

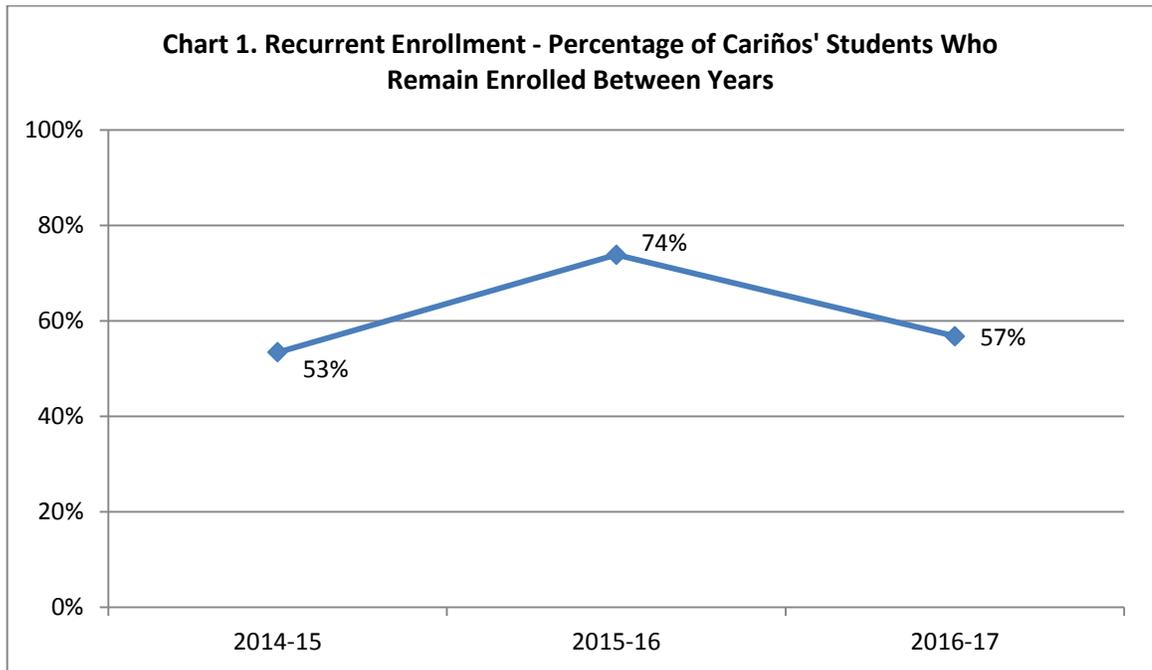
AGENDA ITEM EXECUTIVE SUMMARY

- I. Public Education Commission Meeting Date: November 17, 2017
- II. Item Title: Discussion and Possible Action on Schools Required to Provide Monthly Financial Reporting - Cariños de Los Niños Charter School
- III. Executive Summary and Proposed Motions:

School History

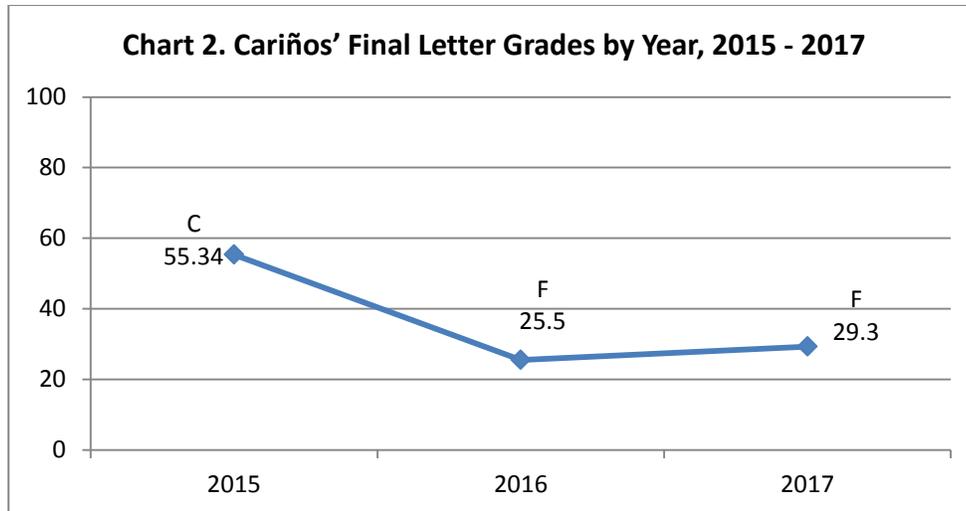
Cariños de Los Niños (Cariños) was originally authorized by the Espanola School District in 2005; it opened in 2006-2007. Carinos was renewed in December 2010 by the Espanola School Board. In December 2015, the school’s charter was renewed by the PEC. According to the school’s contract “The mission of Cariños Charter School is to promote academic achievement through a Dual Language 50/50 Model for grades K-8 “at-risk” students in the Espanola Valley.”

The school is authorized to serve grades K-8. The school’s enrollment cap is 450. According to the SY2017 End of Year STARS report, the school had 104 students enrolled at the end of SY17. The school’s reported data indicates that between 2016 and 2017, the school retained only 57% of eligible students.

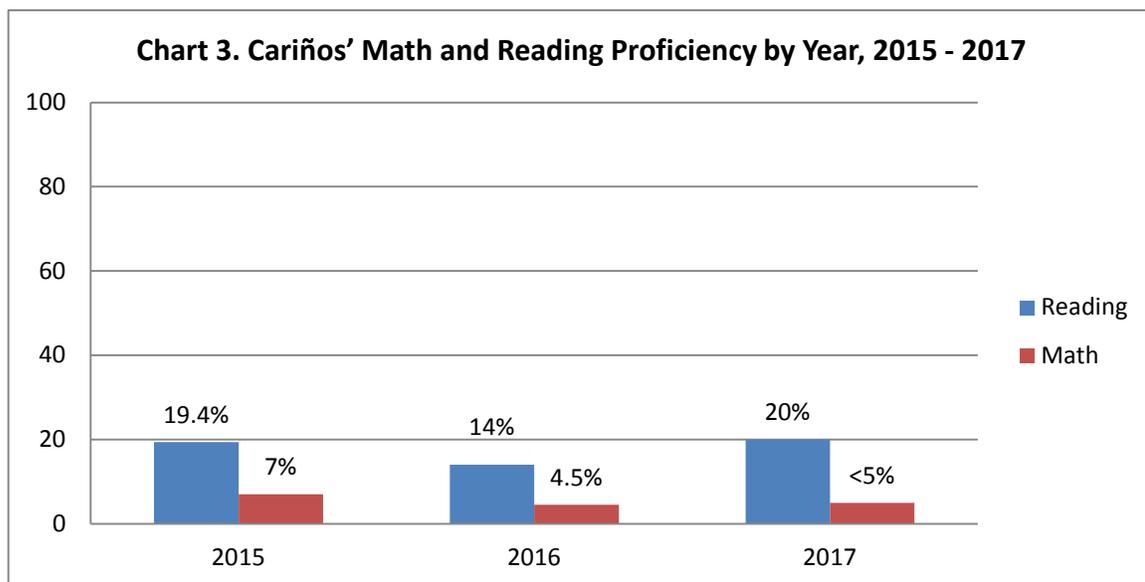


School Performance

Chart 2, below, illustrates Cariños’ overall school grade from 2015 through 2017. The school’s final grade has fluctuated from a D in 2015 to a C in 2016 and two Fs in 2016 and 2017.

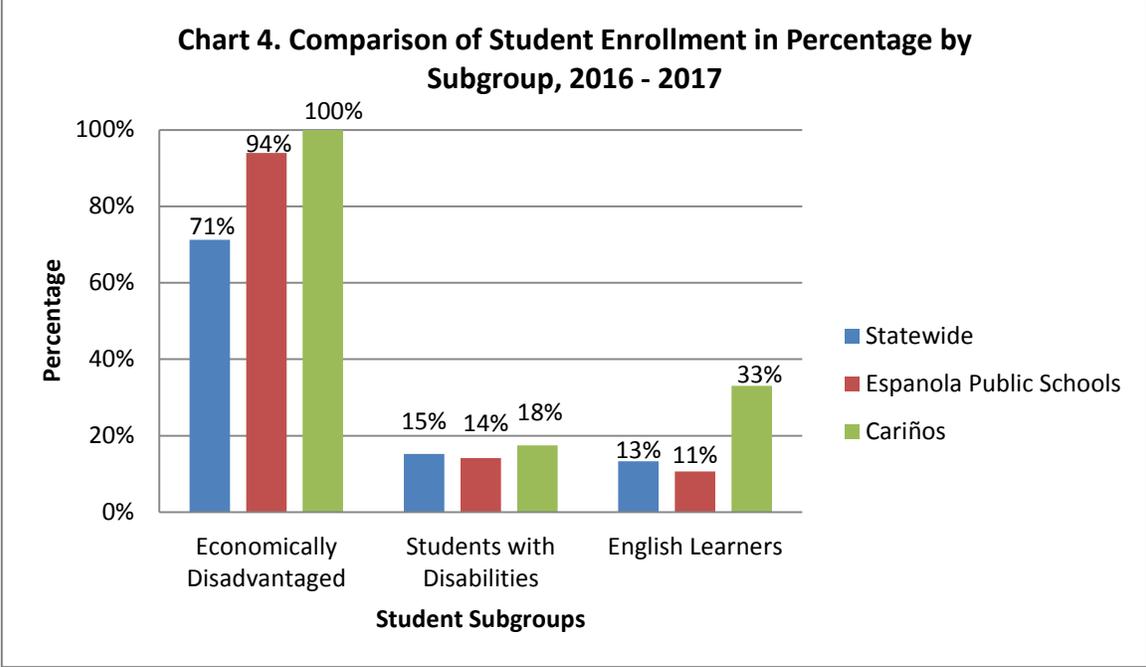


In 2017, the statewide results reported 28.6% of students were proficient in reading and 19.7% of students were proficient in math. Cariños' 2017 report card indicates that 20% of students were proficient in reading and <5% of Cariños' students were proficient in math. In 2016, 14% of Cariños' students were proficient in reading and 4.5% were proficient in math.

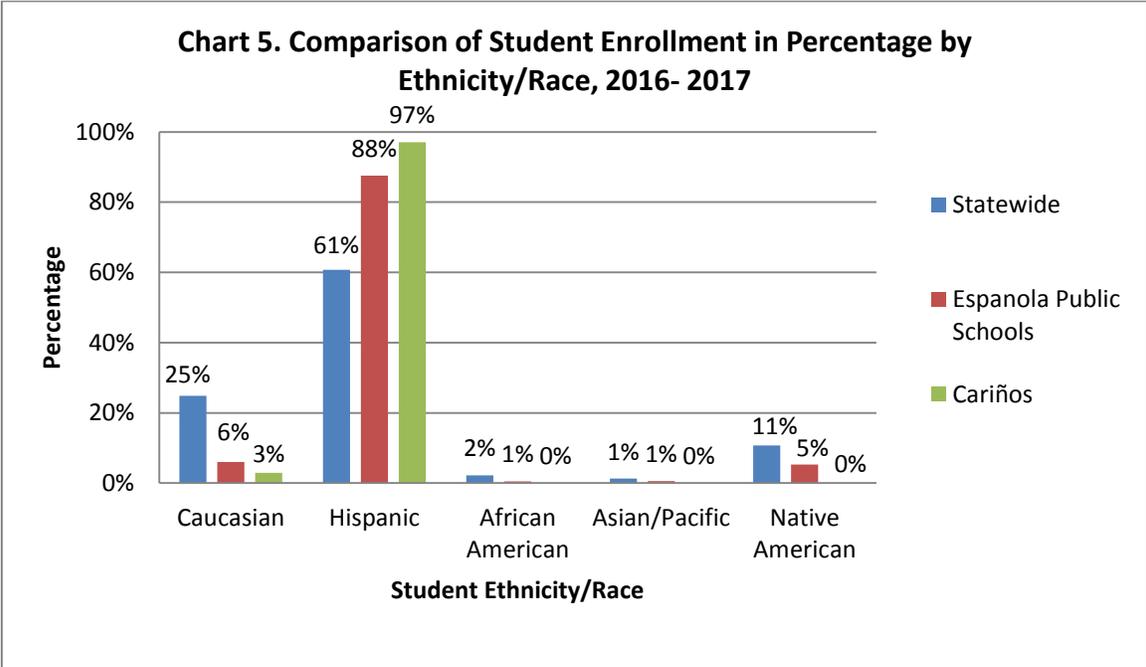


### Student Demographics

Student demographics and subgroup enrollment for Cariños for the 2016-17 40<sup>th</sup> day reporting, as compared to Espanola Public Schools (EPS) data is provided below. Cariños has an fairly equivalent population of economically disadvantaged students to the local district. Cariños serves a substantially higher percentage of English Learner students and a higher percentage of students with disabilities as compared to the both the local district and statewide percentages. See Chart 4, below.



Cariños’ student demographic data illustrates that it serves a substantially higher Hispanic population when compared to the state, but similar to the surrounding district. The school’s overall ethnic diversity is similar to the local district.



### Additional Academic Analysis

**Department's Standards of Excellence.** The state's letter grading system, required by law starting in 2012, results in each school being assigned a letter grade of A, B, C, D, or F annually. According 6.8.10 NMCA, pursuant to 22-2E-4 NMSA, governing bodies of charter school are required to "prioritize resources of a public school rated D or F toward proven programs and methods linked to improved student achievement until the public school earns a grade of C or better for two consecutive years." Since the school earned a F in SY16 and in SY17, the school's governing body must meet its statutory obligation to prioritize its resources to improve its student achievement.

### Financial Performance Evaluation

During the fiscal year 2017 third quarter budget review process, PED became aware that Cariños' encumbrances and expenditures, when compared to budgeted amounts, could exceed total available revenues for the FY17 fiscal year. Analysis by the PED School Budget and Finance Analysis Bureau found that much of Cariños' issue was related to the school's failure to adjust expenses when the projected growth the school chose to budget during the FY17 Operating Budget development process did not materialize. The school's business official was directed to conduct all outstanding budget maintenance, including ensuring that budgeted encumbrances and expenditures are tied to the decreased revenue amount.

The School Budget and Finance Analysis Bureau moved Cariños to monthly reporting beginning in April 2017 to ensure the school would close FY17 with a modest operational fund cash balance. The school is required to submit following reports on a monthly basis: revenue report; expenditure report; and cash report. PED established that the focus of the school's monthly reporting was on ensuring cash flows allow for a net positive position at year end and on ending the year with a modest cash position. PED also strongly urged Cariños to adopt a more conservative approach to membership projections and the budgeting of growth units in the future to ensure that cash flows are not negatively impacted.

### Recommendation

PED is recommending that the Public Education Commission take action to actively monitor the fiscal performance of this school and provide Cariños' governing body a reasonable opportunity to remedy the financial problems described above.

The PEC may wish to require to school to create a plan to improve the governing body's ability to monitor and oversee the school's monthly fiscal reports, which should include specific training on public school finances, financial requirements, and financial reports; specific actions by the finance committee and the whole board; and specific targets for financial reserves. The PEC may wish to require the school to develop a corrective action plan to better estimate school enrollment, using best practices from other schools, which should include revising the school's enrollment processes, communications, and recruitment strategies. The PEC may also wish to require the school to submit monthly reporting to the PEC, including monthly reports on student enrollment – including updates on the number of withdrawals and enrollments, actions taken to improve financial management, budget adjustments required to adjust for growth that has not materialized or repayments for prior year repayments, and updated year end position forecasts.

### Proposed Motions

- Move to require the Cariños de Los Niños Charter School to take action to remedy the financial problems identified by the PED's School Budget and Finance Analysis Bureau, specifically the school must:
  - o create a plan to improve the governing body's ability to monitor and oversee the school's monthly fiscal reports, which should include specific training on public school finances, financial requirements, and financial reports; specific actions by the finance committee and the whole board; and specific targets for financial reserves;
  - o develop a plan to better estimate school enrollment, using best practices from other schools, which should include revising the school's enrollment processes, communications, and recruitment strategies; and
  - o submit monthly reporting to the PEC, including monthly reports on student enrollment – including updates on the number of withdrawals and enrollments, actions taken to improve financial management, budget adjustments required to adjust for growth that has not materialized or repayments for prior year repayments, and updated year end position forecasts.



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HANNA SKANDERA  
SECRETARY OF EDUCATION

SUSANA MARTINEZ  
GOVERNOR

March 22, 2017

Mr. Vernon Jaramillo, Head Administrator  
Mr. Michael Vigil, School Business Official  
Cariños de Los Niños Charter School  
P.O. Box 130  
Española, NM 87532

Dear Mr. Jaramillo and Ms. Vigil:

Required financial quarterly reporting for Cariños de Los Niños Charter School has shown some encumbrances and expenditures that, when compared to budgeted amounts, could exceed total available revenues for the fiscal year. Much of this issue is related to the projected growth the school chose to budget during last year's Operating Budget development. When the growth in membership did not materialize, revenues were decreased, which is impacting cash flows. We have instructed the school business official, as part of its financial reporting verification, to conduct all outstanding budget maintenance, including ensuring that budgeted encumbrances and expenditures are tied to the decreased revenue amount. The School Budget and Finance Analysis Bureau is moving Cariños de Los Niños Charter School to monthly reporting beginning with the month of April 2017 in order to ensure the school will close the year with a modest Operational fund cash balance.

The school will be required to submit each month the following reports: revenue report; expenditure report; tax levy receipt report (generally not applicable to charter schools such as yourself); and cash report. The focus of the school's monthly reporting for the rest of the fiscal year will be on ensuring cash flows allow for a net positive position at year end and on ending the year with a modest cash position. We strongly urge Cariños de Los Niños Charter School to adopt a more conservative approach to membership projections and the budgeting of growth units in the future to ensure that cash flows are not negatively impacted. At such time when we are satisfied that the school no longer needs the more frequent monitoring, the school's reporting status may change to submitting reports each quarter.

Sincerely,

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School Budget and Finance Analysis Bureau  
Public Education Department  
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