

School Finance Fundamentals and Fiscal Oversight

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Learning Objectives

- Understand the basics of school finance and budgeting
- Recognize key funding sources
- Identify board responsibilities in budget oversight
- Apply best practices for financial decision-making

Why School Finance Matters

Ensures equitable education for all students

Supports district priorities and strategic goals

Promotes transparency and accountability

Table Talk



Visit with your table group and come up with 3 things your table knows about school finance and budget.

Constitutional Foundation

New Mexico Constitution, Article 12: Education

- Sec. I. Free Public Schools
  - "A uniform system of free public schools sufficient for the education of, and open to, all the children of school age in the state shall be established and maintained."

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 goals and priorities for student outcomes?
- What is the district's enrollment? How will changes in enrollment impact the budget?
  - What are the demographics of the district?
  - Are there areas/schools that have greater needs?
- 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
- Number of specialized grants funding specific programs/projects/interventions When will they expire and what will be the impact?
- Internal controls
- Emergency funds

Types of Funding

Non-Categorical Funding

Flexible funds for general operations

- Staff salaries & benefits
- Classroom supplies
- Library resources
- Facility maintenance

Did you know?

Staff salaries/benefits = 80+% of operating budget



Types of Funding

Categorical Funding

Restricted funds for specific purposes

Transportation

Instructional materials

Food service



Funding Sources

- **State Equalization Guarantee (SEG):** Provides over 95% of operational revenue
- **Unit Value:** Legislatively set, determines SEG allocation
- **Capital Funds:** Tax levies (SB9 & HB33) for construction, technology, infrastructure
- **Federal/State Funding:** At-risk, professional development, student meals, special education, bilingual education
- **Activity Funds:** Fundraisers, grants, donations

NM Funding Formula

- The formula is used to determine how much money is allocated to each district

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- 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, or 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)
- Each year, the total SEG is divided by the sum of total units in the sate. This equals the unit value.
- Districts multiply their number of units by the unit value and that determines their SEG funding for the year.



Key Terms to Know

- **Operational Fund:** Main fund for district operations
- **District Operating Budget:** All funds available to the district
- **BAR (Budget Adjustment Request):** Used to change or shift budget allocations

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 the PED cares.
- 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 have spent more than your budget authority you have violated the law.
- Ultimately, designed to prevent you 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).



Internal Controls

- Protect assets and promote efficiency
- Ensure accurate, reliable information
- Adhere to laws and regulations
- Tools for management to avoid overspending and operational failures

Supplement vs Supplant

Supplement:

- …..means to add to, to enhance, to expend, to increase, to extend basic education program

Supplant:

- …..means to take the place of, to replace



Budget Process Overview

- Budget advisory committee membership
- Community input process
- Schedule of meetings and approval timeline
- Union involvement
- Board reporting and oversight
- Finance committee membership



Budget Calendar

- Nov-Jan: Advisory committee meets, legislative priorities set
- Mar-Apr: Spring Budget Conference, PED announces unit value
- May-June: Community presentation, board approval
- June 30: Budget presented to PED
- July 1: Approved budget in effect

First Steps: Information to Consider



Performance-Based Budgeting

- Links funding to measurable results
  - Resources are allocated based on outcomes, not just activities
- Focuses on accountability and transparency in how public funds are used
- Aligns spending with strategic goals and student success





Key Elements of Performance-Based Budgeting

- **Strategic Plan:** Sets mission, goals, and priorities for the district
- **Performance Measures:** Define what success looks like (e.g., graduation rates, student achievement, program effectiveness)
- **Budget Decisions:** Funds are directed to programs that demonstrate results
- **Continuous Improvement:** Regular review and adjustment based on performance data



Why it Matters

- Empowers boards to invest in what works for students
- Builds trust with the community through transparent reporting
- Drives meaningful results and efficient use of resources

Key Takeaways

Board members play a vital role in budget oversight

Understanding funding sources and processes is essential

Transparency and community engagement strengthen financial decisions





Questions & Discussion

What budget challenges has your district faced?

How can board members support effective financial management?



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Budget Considerations

- District priorities
- District enrollment
- District demographics
- Are enrollment changes expected in the next 5 years?
- Staff information
  - Years of service
  - Specialization areas
  - Administrative personnel
- Age and condition of buildings
- Revenue sources