

How Is New Mexico's Public School Budget Crafted at the State Level?

Foundations for Great Public Schools

April 2, 2004

Albuquerque, New Mexico

- 1. New Mexico's Public School Funding Formula**
- 2. New Mexico's School Finance Act**
- 3. Funding Units and Projections at the State and District Level**
- 4. Building a Budget at the Legislature**
- 5. Session Law and Permanent Statute Interplay**

THE NEW MEXICO PUBLIC SCHOOL FUNDING FORMULA AND STATE BUDGET PREPARATION

Public School Funding Formula and the Public School Finance Act

History: The New Mexico public school funding formula is based on a model developed by the National Education Finance Project (NEFP) in the late 1960s and early 1970s. One of the projects of the NEFP was to develop a computer model to simulate the fiscal consequences of alternative decisions in regard to the financing of public elementary and secondary education. As a tool for better decision making, the model had great potential because of the variety of data that could be accommodated and the ease with which new data could be added and new decision options made available. And after adapting the NEFP model to construct a computer model matching conditions in New Mexico, the “tools” were available to begin a detailed study of public school in New Mexico and, subsequently, to develop a proposal for a new school finance plan.

Appointed by the Governor in the summer of 1973, the Advisory Committee on School Finance was composed of a broad cross section of educational interests, including parents, teachers, administrators, and legislators. The committee established the basic philosophy and direction of the project and met monthly to review progress and to give direction for future work.

The committee’s initial task was to define educational need. Committee members discussed many elements, including some already included in statute, such as the additional costs associated with secondary schools, which had been recognized in public school funding in New Mexico since the 1930s; the differential weighting of students by grade level and size of school, which had been recognized since 1960s; and the necessity of supporting adequate staffing patterns.

The committee’s second task was to devise a school finance formula based upon a comprehensive definition of educational need that would equitably fund this need throughout the state. The committee’s guiding philosophy was the equalization of educational opportunity for all children in New Mexico.

Past school funding methods, however, had created a high degree of disequalization among districts because of differences in local wealth. The gap between rich and poor districts was enormous, and the revenue that would be required to reach full equalization with the richest districts was staggering. Thus, while it was unreasonable and impracticable to equalize at the highest level, any lower level would result in certain districts’ losing revenue. The goal of the new formula, therefore, was clear: to equalize educational opportunity at the highest possible revenue level while minimizing the financial loss to the richest districts.

As the result of the committee’s work, the 1974 New Mexico Legislature enacted the Public School Finance Act, which has been 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 non-categorical 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.

In place for three decades, the public school funding formula has been under constant analysis. For the most part, the results of these analyses have supported statutory data-based refinements to the structure of the formula while maintaining the philosophical concept of educational equity for all students.

In recent years, however, some individuals have questioned the credibility of the formula citing as unfair the fact that some districts receive less revenue per pupil compared to others. Some districts have attempted to make arguments for additional factors to meet their particular needs such as increasing revenues for cost-of-living adjustments, at-risk students, or specific types of teacher training. In response to these concerns, the State Board of Education, the Legislature, and the Executive in 1995 made commitments to support an independent, comprehensive study of the funding formula.

Completed in 1996, the principal finding of the study concluded the following: “When evaluated on the basis of generally accepted standards of equity, the New Mexico public school funding formula is a highly equitable formula. . . . [S]pending disparities are less than in other states and statistically insignificant.”

State Equalization Guarantee

Goals: The intent of the 1974 Public School Finance Act [22-8-17 through 25 NMSA 1978] is to equalize financial opportunity at the highest possible revenue level 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. Through the absence of categorical funding and fund “tracking,” the act also seeks to encourage local school district initiatives in seeking more efficient and effective means of achieving desirable educational goals.

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. The program costs are calculated according to the following sections of New Mexico Statute.

Statute:

22-8-12.1. Membership projections and budget requests. (1999)

Statute text

- A. Each local school board shall submit annually, on or before October 15, to the department:
- (1) an estimate for the succeeding fiscal year of:
 - (a) the membership of qualified students to be enrolled in the basic program;

(b) the full-time-equivalent membership of students to be enrolled in approved early childhood education programs; and
(c) the membership of students to be enrolled in approved special education programs;
(2) all other information necessary to calculate program costs; and
(3) any other information related to the financial needs of the school district as may be requested by the department.

B. All information requested pursuant to Subsection A of this section shall be submitted on forms prescribed and furnished by the department and shall comply with the department's rules and procedures.

C. The department shall:

(1) review the financial needs of each school district for the succeeding fiscal year; and
(2) submit annually, on or before November 30, to the secretary of finance and administration the recommendations of the state board for:
(a) amendments to the public school finance formula;
(b) appropriations for the succeeding fiscal year to the public school fund for inclusion in the executive budget document; and
(c) appropriations for the succeeding fiscal year for pupil transportation and instructional materials.

22-8-18. Program cost calculation; local school board responsibility. (2003)

Statute text

A. The total program units for the purpose of computing the program cost shall be calculated by multiplying the sum of the program units itemized as Paragraphs (1) through (5) in this subsection by the instructional staff training and experience index and adding the program units itemized as Paragraphs (6) through (9) in this subsection. The itemized program units are as follows:

(1) early childhood education;
(2) basic education;
(3) special education, adjusted by subtracting the units derived from membership in class D special education programs in private, nonsectarian, nonprofit training centers;
(4) bilingual multicultural education;
(5) fine arts education;
(6) size adjustment;
(7) at-risk program;
(8) enrollment growth or new district adjustment;
(9) special education units derived from membership in class D special education programs in private, nonsectarian, nonprofit training centers; and
(10) national board for professional teaching standards certification.

B. The total program cost calculated as prescribed in Subsection A of this section includes the cost of early childhood, special, bilingual multicultural, fine arts and vocational education and other remedial or enrichment programs. It is the responsibility of the local school board to determine its priorities in terms of the needs of the community served by that board. Funds generated under the Public School Finance Act [Chapter 22, Article 8 NMSA 1978] are discretionary to local school boards, provided that the special program needs as enumerated in this section are met.

22-8-19. Early childhood education program units. (2000)

Statute text

A. The number of early childhood education program units is determined by multiplying the early childhood education MEM by the cost differential factor 1.44. Early childhood education students enrolled in half-day kindergarten programs shall be counted for 0.5 early childhood MEM. Early childhood education students enrolled in full-day kindergarten programs shall be counted for 1.0 early childhood education MEM.

B. For the purpose of calculating early childhood education program units, developmentally disabled three- and four-year-old students shall be counted in early childhood education membership. No developmentally disabled three- or four-year-old student shall be counted for more than 0.5 early childhood education MEM.

22-8-19.1. Preschool programs; selected districts. (1993)

Statute text

A. The children, youth and families department shall fund preschool programs for zero- to five-year-old children in selected school districts. The children, youth and families department, through the office of child development, shall distribute any appropriation for this purpose to local entities upon approval by the children, youth and families department of an application from an individual school district or community-based early childhood education program. The preschool programs shall collaborate, where possible, with existing headstart programs or with other appropriate early childhood education programs in the community, and the preschool programs shall use one of the following three models:

- (1) a community-based early childhood education program;
- (2) a school-based early childhood education program; or
- (3) a home-based early childhood education program.

B. School districts may choose to contract with licensed community-based early childhood education programs already in existence. School-based early childhood education programs may be housed in a school accredited by the department of education. A home-based early childhood education program may include a parents-as-teachers program, which supports parents in meeting the developmental learning and social growth needs of their young children.

C. Each preschool program shall have a strong parental involvement component, a staff development component and a procedural process to enable the office of child development to monitor and evaluate the program. The curriculum for each program shall comprehensively address the total developmental needs of the child, including physical, cognitive, social and emotional needs, and shall include aspects of health care, nutrition, safety, the needs of the family and multicultural sensitivity, in coordination with other resources for families.

22-8-20. Basic program units. (1993)

Statute text

The number of basic program units is determined by multiplying the basic program MEM in each grade by the corresponding cost differential factor as follows:

Grades	Cost Differential Factor
1	1.2
2 and 3	1.18
4 through 6	1.045
7 through 12	1.25.

22-8-21. Special education program units. (1997)

Statute text

A. For the purpose of the Public School Finance Act [Chapter 22, Article 8 NMSA 1978], special education programs for exceptional children are those approved by the department and classified as follows:

- (1) class A programs, in which department certified individuals provide services to children whose individualized education programs require a minimal amount of special education and in which the ratio of students to professionals is regulated by the state board;
- (2) class B programs, in which department certified individuals provide services to children whose individualized education programs require a moderate amount of special education and in which the ratio of students to professionals is regulated by the state board;
- (3) class C programs, in which department certified individuals provide services to children whose individualized education programs require an extensive amount of special education and in which the ratio of students to professionals is regulated by the state board;
- (4) class D programs, in which department certified individuals provide services to children whose individualized education programs require a maximum amount of special education and in which the ratio of students to professionals is regulated by the state board. Students in class D programs may be enrolled in private, nonsectarian, nonprofit educational training centers in accordance with the provisions of Section 22-13-8 NMSA 1978; and
- (5) programs for developmentally disabled three- and four-year-old children meeting standards approved by the state board.

B. All students assigned to the programs for exceptional children classified in Subsection A of this section shall have been so assigned as a result of diagnosis and evaluation performed in accordance with the standards of the department before the students may be counted in the determination of special education program units as provided in Subsection C of this section.

C. The number of special education program units is the sum of the following:

- (1) the MEM in approved class A and B programs as defined in Subsection A of this section multiplied by the cost differential factor .7;
- (2) the MEM in approved class C programs as defined in Subsection A of this section multiplied by the cost differential factor 1.0;
- (3) the MEM in approved class D programs as defined in Subsection A of this section multiplied by the cost differential factor 2.0;
- (4) the MEM for developmentally disabled three- and four-year-old children as defined in Subsection A of this section multiplied by the cost differential factor 2.0; provided that no developmentally disabled three- or four-year-old student shall be counted for additional ancillary service units; and

(5) for related services ancillary to providing special education, the number of full-time-equivalent certified or licensed ancillary service and diagnostic service personnel multiplied by the cost differential factor 25.0.

D. For the purpose of calculating membership in class C and class D programs, students shall be counted in actual grade placement or according to chronological age if not in actual grade placement.

22-8-22. Bilingual multicultural education program units. (1993)

Statute text

The number of bilingual multicultural education program units is determined by multiplying the full-time-equivalent MEM in programs implemented in accordance with the provisions of the Bilingual Multicultural Education Act [22-23-1 to 22-23-6 NMSA 1978] by the cost differential factor 0.35, effective July 1, 1990; 0.4, effective July 1, 1991; .425, effective July 1, 1992; 0.45, effective July 1, 1993; and 0.5, effective July 1, 1994.

22-8-23. Size adjustment program units. (1997)

Statute text

A. An approved public school with a MEM of less than 400, including early childhood education full-time-equivalent MEM but excluding membership in class C and class D programs and excluding full-time-equivalent membership in three- and four-year-old developmentally disabled programs, is eligible for additional program units. Separate schools established to provide special programs, including but not limited to vocational and alternative education, shall not be classified as public schools for purposes of generating size adjustment program units. The number of additional program units to which a school district is entitled under this subsection is the sum of elementary-junior high units and senior high units computed in the following manner:

Elementary-Junior High Units

$$\frac{200 - \text{MEM}}{200} \times 1.0 \times \text{MEM} = \text{Units}$$

where MEM is equal to the membership of an approved elementary or junior high school, including early childhood education full-time-equivalent membership but excluding membership in class C and class D programs and excluding full-time-equivalent membership in three- and four-year-old developmentally disabled programs;

Senior High Units

$$\frac{200 - \text{MEM}}{200} \times 2.0 \times \text{MEM} = \text{Units}$$

or,

Senior High Units

$$\frac{400 - \text{MEM}}{400} \times 1.6 \times \text{MEM} = \text{Units}$$

whichever calculation for senior high units is higher, where MEM is equal to the membership of an approved senior high school excluding membership in class C and class D programs.

B. A school district with total MEM of less than 4,000, including early childhood education full-time-equivalent MEM, is eligible for additional program units. The number of additional program units to which a district is entitled under this subsection is the number of district units computed in the following manner:

District Units

$$\frac{4000 - \text{MEM}}{4000} \times 0.15 \times \text{MEM} = \text{Units}$$

where MEM is equal to the total district membership, including early childhood education full-time-equivalent membership.

C. A school district with over 10,000 MEM with a ratio of MEM to senior high schools less than 4,000:1 is eligible for additional program units based on the number of approved regular senior high schools that are not eligible for senior high units under Subsection A of this section. The number of additional program units to which an eligible school district is entitled under this subsection is the number of units computed in the following manner:

$$\frac{4000 - \text{MEM}}{\text{Senior High Schools}} \times 0.50 = \text{Units}$$

where MEM is equal to the total district membership, including early childhood education full-time-equivalent membership, and where senior high schools are equal to the number of approved regular senior high schools in the district.

22-8-23.1. Enrollment growth program units. (2003)

Statute text

A. A school district with an increase in MEM equal to or greater than one percent, when compared with the immediately preceding year, is eligible for additional program units. The increase in MEM shall be calculated as follows:

$$\frac{(\text{Current Year MEM} - \text{Previous Year MEM})}{\text{Previous Year MEM}} \times 100 = \text{Percent Increase.}$$

The number of additional program units shall be calculated as follows:

$$(\text{Current Year MEM} - \text{Previous Year MEM}) - (\text{Current Year MEM} \times 0.01) \times 1.5 = \text{Units.}$$

B. In addition to the units calculated in Subsection A of this section, a school district with an increase in MEM equal to or greater than one percent, when compared with the immediately preceding year, is eligible for additional program units. The increase in MEM shall be calculated in the following manner:

$$\frac{(\text{Current Year MEM} - \text{Previous Year MEM})}{\text{Previous Year MEM}} \times 100 = \text{Percent Increase.}$$

The number of additional program units to which an eligible school district is entitled under this subsection is the number of units computed in the following manner:

$$(\text{Current Year MEM} - \text{Previous Year MEM}) \times .50 = \text{Units.}$$

C. As used in this section:

- (1) "current year MEM" means MEM on the fortieth day of the current year;
- (2) "MEM" means the total school district membership, including early childhood education full-time equivalent membership and special education membership, but excluding full-day kindergarten membership for the first year that full-day kindergarten is implemented in a school pursuant to Subsection D of Section 22-2-19 NMSA 1978 [recompiled]; and
- (3) "previous year MEM" means MEM on the fortieth day of the previous year.

22-8-23.3. At-risk program units. (2002)

Statute text

A. A school district is eligible for additional program units if it establishes within its state board approved educational plan identified services to assist students to reach their full academic potential. A school district receiving additional at-risk program units shall include a report of specified services in its annual accountability report pursuant to Section 22-1-6 NMSA 1978. The number of additional units to which a school district is entitled under this section is computed in the following manner:

$$\text{At-Risk Index} \times \text{MEM} = \text{Units}$$

where MEM is equal to the total district membership, including early childhood education, full-time-equivalent membership and special education membership and where the at-risk index is calculated in the following manner:

$$\text{Three-Year Average Total Rate} \times 0.0915 = \text{At-Risk Index.}$$

B. To calculate the three-year average total rate, the department shall compute a three-year average of the school district's percentage of membership used to determine its Title I allocation, a three-year average of the percentage of membership classified as English language learners using criteria established by the federal office of civil rights and a three-year average of the percentage of student mobility. The department shall then add the three-year average rates. The number obtained from this calculation is the three-year average total rate.

C. The department shall recalculate the at-risk index for each school district every year. For the 2002-2003, 2003-2004 and 2004-2005 school years, a school district shall not receive less than ninety percent of the at-risk funding generated in fiscal year 2001.

22-8-23.4. National board for professional teaching standards; certified teachers program units. (2003)

Statute text

The number of program units for teachers certified by the national board for professional teaching standards is determined by multiplying by one and one-half the number of teachers certified by the national board for professional teaching standards employed by the school district on or before the fortieth day of the school year and verified by the department. Department approval of these units shall be contingent on verification by the school district that these teachers are receiving a one-time salary differential equal to or greater than the amount generated by the units multiplied by the program unit value during the fiscal year in which the school district will receive these units.

22-8-23.5. Fine arts education program units. (2003)

Statute text

The number of fine arts education program units is determined by multiplying the full-time-equivalent MEM in programs implemented in accordance with the provisions of the Fine Arts Education Act [22-15D-1 to 22-15D-6 NMSA 1978] by the cost differential factor of 0.0166 for fiscal year 2004, 0.0332 for fiscal year 2005 and 0.05 for fiscal year 2006 and succeeding fiscal years.

22-8-24. Instructional staff training and experience index; definitions; factors; calculations. (1993)

Statute text

A. For the purpose of calculating the instructional staff training and experience index, the following definitions and limitations shall apply:

- (1) "instructional staff" means the personnel assigned to the instructional program of the school district, excluding principals, substitute teachers, instructional aides, secretaries and clerks;
- (2) the number of instructional staff to be counted in calculating the instructional staff training and experience index is the actual number of full-time equivalent instructional staff on the October payroll;
- (3) the number of years of experience to be used in calculating the instructional staff training and experience index is that number of years of experience allowed for salary increment purposes on the salary schedule of the school district; and
- (4) the academic degree and additional credit hours to be used in calculating the instructional staff training and experience index is the degree and additional semester credit hours allowed for salary increment purposes on the salary schedule of the school district.

B. The factors for each classification of academic training by years of experience are provided in the following table:

Academic Classification	Years of Experience				
	0 - 2	3 - 5	6 - 8	9 -15	Over 15
Bachelor's degree or less	.75	.90	1.00	1.05	1.05
Bachelor's degree plus 15 credit hours	.80	.95	1.00	1.10	1.15
Master's degree or bachelor's degree plus 45 credit hours	.85	1.00	1.05	1.15	1.20
Master's degree plus 15 credit hours	.90	1.05	1.15	1.30	1.35
Post-master's degree or master's degree plus 45 credit hours	1.00	1.15	1.30	1.40	1.50

C. The instructional staff training and experience index for each school district shall be calculated in accordance with instructions issued by the state superintendent. The following calculations shall be computed:

- (1) multiply the number of full-time equivalent instructional staff in each academic classification by the numerical factor in the appropriate "years of experience" column provided in the table in Subsection B of this section;
- (2) add the products calculated in Paragraph (1) of this subsection; and
- (3) divide the total obtained in Paragraph (2) of this subsection by the total number of full-time equivalent instructional staff.

D. In the event that the result of the calculation of the training and experience index is 1.0 or less, the district's factor shall be no less than 1.0.

D. In the event that a new school district is created, the training and experience index for that district is 1.12.

22-8-25. State equalization guarantee distribution; definitions; determination of amount. (2002)

Statute text

A. The state equalization guarantee distribution is that amount of money distributed to each school district to ensure that the school district's operating revenue, including its local and federal revenues as defined in this section, is at least equal to the school district's program cost.

B. "Local revenue", as used in this section, means seventy-five percent of receipts to the school district derived from that amount produced by a school district property tax applied at the rate of fifty cents (\$.50) to each one thousand dollars (\$1,000) of net taxable value of property allocated to the school district and to the assessed value of products severed and sold in the school district as determined under the Oil and Gas Ad Valorem Production Tax Act [Chapter 7, Article 32 NMSA 1978] and upon the assessed value of equipment in the school district as determined under the Oil and Gas Production Equipment Ad Valorem Tax Act [Chapter 7, Article 34 NMSA 1978]. The school district shall budget and expend twenty percent of the total revenue receipts for capital outlay.

C. "Federal revenue", as used in this section, means receipts to the school district, excluding amounts that, if taken into account in the computation of the state equalization guarantee distribution, result, under federal law or regulations, in a reduction in or elimination of federal school funding otherwise receivable by the school district, derived from the following:

(1) seventy-five percent of the school district's share of forest reserve funds distributed in accordance with Section 22-8-33 NMSA 1978. The school district shall budget and expend twenty percent of the total forest reserve receipts for capital outlay; and

(2) seventy-five percent of grants from the federal government as assistance to those areas affected by federal activity authorized in accordance with Title 20 of the United States Code, commonly known as "PL 874 funds" or "impact aid". The school district shall budget and expend twenty percent of the grant receipts for capital outlay.

D. To determine the amount of the state equalization guarantee distribution, the state superintendent shall:

(1) calculate the number of program units to which each school district is entitled using an average of the MEM on the fortieth, eightieth and one hundred twentieth days of the prior year; or

(2) calculate the number of program units to which a school district operating under an approved year-round school calendar is entitled using an average of the MEM on appropriate dates established by the state board; or

(3) calculate the number of program units to which a school district with a MEM of two hundred or less is entitled by using an average of the MEM on the fortieth, eightieth and one hundred twentieth days of the prior year or the fortieth day of the current year, whichever is greater; and
(4) using the results of the calculations in Paragraph (1), (2) or (3) of this subsection and the instructional staff training and experience index from the October report of the prior school year, establish a total program cost of the school district;
(5) calculate the local and federal revenues as defined in this section;
(6) deduct the sum of the calculations made in Paragraph (5) of this subsection from the program cost established in Paragraph (4) of this subsection; and
(7) deduct the total amount of guaranteed energy savings contract payments that the state superintendent determines will be made to the school district from the public school utility conservation fund during the fiscal year for which the state equalization guarantee distribution is being computed.

E. The amount of the state equalization guarantee distribution to which a school district is entitled is the balance remaining after the deductions made in Paragraphs (6) and (7) of Subsection D of this section.

F. The state equalization guarantee distribution shall be distributed prior to June 30 of each fiscal year. The calculation shall be based on the local and federal revenues specified in this section received from June 1 of the previous fiscal year through May 31 of the fiscal year for which the state equalization guarantee distribution is being computed. In the event that a school district has received more state equalization guarantee funds than its entitlement, a refund shall be made by the school district to the state general fund.

State Budget Preparation

Legislative Process: When the process that leads to a new budget amount for state spending on public schools begins, the total costs from the previous budget year are used as the base for budget preparation. Contemplated increases in spending are then added to this total as if New Mexico was one large school district. Even those the units generated in the discussion above determine how the money is distributed to public schools, they are only tangentially relevant to the actual creation of a state public education budget amount. If new units are contemplated, they are theoretically included in estimates of increased spending added to the old base. The table below shows this process for the current year. The base brought forward from last year contains all the new spending added in the 2003-2004 school year for a base amount of \$1,802,906,600. However, this is not the base actually applied to this year's budget. Some \$11,600,000 were subtracted from the base to continue the practice of forcing school districts to spend cash balances. So state budget building for the 2004-2005 budget year actually began with \$1,791,306,600 (line 4 in table 1).

Lines 5 through 22 show funds added to that base to produce the total 2004-2005 program costs for school districts. The asterisks on line indicate that the legislature considers these items to be reform costs that can be paid for with funds from constitutional amendment two, passed last September. Credits of \$61,000,000 for local revenues including federal impact aid funds and \$1,700,000 for driver license funds given to public schools are subtracted from the total for a total school equalization guarantee of \$1,840,374,600, distributed to schools according to the formula created by statute, discussed in the Funding Formula section above. As you can see, the units created in the funding formula only serve to distribute the funds budgeted and do not in and of themselves actually determine how money is appropriated by the legislature.

TABLE 1
PUBLIC SCHOOL SUPPORT AND RELATED APPROPRIATIONS FOR FY 05
GENERAL APPROPRIATION ACT OF 2004

(Dollars in Thousands)

	FY 04 APPROPRIATION	CS/HB 2 et al. (before Executive Action)
1 PROGRAM COST	\$1,714,906.2	\$1,802,906.6
2 Resource Reallocation: 1.0 percent of FY 03 program cost	(\$18,000.0)	
3 Adjustment for Overprojection of FY 04 Cash Balance Credit		(\$11,600.0)
4 Adjusted Program Cost	\$1,696,906.2	\$1,791,306.6
5 ENROLLMENT GROWTH	\$4,473.1	\$5,200.0
6 FIXED COSTS	\$3,325.5	\$1,900.0
7 INSURANCE COSTS	\$25,000.0	\$19,000.0
8 COMPENSATION for Public School Employees (2.0 percent in FY 05):		
9 Teachers	\$32,098.3	\$19,276.0
10 Instructional Staff	\$5,879.0	\$3,531.1
11 Other Certified and Non-certified	\$11,554.5	\$7,991.7
12 Annualize FY 04		
13 Teachers (6.0 percent base in FY 05/Annualize FY 04)		\$21,831.8
14 Instructional Staff (6.0 percent base in FY 05/Annualize FY 04)		\$3,998.7
15 Three-tiered Licensure Structure (1st yr. to \$30,000 in FY 04)	\$5,700.0 *	
16 Three-tiered Licensure Structure (Levels 2 & 3 to \$35,000 in FY 05) ¹		\$8,638.7 *
17 Full-day Kindergarten Phase V ²	\$7,000.0 *	\$9,600.0 *
18 Student Assessment CRTs/School District Costs	\$2,000.0 *	\$1,800.0 *
19 National Board Certification (formula change)	\$470.0	
20 Enrollment Growth (formula change)	\$4,500.0	
21 Elementary Fine Arts (year 2 of phase-in)	\$4,000.0	\$4,000.0 *
22 Career Ladder for Educational Assistants		\$5,000.0 *
23 PROGRAM COST	\$1,802,906.6	\$1,903,074.6
24 Dollar Increase over FY 04 Appropriation		\$100,168.0
25 Percentage Increase		5.6%
26 LESS PROJECTED CREDITS (from school district cash balances)	(\$16,400.0)	
27 LESS PROJECTED CREDITS	(\$58,600.0)	(\$61,000.0)
28 LESS OTHER STATE FUNDS (from driver's license fees)	(\$3,000.0)	(\$1,700.0)
29 STATE EQUALIZATION GUARANTEE	\$1,724,906.6	\$1,840,374.6
30 Dollar Increase over FY 04 Appropriation		\$115,468.0
31 Percentage Increase		6.7%
32 CATEGORICAL PUBLIC SCHOOL SUPPORT		
33 TRANSPORTATION	\$94,500.0	
34 Operational		\$84,717.8
35 School-owned Bus Replacements		\$342.6
36 Rental Fees (Contractor-owned Buses)		\$12,336.0
37 Compensation (2.0 percent in FY 05)	\$1,222.2	\$840.4
38 TOTAL TRANSPORTATION	\$95,722.2	\$98,236.8
39 SUPPLEMENTAL DISTRIBUTIONS		
40 Out-of-state Tuition	\$495.0	\$495.0
41 Emergency Supplemental	\$2,600.0	\$2,600.0
42 INSTRUCTIONAL MATERIAL FUND ³	\$32,700.0	\$26,600.0
43 EDUCATIONAL TECHNOLOGY FUND	\$5,000.0	\$5,000.0
44 INCENTIVES FOR SCHOOL IMPROVEMENT FUND	\$1,600.0 *	
45 Adequate Yearly Progress Program (at least 60 percent)		\$960.0 *
46 State Improving School Program (up to 40 percent)		\$640.0 *
47 Three-tiered Licensure Evaluation System Implementation	\$250.0	
48 TOTAL CATEGORICAL	\$138,367.2	\$134,531.8
49 TOTAL PUBLIC SCHOOL SUPPORT	\$1,863,273.8	\$1,974,906.4
50 Dollar Increase over FY 04 Appropriation		\$111,632.6
51 Percentage Increase		6.0%
52 RELATED APPROPRIATIONS: RECURRING		
53 Public Education Department	\$9,463.2	\$10,351.2
54 Advanced Placement Framework	\$381.6	\$381.6
55 Apprenticeship Assistance	\$650.0	\$650.0
56 Beginning Teacher Induction/Mentorship	\$900.0 *	\$900.0 *
57 CHARTER SCHOOLS STIMULUS FUND	\$200.0	\$200.0
58 Family and Youth Resource Act/Family and Youth Services		\$1,800.0 *
59 Indian Education Act of 2003		
60 Teacher & Princ. Quality, Exemp. Progs., Curric. Dev. & Monitoring/Expanded Services	\$2,000.0	\$2,500.0 *
61 Kindergarten Plus (Extended Kindergarten for High-poverty Areas)	\$100.0 *	\$100.0 *
62 Re:Learning	\$900.0	
63 Regional Education Technology Assistance (RETA)	\$500.0	
64 Service Learning	\$100.0	
65 Strengthening Quality in Schools (SQS)	\$500.0	
66 To CHE: Teacher Loan for Service	\$386.5 *	\$386.5 *
67 TOTAL RELATED APPROPRIATIONS: RECURRING	\$16,081.3	\$17,269.3
68 TOTAL RECURRING GENERAL FUND	\$1,879,355.1	\$1,992,175.7
69 Dollar Increase over FY 04 Appropriation		\$112,820.6
70 Percentage Increase		6.0%

¹ Original estimate of \$11.4 million adjusted to \$8.6 million to reflect 2.0 percent salary increase for FY 05.

² For FY 05, the Legislature appropriated an additional \$4.0 million in TANF funds for implementation of full-day kindergarten programs.

³ Language in the General Appropriation Act of 2004 requires the Secretary of Public Education to certify that the allocation to each entity reflects the deduction of an amount equal to its prorated share of \$6.1 million attributed to instructional materials cash balances.

TABLE 1

PUBLIC SCHOOL SUPPORT AND RELATED APPROPRIATIONS FOR FY 05
GENERAL APPROPRIATION ACT OF 2004

(Dollars in Thousands)

	FY 04 APPROPRIATION	CS/HB 2 et al. (before Executive Action)	
71	Section 5: Special Non-recurring Appropriations to PED (for expenditure in FY 04 and FY 05)		71
72		\$500.0 *	72
73		\$200.0 *	73
74		\$350.0 *	74
75		\$475.0 *	75
76		\$100.0 *	76
77		\$200.0 *	77
78		\$113.6 *	78
79		\$47.6 *	79
80		\$200.0 *	80
81		\$50.0 *	81
82		\$113.6 *	82
83		\$113.6 *	83
84		\$200.0 *	84
85		\$1,500.0	85
86		\$200.0 *	86
87		\$200.0 *	87
88		\$100.0 *	88
89		\$150.0 *	89
90		\$200.0 *	90
91	\$1,000.0	\$1,800.0 *	91
92		\$2,400.0 *	92
93		\$300.0 *	93
94		\$113.6 *	94
95		\$100.0 *	95
96		\$113.6 *	96
97		\$1,000.0	97
98	\$300.0	\$93.0 *	98
99		\$385.5 *	99
100		\$350.0 *	100
101		\$140.0 *	101
102		\$1,000.0 *	102
103		\$500.0 *	103
104		\$225.0 *	104
105		\$75.0 *	105
106	TOTAL SPECIAL APPROPRIATIONS	\$1,300.0	\$13,609.1

REFORM FOR FY 05⁵	
Public School Reform Initiatives (recurring)	\$36,325.2
FY 04 program cost dollars to be "booked" to reform in FY 05 ⁶	\$8,170.0
2.0 percent salary increase adjustment (three-tiered minimum salaries for teachers and educational assistants)	\$2,500.0
Total Public School Reform Initiatives (recurring)	\$46,995.2
Public School Reform Initiatives (non-recurring)	\$11,109.1
TOTAL REFORM	\$58,104.3

NOTE: Amounts that are marked with an asterisk are reform initiatives.

⁴ "The general fund appropriation includes nine hundred thousand dollars (\$900,000) for re:learning, five hundred thousand dollars (\$500,000) for strengthening quality in schools and the balance for other professional development programs. In fiscal year 2005, the public education department shall evaluate programs funded through the professional development fund including re:learning, regional education technology assistance, strengthening quality in schools, service learning, and golden apple; train staff in probationary schools in cultural competencies on reducing the current achievement gap among New Mexico students; and provide a report to the legislative education study committee by November 2004."

⁵ Section 12 of the General Appropriation Act of 2004 transfers \$120.0 million from the General Fund to the Appropriation Contingency Fund during FY 05 to be "expended only upon appropriation by the legislature and only for the purpose of implementing and maintaining educational reforms."

⁶ The \$8,170.0 includes \$5.2 million for Three-tiered Licensure Structure (1st yr. to \$30,000), \$2.0 million for Student Assessment CRTs/School District Costs, and \$470,000 for National Board Certification (formula change).

TABLE 2

PUBLIC SCHOOL RELATED APPROPRIATIONS

GENERAL APPROPRIATION ACT OF 2004

(Dollars in Thousands)

SECTION 4F

Human Services Department	
TANF funds to PED for Teen Pregnancy Education and Prevention (GRADS program)	\$1,300.0
TANF funds to PED for Early Childhood Development (before- and after-school programs)	\$2,982.5
TANF funds to PED for Full-day Kindergarten	\$4,000.0
TOTAL (before Executive action)	\$8,282.5

SECTION 5

Special Appropriation to the Energy, Minerals and Natural Resources Department for expenditure in FY 04 and FY 05	
Competitive grant program for energy efficiency and renewable energy projects (public schools are eligible to apply)	\$500.0
TOTAL (before Executive action)	\$500.0

SECTION 6

Supplemental and Deficiency Appropriations to the Public Education Department for expenditure in FY 04 and FY 05	
Personal services, employee benefits, operating expenses and contractual services	\$730.0
Testing contracts	\$810.0
TOTAL (before Executive action)	\$1,540.0

SECTION 7

Additional Appropriations to the Public Education Department for expenditures in FY 05	
Alamogordo headstart teacher training	\$25.0
Capital projects at West Mesa High School in Bernalillo County	\$25.0
Character building program for underprivileged and Native American youth in San Juan County	\$80.0
Character Counts in Roswell	\$25.0
Character Counts program services in Chaves County	\$35.0
Dropout prevention, leadership development and family education programs	\$200.0
Drug demand reduction program through the civil air patrol cadet program for at-risk middle and high school students	\$30.0
Magnet career high school in the Gadsden Independent School District	\$10.0
New Mexico foundation costs for human rights workshops	\$35.0
New Mexico government education fund contingent upon enactment of House Bill 18, as amended, or similar legislation	\$75.0
Prof. development activities for all staff and for extracurricular activities for students in the Quemado Independent School District	\$37.5
Prof. development activities for all staff and for extracurricular activities for students in the Reserve Independent School District	\$37.5
Smaller learning communities pilot project at Santa Fe and Capital high schools in Santa Fe	\$75.0
Southeastern educational resource center to support middle schools that implement career technical education programs	\$100.0
TOTAL (before Executive action)	\$790.0

***CS/HB 293, as amended**

(Dollars in Thousands)

Appropriation to the Public Education Department for expenditure in FY 04 and FY 05	
Statewide dropout prevention, leadership development and family education program plan for at-risk Hispanic teenagers	\$500.0
TOTAL (before Executive action)	\$500.0

SELECTED PUBLIC SCHOOL-RELATED LANGUAGE

GENERAL APPROPRIATION ACT OF 2004 (prior to executive action)

OTHER EDUCATION (Section 4, I)

The public education department shall submit a quarterly program evaluation to the legislative finance committee detailing the benefits to the state of New Mexico and public school districts from having implemented reform programs.

The appropriation for family and youth services shall be to fund programs pursuant to the Family and Youth Resource Act. The appropriation for teacher loan for service shall be transferred to the commission on higher education.

PUBLIC SCHOOL SUPPORT (Section 4, K)

The rate of distribution of the state equalization guarantee distribution shall be based on a program unit value determined by the secretary of public education. The secretary of public education shall establish a preliminary unit value to establish budgets for the 2004-2005 school year and then, upon verification of the number of units statewide for fiscal year 2005 but no later than January 31, 2005, the secretary of public education may adjust the program unit value.

For the 2004-2005 school year, the state equalization guarantee distribution contains sufficient funding for school districts implementing a formula-based program for the first time. Those districts shall use current year membership in the calculation of program units for the new formula-based program.

The general fund appropriation for the state equalization guarantee distribution contains sufficient funds to provide a two percent salary increase for teacher[s,] other instructional staff and other certified staff and noncertified staff, effective July 1, 2004.

The general fund appropriation to the state equalization guarantee distribution reflects the deduction of federal revenues pursuant to Paragraph (2) of Subsection C of Section 22-8-25 NMSA 1978 that includes payments commonly known as "impact aid funds" pursuant to 20 USCA 7701 et seq., formerly known as "PL 874 funds".

The general fund appropriation to the public school fund shall be reduced by the amounts transferred to the public school fund from the current school fund and from the federal Mineral Lands Leasing Act receipts otherwise unappropriated.

Each school district shall demonstrate support for career technical education offerings before approval and certification of its fiscal year 2005 operating budget by the public education department.

The general fund appropriation for the state equalization guarantee contains sufficient funds to initiate the implementation of a three-tier career licensing framework for educational assistants in fiscal year 2005 contingent upon the enactment into law of House Bill 304 or similar legislation of the second session of the forty-sixth legislature.

For those school districts with MEM greater than ten thousand, the secretary of public education, prior to the approval of school district and charter school budgets for fiscal year 2005, shall verify that the school board is providing a two percent salary increase for teachers and staff.

The expenditure of school funds for Gallup McKinley school district is contingent on Smith Lake elementary school remaining open for school year 2005.

The general fund appropriation for the state equalization guarantee distribution includes funding for bilingual multicultural educational programs. The public education department shall evaluate the program effectiveness and use of bilingual multicultural education program funds to ensure that program needs are met. The public education department shall compile and report the progress made toward achieving program goals to the legislative education study committee and legislative finance committee, including a status report by July 2004 and a final report by December 1, 2004.

Prior to the approval of a school district, state institution, private school or adult basic education center instructional material allocation for fiscal year 2005, the secretary of public education shall certify to the secretary of finance and administration that the allocation reflects the deduction of an amount equal to its prorated share of six million one hundred thousand dollars (\$6,100,000) attributed to instructional materials cash balances for that school district, state institution, private school or adult basic education center.

The following language applies to both the State Equalization Guarantee distribution and the supplemental distribution: Any unexpended or unencumbered balance in the distributions authorized remaining at the end of fiscal year 2005 from appropriations made from the general fund shall revert to the general fund.

The general fund appropriation to the transportation distribution includes sufficient funds for a two percent salary increase for transportation employees effective July 1, 2004.

The purpose of public school support is to carry out the mandate to establish and maintain a uniform system of free public schools sufficient for the education of and open to all children of school age in the state.

COMPENSATION APPROPRIATIONS (Section 9, A)

(7) one hundred seventy-nine thousand six hundred dollars (\$179,600) to provide teachers in the department of health, corrections department, children, youth and families department and commission for the blind with a two percent salary increase;

FUND TRANSFER (Section 12)

One hundred twenty million dollars (\$120,000,000) is transferred from the general fund to the appropriation contingency fund during fiscal year 2005. A portion of the amount transferred represents a distribution from the permanent fund pursuant to Paragraph (1) of Subsection G of Section 7 of Article 12 of the constitution of New Mexico. The transferred amount shall be held in a separate account of the appropriation contingency fund and expended only upon appropriation by the legislature and only for the purpose of implementing and maintaining educational reforms.