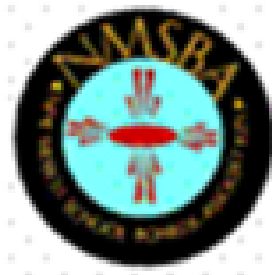




New Mexico Public Schools: Budget & Finance



June 4, 2020

Dr. Gloria Rendon
David Craig, PED
Dr. Hugh Prather

Panel of Experts:
Terry Dean, NMASBO
TJ Parks, Superintendent, Hobbs
David Craig, PED

Fiduciary Responsibility-what does that mean?

- Fiduciary responsibility: The School Board's single most important role
- Fiduciary Responsibility: A **fiduciary duty** is an **obligation** to act in the best interest of another party. ... A person acting in a **fiduciary** capacity is held to a high standard of honesty and full disclosure in regard to the client and must not obtain a personal benefit at the expense of the client
- The School Board along with the Superintendent has oversight responsibility for all funding that comes to the district and assures that funding is used for the purpose intended
- Transparency in all budget and finance issues is essential
- Trust between the Board and the Superintendent is of paramount importance.

Board Role & Responsibility

- **Statutory:** (NMSA 1978, Section 22-5-4)
 - Review & Approve the district budget
 - Issue General Obligation Bonds (GO Bonds)
- **Regulatory** (NMAC 6.29.1.9 (A) Powers of the Board)
 - Except for salaries, contract for expenditures via procurement code
 - Ensure district funds are managed and disbursed appropriately
 - Be responsible for oversight of revenue and expenditures within the district

Superintendent's Role & Responsibility

- Statutory (Section 22-5-14 NMSA 1978:)
 - Prepare the school district budget based on public schools' recommendations for review and approval by the local Board and the PED
 - Tell each principal the amount of money that may be available for his/her school and provide a school budget template to use in making school budget recommendations
 - Employ, fix the salaries of, assign, terminate or discharge all employees of the district
- Regulatory (NMAC 6.29.1.9 (C) Duties & Powers of the Superintendent)
 - Be accountable for student achievement; budget management; expenditure of funds' dissemination of information' district or charter school communications..... Etc.



Strategic plan is the first step in the budgeting process; Important information to consider

- What are the district's priorities?
- What is the district's enrollment?
 - What are the demographics of the district?
- Are enrollment changes anticipated in 5 years, ten years?
- Information about staff-years of service, area of specialization, administrative and supervisory staff
- Student-teacher ratios
- Number and condition of buildings
- Sources of revenue
- Internal controls
- Emergency funds

Budget process: who does what and when?

- Budget advisory committee membership
- Process for setting priorities
- Process for gathering community input
- Schedule of meetings to discuss the budget
- How/when will final budget be approved?
- How is the union involved?
- How/when will reports be provided to the Board?

Where does the money come from?

NM School Finance: The Legislature determines the amount of money allocated to education

- Money above the line is the State Equalization Guarantee: non-categorical funds that come directly to the district for the purpose of educating every child
- Money below the line are funds under the purview of the PED; funds may come to the district via an application process
- State Equalization Guarantee (SEG) funds come to districts through the NM Funding formula
 - The funding formula is a funding allocator, not a funding generator
 - Funding is based on prior year numbers: average of attendance on 40th, 80th and 120th day
 - The formula is used to determine how much money is allocated to each district.
 - Each student generates a certain number of units based on the level of service required to educate the child.

The NM Funding Formula

- SEG funds come to districts through the NM Funding formula
 - The formula is used to determine how much money is allocated to each district.
 - Each student generates a certain number of units based on the level of service required to educate the child.
 - Depending on the grade level, every child generates units as a general education student first
 - Students who require special ed services, bilingual services and are at-risk generate additional units
 - Teachers generate an increase to the unit value based on years of experience and level of licensure (Teacher Cost Index (TCI))
 - The total SEG is divided by the sum of total units in the state. This equals the unit value
 - Districts multiply their number of units by the unit value and that determines their SEG funding for the year

BUDGET SEASON/CALENDAR

PED website—How to find your district's budget analyst

<https://webnew.ped.state.nm.us/bureaus/school-budget-finance-analysis/staff/>

- Sample Calendar

- November-January: District budget advisory committee meets, determines/considers district priorities, Board sets Legislative priority
- Legislative Session (Jan.-Feb/March): Board and Superintendent advocate for needs; legislature determines funding amount for education
- Spring Budget Conference: PED announces new unit value
- March-May: District uses new unit value to finalize the budget
- May/June: District presents budget to the school community; board approves the budget
- Before June 30th: Budget is presented to PED for approval
- July 1: Approved budget is in effect for the next year.



Community Involvement: Sub Committees

Finance Sub-committee

- The Board appoints members from the community, staff and the board to serve
 - The Sub committee assists in developing the budget
 - Can be an excellent advocate
 - Can assist the Board in justifying budget decisions
- Audit Committee
 - Two board members serve with finance staff
 - Attend entrance and exit meetings
 - Meet monthly with the auditors
 - Provide audit status reports to the Board
 - Track audit recommendations & make policy changes when needed

Reports & monitoring

- Type of reporting
 - Initial budget
 - Financial reports
 - BARS-Budget adjustment reports
 - Any transfers of funds-whether it's to add funds (grants, etc.) or to move funds from one function to another requires a BAR
 - All BARS except transfers within functions must be approved by the Board
- Schedule of reports
 - Initial budget-The board approves the final budget for the new year
 - Monthly –Board reviews financial reports; fund transfers require board approval
 - Assures the Board understands the district's ongoing financial status
- Work sessions-To make decisions about the upcoming year's budget, when making cuts to the budget,

A vertical decorative bar on the left side of the slide, featuring a golden-yellow background with various 3D-rendered financial symbols such as the dollar sign (\$), the pound sign (£), the yen sign (¥), and the euro sign (€).

Other sources of funding: Requirements & Purpose

- Federal funds: Title funds, IDEA, Carl Perkins,
- Grants
- Capital funds: Bond, Mill levy funds, tech funds
- Foundation funds
- Rents & Leases



Expenditures

- CFO and Superintendent are critical in helping board members understand
 - The districts expenses: where does the money go?
 - 82%-90% are allocated to salaries and benefits
 - How much is associated with each employee group
 - Supplies & materials
 - Maintenance
 - Utilities
 - General percentages –how much in each area?

Budget Status

- *What is it?*
- Point in time (monthly) report to show you how school district (actual) spending matches planned (budgeted) spending.
- *What is it telling me?*
- Generally, burn rates on your resources; how fast you are going through your funds.
- *Why do I care?*
- No dinero es no bueno. If you are burning through your funds set aside for specific line items you are going to have to move some money around (via a BAR).

Budget Status

- *Why do I care (continued)?*
- Also, because I/we/PED care.
- State law requires you to have budget authority before spending (i.e. authorizing, or creating a commitment for, an expenditure item) (6.20.2.10 NMAC 1978).
- If you all have spent more than your budget authority you have violated the law.
- Ultimately, designed to prevent you all from going into the red in any given year.
- Going into the red is also prevented by the state Constitution (Article IX, Section 11). Amounts by which a school district can issue debt in New Mexico are governed by this section and the use of borrowing money for current operations is prohibited (which is what you have done if you have spent money you don't have).

Budget Status Report

- *Overview*
- Most if not all Budget Status Reports will tell you at least a couple things:
 - 1.) Adopted/Approved/Adjusted budget
 - 2.) year-to-date (YTD) Expenditure or revenue
 - 3.) Encumbrance (promises or commitments to pay that haven't hit the books)
 - 4.) Balance/Budget Balance/Percent Remaining
- *What Do I Need to be Reviewing?*
- Recommended to focus on over-encumbrances and Budget Balances.

Budget Status Report Examples

- What can we tell from this Budget Status report for this fund?
- 1.) We can see that we expected to spend \$34,000 and have spend \$44,612.28 to date
- 2.) We can see we are \$12,273.22 over budget (or 36.10%)
- 3.) We can tell this is a direct federal grant from the Fund series 25xxx

Expenditure Budget Balance Report

Summary Only

From Date: 7/1/2018

To Date: 12/31/2018

Fiscal Year: 2018-2019

Budget Balance

Account Number / Description

Budget

Range To Date

YTD

Balance

Encumbrance

% Remaining Bud

Fund: 25184 Indian Education (Title VII) EASIE Grant

31.92%

Fund 25184 Total:

\$34,000.00

\$44,612.28

\$44,612.28

(\$10,612.28)

\$1,660.94

(\$12,273.22)

-36.10%



Budget Status Report Examples

- What might some good follow-up questions be (here's what I came up with for possible answers too)?
- Why are we spending more than we budgeted?
 - We got an increase in our award and it hasn't been reflected in the system.
 - We have a federal grant requirement to spend more than we received.
 - We have a pending BAR that hasn't hit the system yet because that darn PED won't get in there and approve it because they're out training School Board members or something.
- Can we expect to see a BAR?
- Is this balance from the current year?
- How is this impacting the Operational fund if it is covering this amount?

BAR Report

- *What is it?*
- A summary of where your entity has moved money around (and where it is proposing to move money around) in your spending plan.
- *What is it telling me?*
- What items had excess money to take from and where your entity put it for unanticipated new monies coming in or expenditures.
- *Why do I care?*
- Maybe you agree the line we took from had an excess and maybe you don't.
- If you have money being moved to cover expenses in one area then you don't have money for other expenses.
- If you have unplanned revenues you may want determine if they are one-time or if you need to plan for them next year.
- Necessary to maintain budgetary control (not spend more than you have).

BAR Report

- *Overview*
- Everyone has BAR's – because you need a BAR does not mean you did something wrong in developing your Operating Budget.
- At Operating Budget development, we do not have perfect information on what revenues are going to come in at any level.
- At most we have estimates – best guesses.
- When amounts come in lower or higher, folks have to accordingly adjust their spending plan, and therefore ability to spend.

BAR Report

- *What Do I Need to be Reviewing?*
- Does where you are moving the money to and from make sense?
Examples:
 - If you are moving it from a position you couldn't get hired that may make some sense.
 - If you are moving it from Board travel and training – then you all may have some questions.
- Are we maintaining budgetary control and ensuring we have budget before we commit to spend monies?
- Look at the funds that need adjustments. Is it the same fund every time? If so, what can we do better to predict revenues/expenditures?

BAR Report

- Overview of the **Five Types of BARS**
 - **Increase BAR** - Increases budget authority upon receipt of revenue related to an appropriation, special project or program [REQUIRES BOARD/PED APPROVAL].
 - **Initial BAR** – A type of Increase BAR that establishes budget authority for a fund for which prior budget authority does not exist [REQUIRES BOARD/PED APPROVAL]
 - **Decrease BAR** – Decreases budget authority if anticipated revenue is not recognized [REQUIRES BOARD/PED APPROVAL].
 - **Intra-Budget (“Maintenance”) Transfer BAR** – Transfers budget authority between object codes within a function [REQUIRES ONLY BOARD APPROVAL].
 - **Inter-Budget (Functional) Transfer BAR** – Transfers authority across function codes [REQUIRES BOARD/PED APPROVAL].
- Some administrations will just provide the actual BAR reports. This is fine. As long as it shows what type of BAR, where the money is being moved from and to, what is being requested and the status it is acceptable. And these forms do so. We will look at them in a bit.

BAR Report Examples (Initial)

Must submit backup for all BARs, except transfers of funds for SEG or direct grants

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
 300 Don Gaspar Santa Fe, NM 87501-2786
Budget Adjustment Request

Doc. ID: 00000000000000000000
 Fund Type: Flowthrough

Adjustment Type: Initial Budget

Fiscal Year: 2018-2019

Adjustment Changes Intent/Scope of Program Yes or No?: No

Total Approved Budget (Flowthrough):

Entity Name: [Redacted]
 Contact: [Redacted] Manager
 Phone: [Redacted]
 Email: [Redacted]

FLOWTHROUGH ONLY

Budget Period: 07/01/2018 To: 06/30/2019

A. Approved Carryover:

B. Total Current Year Allocation: 18,032

D. Total Funding Available: 18,032

Revenue 24115.0000.44500 \$18,032

Fund	Function	Object	Program	Job Class	Present Budget	Adj Amt Exp	Adj Budget	ADD'L FTE
24115 IDEA – Private Schools Share	1000 Instruction	56118 General Supplies and Materials	2000 Special Programs	0000 No Job Class		\$10,000	\$10,000	
24115 IDEA – Private Schools Share	2100 Support Services-Students	53212 Speech Therapists - Contracted	2000 Special Programs	0000 No Job Class		\$8,032	\$8,032	
Sub Total						\$18,032		

BAR Example (Transfer/Maintenance)

Must submit backup for all BARs, except transfers of funds for SEG or direct grants

STATE OF NEW MEXICO
 PUBLIC EDUCATION DEPARTMENT
 300 Don Gaspar Santa Fe, NM 87501-2786
Budget Adjustment Request

Doc. ID: [REDACTED]

Fund Type: Flowthrough

Adjustment Type: Maintenance

Fiscal Year: 2018-2019

Entity Name: [REDACTED]

Adjustment Changes Intent/Scope of Program Yes or No?: No

Contact: [REDACTED]

Total Approved Budget (Flowthrough):

Phone: [REDACTED]

Email: [REDACTED]

FLOWTHROUGH ONLY

Budget Period: 07/01/2018 To: 06/30/2019

A. Approved Carryover:

B. Total Current Year Allocation:

D. Total Funding Available:

Fund	Function	Object	Program	Job Class	Present Budget	Adj Amt Exp	Adj Budget	ADD'L FTE
24101 Title I - ESEA	2100 Support Services-Students	55818 Other Travel - Non-Employees	0000 No Program	0000 No Job Class	\$20,645	(\$13,000)	\$7,645	
24101 Title I - ESEA	2100 Support Services-Students	51300 Additional Compensation	0000 No Program	1211 Coordinator/Su bject Matter Specialist		\$13,000	\$13,000	
Sub Total						\$0		
Indirect Cost								
DOC. TOTAL						\$0		

Justification:

Maintenance BAR to allocate more funds for Additional Comp from Parent Travel in Function 2100. [REDACTED]

Cash Report

- *What is it?*
- Tells you your cash position by fund after all of the revenue and expenses are taken into account.
- *Why do I care?*
- Monitoring your cash position is important because you can have budget and planned revenues and expenses that don't come in and cause cash flows issues (things get tight).
- Lack of monitoring of cash reports is a big part of why school districts and charter schools get in trouble.
- *What is it telling me?*
- Where you may have cash flows issues (be tight on cash).
- You can quickly look at a cash report and see where the Operational fund is loaning out funds and where RfR's still need to be filed.
- Together with the budget report you can also determine what revenues and major expenses still need to hit fund balance.

Cash Report

- Overview
 - Get the PED submitted **cash report quarterly** (or monthly by reporting status).
 - Need to see **cash reconciliation** piece **monthly**
- *What Do I Need to be Reviewing?*
- Cash reconciliation ties money in the bank (in hand) to money in the General Ledger (on the books).
- This report shows that you don't have a variance between money in the bank and what is on your books.
- The cash report shows you where there is interfund activity in outstanding loans.
- This is where your cash is tied up waiting on RfR's.

Voucher Report

- *What is it?*
- A list of all payroll expenditures and payables made during the period presented.
- *Why do I care?*
- Tells you the nature of spending habits of the entity in more detail.
- *What is it telling me?*
- Who got paid what and when.
- For example, if a constituent is calling you telling you they didn't get paid or a contractor is complaining about timely payment, this will help you answer those types of questions.

Voucher Report

- *Overview*
- Probably the piece that folks spend the most time on.
- This is a list of everything getting paid.
- There are probably 180 plus ways this is presented.
- Most folks are giving the school boards a payroll report and an Accounts Payable (A/P) Report.
- *What Do I Need to be Reviewing?*
- Review vendors names and ensure they reflect
- Perhaps you have views on local versus outside vendor spending
- Look for trends – are we always having to contract out for ancillary? Why is that approach better or worse than hiring a special education teacher long term that can provide those services? Can you even find a special education teacher that can provide those services?
- Look for possibilities to discuss cost savings versus quality of service.

Summary

- Contracts and Payables are Important – But so is Budget!
 - Many school board members are concerned over spending patterns at the school district (who got what).
 - Paying your bills on time is important – I won't deny that.
 - But so is ensuring that you are working within your Board approved spending plan by taking a closer look at the Budget status, BAR and cash reports.
 - We need to be ensuring that our school district is within the law and isn't running into cash flows problems later on.
 - You can ensure that everyone in the world is getting paid and the contracts are all on the up and up and still spend way too much money, blow budget, end up in the red and without money or spending money that was set aside for other things.

Summary

- **THERE IS NO MONEY FAERIE!**
 - School boards and school district administrations have to have tough conversations about expenditures if revenues don't materialize.
 - School districts and charter schools cannot simply spend into the red to avoid tough conversations regarding reductions in force, school closures or program realignment in any given fiscal year.
 - PED may be doing due process (including launching investigations into school district and charter school Superintendents/Head Administrators or licensed school business officials) of school districts that close in the red in the Operational fund of any given year.
 - If you think this is a problem for you – you need to reach out and start working to correct it.
 - Problems in one year will never disappear the next, no matter how much additional money comes in the door, as most of that money has strings attached to it too.

Summary

- Remember the Duties and Obligations of the School Board (HB 212)
 - The purpose of financial oversight is to hold the administration (Superintendent) accountable for the affairs of the school district.
 - It is not designed to direct personnel decisions or steer contracts.
 - It **IS** designed to ensure that the school district personnel are overseeing finances of the school district in a prudent and sound manner.
- Remember you may be Liable for Financial Mismanagement
 - If the IRS comes knocking for failure to pay withholding they can come knock on your door at home.
 - What can you do about that?
 - Well there are always insurance products like O&E or Directors and Officers – but probably the best safeguard is to not be afraid to ask questions about the financial packet of information and dig into it.



Cost cutting Ideas

- Eliminate any waste
- Establish and nurture the principle of sharing
- Conduct a thorough review of all programs
 - Is there anything that can be cut for this year
 - Do you have any leeway in staff allocations
 - How much funding do you have in reserve
 - “Dimes become dollars and dollars become teachers” (Terry Dean, former CFO)



Challenges for the 20-21 School year

- Less state revenue means less funding for schools!
- Yazzie Martinez lawsuit requirements are still in effect
- Budget may need to be rebuilt after Legislative special session
- Cuts may need to be made mid-year
- Unions will need to be included and involved in recommendations



Questions? The Experts Can Help!

- David Craig, PED
- TJ Parks, Superintendent-Hobbs
- Terry Dean, Executive Director, NM ASBO
- Joe Guillen-Executive Director, NMSBA