenues from the sale of bonds, direct levies, earnings from investments, rents, sales of real property and equipment, as well as miscellaneous sources.



New Mexico

Preventive Maintenance Guidelines

Public School Capital Outlay Council

/Public School Facilities Authority

January 2004



<http://www.nmschoolbuildings.org>

Public School Capital Outlay Council (PSCOC)

The PSCOC manages state funding for public school facilities in New Mexico. The nine council members are from the Governor's Office, the Department of Finance & Administration, the Public Education Commission, the Legislative Education Study Committee, the Public Education Department, the New Mexico School Board Association, and the Construction Industries Division

Open Mic

Public education funding in New Mexico faces challenges, but also opportunities. Adequate funding is essential for a quality education.

How do you plan to get involved in advocacy efforts to ensure our children have the resources they need to succeed?



Summary - Budget and Finance in NM Schools

Alignment With
Strategic Plan

School Board's
Role

Funding Formula
and Equity



Budget and Finance
Process

Artificial
Intelligence

Thank you!

Dr. Kurt Steinhaus

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SERVICES

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