

NM Public Education Department

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SCHOOL BUDGET AND FINANCE ANALYSIS BUREAU

CHARTER SCHOOL RENEWAL APPLICATION BUDGET ANALYSIS

I. Operational Fund Revenues

- A. i. How do operational fund revenues budgeted compare to actual operational fund revenues for each year of the charter term?
 ii. Was there a loss or a gain in each year?
 iii. Explain where losses were absorbed or where gains were utilized.

i. Operational fund revenues budgeted were higher than actual operational fund revenues, with the exception of Year 4.
 ii./iii. Losses and how they were absorbed as well as gains and how they were utilized are explained below:

Year 1
 116,515.51 **The gain was utilized as follows:**
 56,265.00 Rent for the teaching/learning center was not included in the original budget
 26,772.00 Therapy services - Speech , OT, PT that were required and not originally budgeted
 20,110.00 Paid more towards cost of student program
 59,428.00 Provided additional student support services by hiring a full-time Special Education Manager rather than part-time Special Education Manager and a Counselor
 The additional funding was utilized to pay the location and service costs that were not in the original budget and to partially offset the cost of addition staff.
 The school was able to hire a full-time (versus part-time) Special Education Manager and to hire a Counselor.

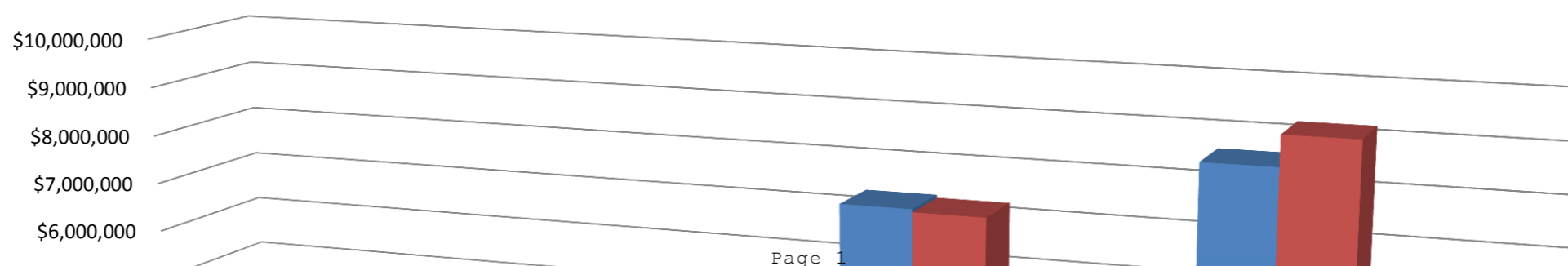
Year 2
 725,935.94 **The gain was utilized as follows:**
 176,890.00 Additional compensation cost for the 4 teaching staff hired to accommodate the additional enrollment
 57,153.16 Additional technology for the additional students
 356,167.18 Paid more towards cost of student program
 32,534.41 Additional testing for additional students
 72,984.00 Additional compensation cost for the 2nd Assistant Principal and Administrative Assistant to accommodate the additional enrollment
 10,669.10 Professional Development and travel not budgeted for Administrative staff
 Enrollment was greater than budgeted, so the additional funding was utilized to pay for the associated increase to the cost of providing the program.

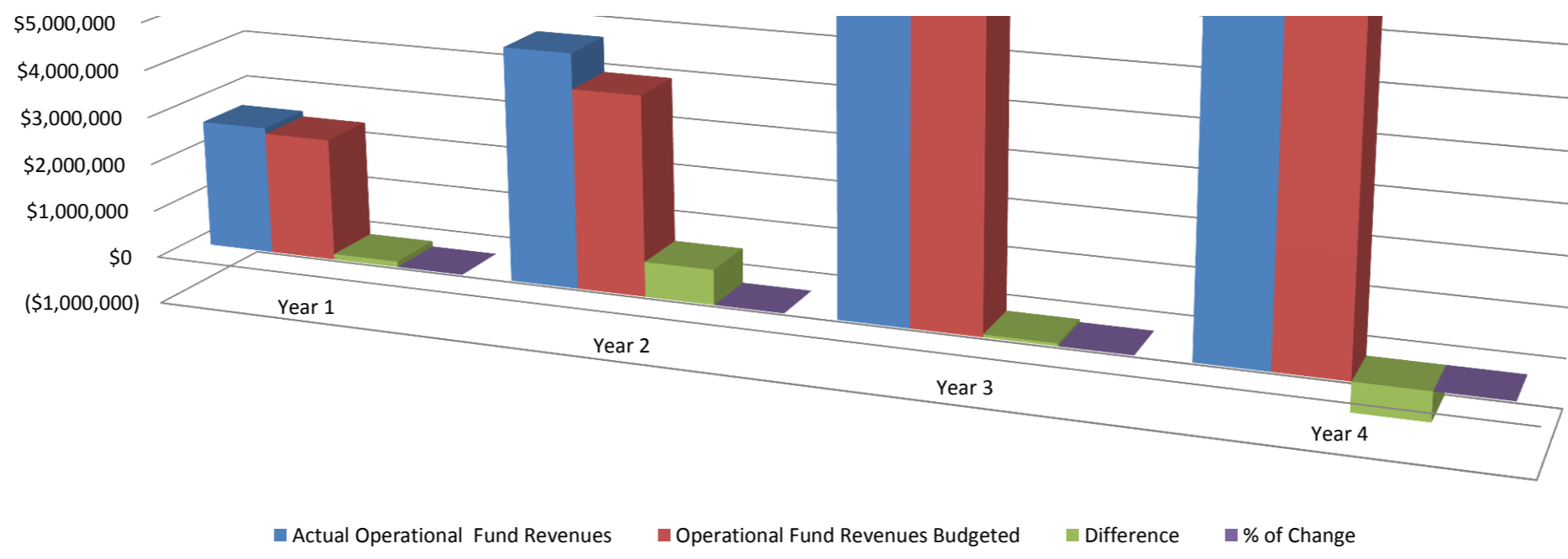
Year 3
 58,294.68 **The gain was utilized as follows:**
 58,294.68 Additional compensation cost for the teaching staff of \$122,000 was partly offset.
 The gain was used for hiring additional teaching staff.

Year 4
 (601,313.29) **The loss (80 fewer units) was absorbed as follows:**
 (84,762.12) Overall expenses were reduced from budget
 (516,551.17) Cash carryover was used to support the program
 This loss was due to lower enrollment than expected, reduced unit value, and the clawback of prior year funding. The school absorbed it in a variety of ways.
 There were natural reductions to the cost of the program associated with the reduced enrollment, and the school carefully managed expenses and utilized existing fund balances. This was partially offset by the current year reflecting some prior year expenditures.

		Actual Operational Fund Revenues	Operational Fund Revenues Budgeted	Difference	% of Change
B.i.	Year 1	Year 1	Year 1	(\$)	
		\$2,673,798	\$2,557,282	\$116,516	4.56%
B.ii.	Year 2	Year 2	Year 2	(\$)	
		\$4,858,091	\$4,132,155	\$725,936	17.57%
B.iii.	Year 3	Year 3	Year 3	(\$)	
		\$7,384,281	\$7,325,986	\$58,295	0.80%
B.iv.	Year 4	Year 4	Year 4	(\$)	
		\$8,660,051	\$9,261,364	(\$601,313)	-6.49%
B.iv.	Year 5	Year 5	Year 5	(\$)	
		N/A	\$11,997,483	N/A	N/A

Fund 11000 Operational Program Cost Final Funded versus Preliminary Funded





II. Student Membership

- A. i. How does budgeted student membership compare to actual student membership (Avg 80/120) in each year of the charter term?
- ii. How does actual student membership (Avg 80/120) change over the charter term?
- iii. Was there a loss or a gain in each year?
- iv. Explain how these changes impacted the school's budget (revenues, expenses, etc.)
- v. Explain how budget losses were absorbed or how budget gains were utilized.

i. The budgeted student membership was well below actual student membership (Avg 80/120) in Year 1 and Year 2 of the charter and very close to actual student membership (Avg 80/120) in Year 3 and Year 4.

ii. Actual student membership (Avg 80/120) has grown quickly over the charter term as NMCA has addressed an unmet student need in the state.

iii. There was a gain each year.

iv. The quick growth of the school led to increases in revenue and expenses. Because we are a virtual school and the bulk of the budget goes to student instruction (as opposed to overhead), our budget flexes up and down. This provided us with a measure of financial stability even as funded enrollment lagged actual student membership.

v. A detailed description of how gains were utilized and losses were absorbed is available above, in the response to question I.A.iii.

B. Program Units

i. Year 1

Funded Year 0	Budgeted Year 1	Funded Year 1	Year 1 Avg 80/120	Difference
0.000	500.000	714.690	1,052.608	337.9

ii. Year 2

Funded Year 1	Budgeted Year 2	Funded Year 2	Year 2 Avg 80/120	Difference
714.690	1,480.108	1,236.728	1,855.998	619.3

iii. Year 3

Funded Year 2	Budgeted Year 3	Funded Year 3	Year 3 Avg 80/120	Difference
1,236.728	2,455.498	1,866.438	2,339.062	472.6

iv. Year 4

Funded Year 3	Budgeted Year 4	Funded Year 4	Year 4 Avg 80/120	Difference
1,866.438	2,910.062	2,257.677	2,994.977	737.3

iv. Year 5

Funded Year 4	BUDGETED Year 5	Difference
2,257.677	2,994.977	0.0

C. Growth Units

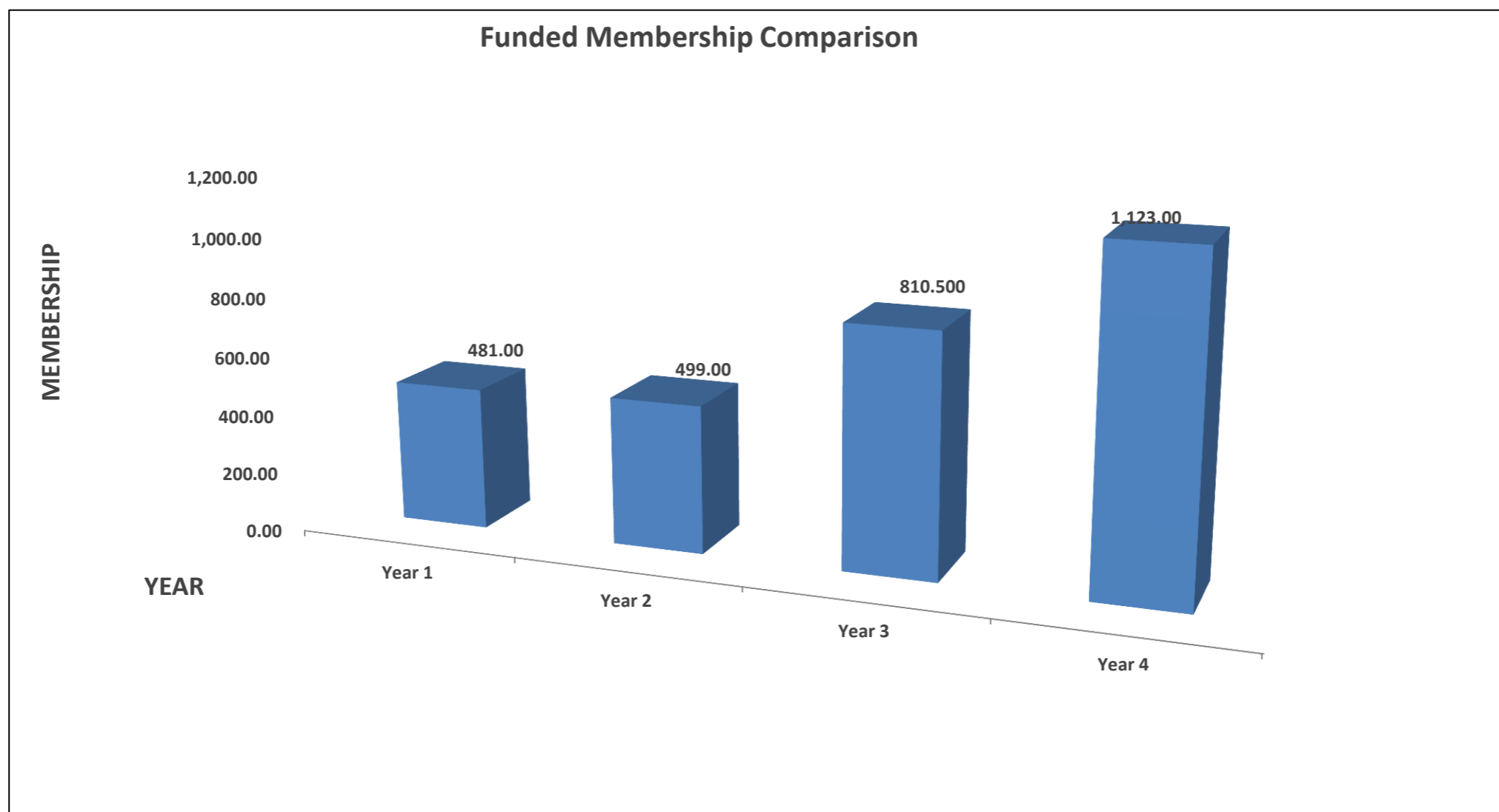
	40 Day - Year 1	40 Day - Year 2	40 Day - Year 3	40 Day - Year 4	40 Day - Year 5
40 Day MEM Actual	481.00	792.00	1,104.00	1,359.00	
MEM Budgeted	500.000	n/a	n/a	1,400.00	1,700.00
Difference	(19.000)	n/a	n/a	(41.000)	

Budgeted Growth Units
Funded Growth Units

Year 1	Year 2	Year 3	Year 4	Year 5
0.000	427.500	599.500	571.000	656.500
0.000	610.120	607.440	489.615	

D. Funded Membership

Year 1	Year 2	Year 3	Year 4	Year 5 - Budgeted
481.00	499.00	810.500	1,123.00	1,456.00
Difference from Prior Year	18	311.5	312.5	333



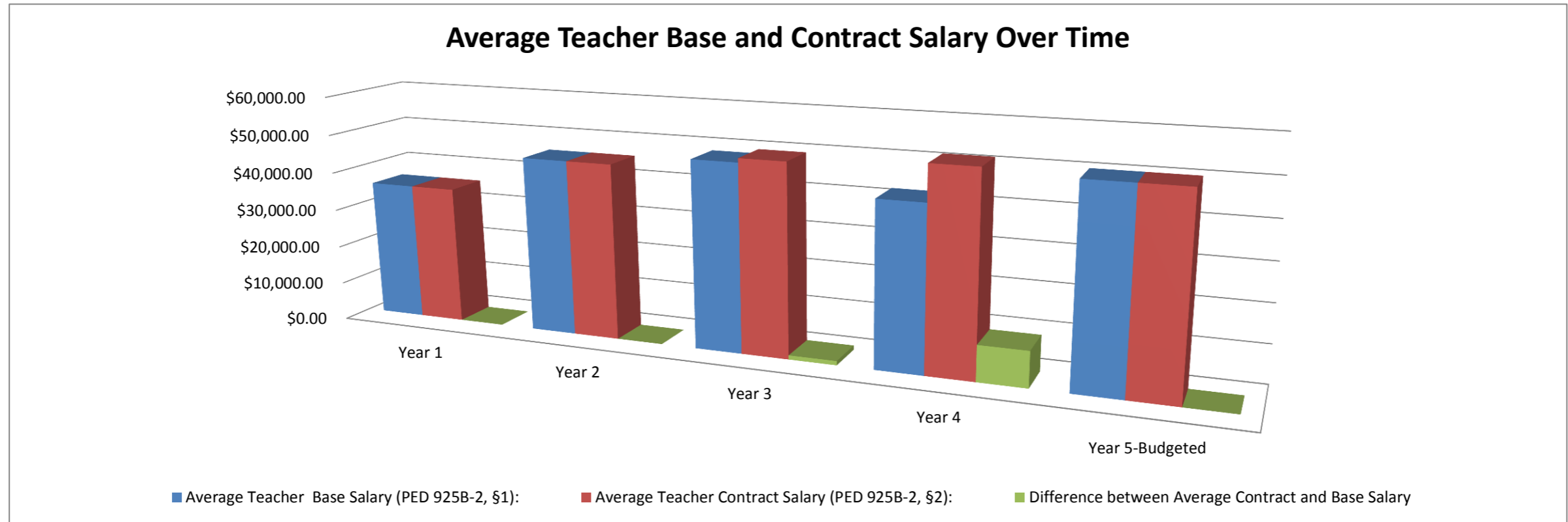
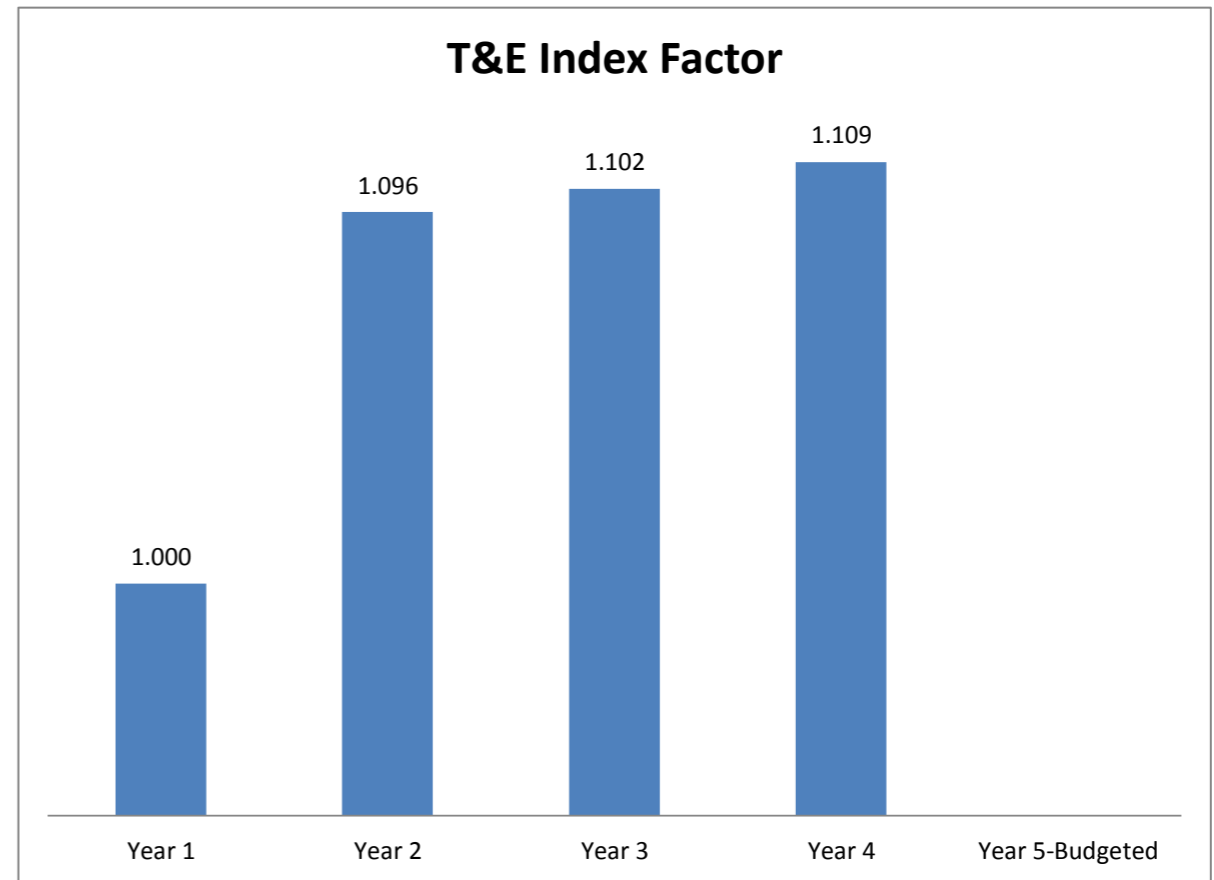
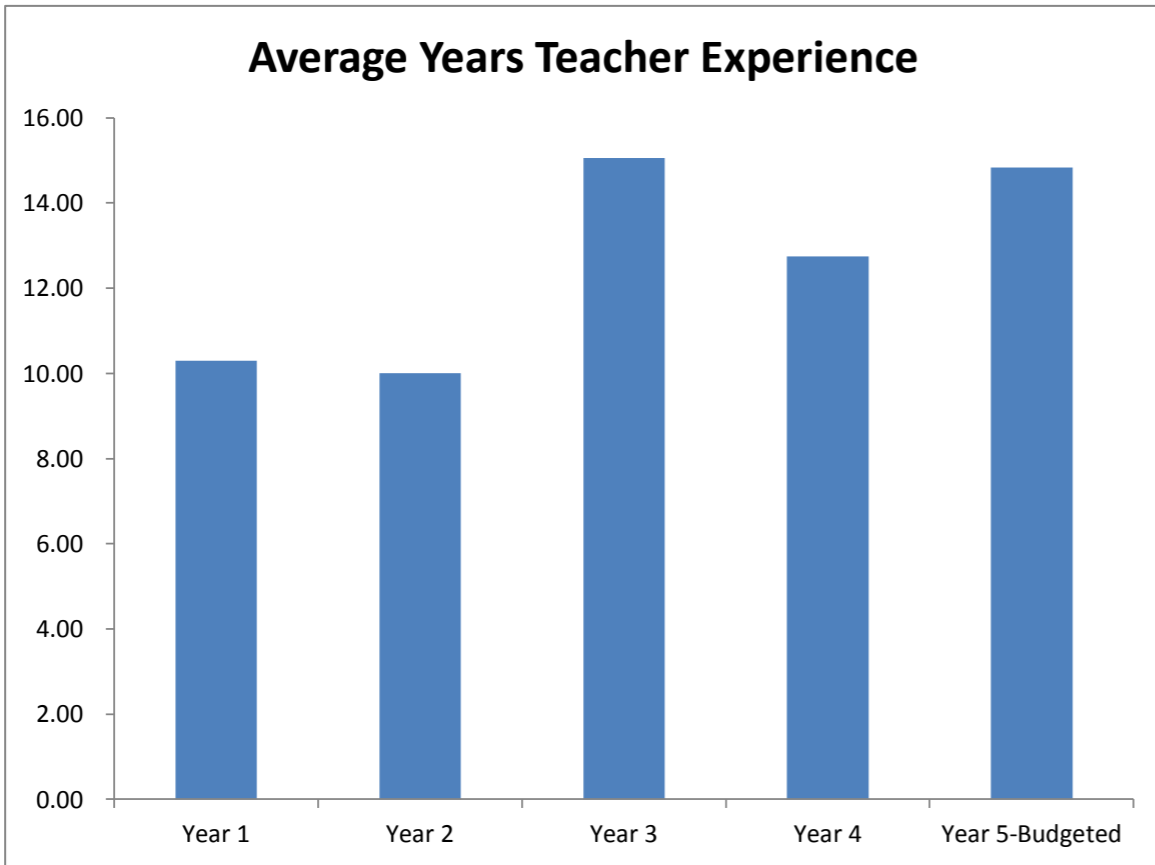
III. SALARY - Estimated Average Salary Increases

	Year 1	Year 2	Year 3	Year 4	Year 5-Budgeted
Average Teacher Base Salary (PED 925B-2, §1):	\$35,809.00	\$45,748.00	\$48,575.00	\$42,366.00	\$50,477.00
Average Teacher Contract Salary (PED 925B-2, §2):	\$35,809.00	\$45,748.00	\$49,669.00	\$51,646.00	\$50,477.00
Difference between Average Contract and Base Salary	\$0.00	\$0.00	\$1,094.00	\$9,280.00	\$0.00
% Average BASE Salary Increase (§1)	n/a	5.17%	3.35%	-2.98%	1.07%
% Average Contract Salary Increase (§2)	n/a	5.17%	4.37%	4.20%	1.07%
Average Base Salary Difference from Prior Year		\$9,939.00	\$2,827.00	(\$6,209.00)	\$533.00
Average Contract Salary Difference from Prior Year		\$9,939.00	\$3,921.00	\$1,977.00	\$533.00
Average Years Experience (PED 925B-3)	10.30	10.00	15.05	12.74	14.84
Average Years Experience Difference from Prior Year		-0.3	5.05	-2.31	2.1

IV. TRAINING & EXPERIENCE

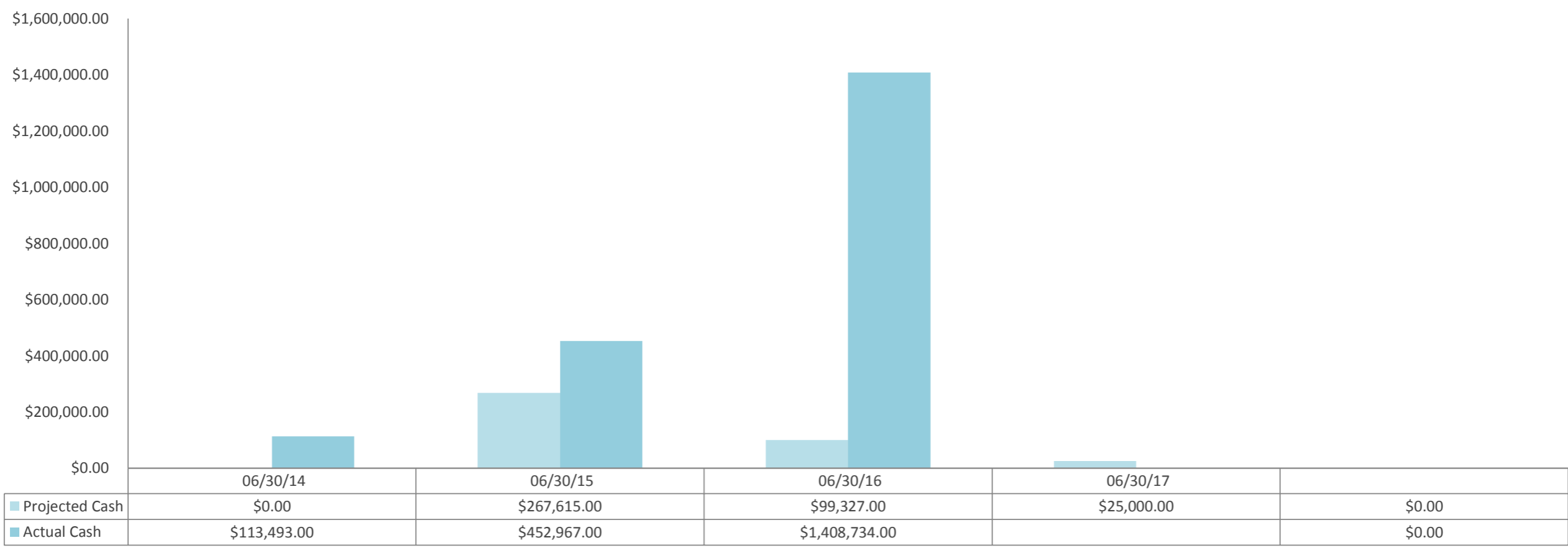
T&E Index Factor Actual

Year 1	Year 2	Year 3	Year 4	Year 5-Budgeted
1.000	1.096	1.102	1.109	



V. CASH BALANCE REVIEW

CASH BALANCE TREND



- A. i. Explain how actions of the school leadership (administrator and board) have impacted the trend in cash balances over the years above.
 ii. How has the amount of the cash balance in each year impacted the school's programmatic or capital plans.

i. Our cash balance grew through the end of Year 3 of the charter and then declined in Year 4. A number of large invoices for FY 2016 were paid in FY 2017. Senate Bill 114 also led to a clawback of our cash balance. Overall the budget has increased, and cash balance declined, as the Governing Council attempts to increase student achievement with a number of efforts, documented in Section IX.

<p><u>Cash at 6/30/16</u> 1,466,800.00 Cash in Bank (186,637.00) Summer Pay (819,504.00) Owed to Connections for March and June (410,000.00) Estimated cash carryover 50,659.00 Estimated cash left</p>	<p><u>So in 2016-17</u> 2016-17 expenses reflected \$819,000 owed to Connections for 2015-16 Year 4 expenses were well-managed and reduced to allow for costs to be covered by the remaining cash carryover</p>
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ii. Our online school rents a teaching/learning facility but does not have any major capital plans. The bulk of our budget goes to student instruction (as opposed to overhead). After FY 2016, our cash balance was high enough, and enrollment strong enough, that we felt comfortable investing in new efforts to increase student achievement. These are documented in Section IX.

B. Operational Cash Comparison

	Year 1	Year 2	Year 3	Year 4	Year 5-Budgeted
Estimated OpBud Cash Balance	\$0.00	\$267,615.00	\$99,327.00	\$25,000.00	\$0.00
4th Quarter Audited Cash	\$113,493.00	\$452,967.00	\$1,408,734.00		n/a
Difference	\$113,493.00	\$185,352.00	\$1,309,407.00	(\$25,000.00)	n/a
Actual Total Yearly Expenditures	\$2,564,989.00	\$4,722,580.00	\$6,285,195.00	\$9,586,602.30	
Budgeted Total Yearly Expenditures	\$2,557,282.00	\$4,182,155.00	\$7,375,986.00	\$9,671,364.00	\$11,997,483.00
Difference	(\$7,707.00)	(\$540,425.00)	\$1,090,791.00	\$84,761.70	
% EOY Cash Balance to Total Yearly Expenditures	4.42%	9.59%	22.41%	0.00%	
% Prior EOY Cash Balance to Yearly Expenditures		2.40%	7.21%	14.69%	

C. Emergency Reserve:

	Year 1	Year 2	Year 3	Year 4	Year 5-Budgeted
Amount in Approved Operating Budget	\$0	\$0	\$0	\$0	\$0
Restricted Expenditures	\$0	\$0	\$0	\$0	\$0
Percentage of Operating Expenditures	0	0	0	0	0

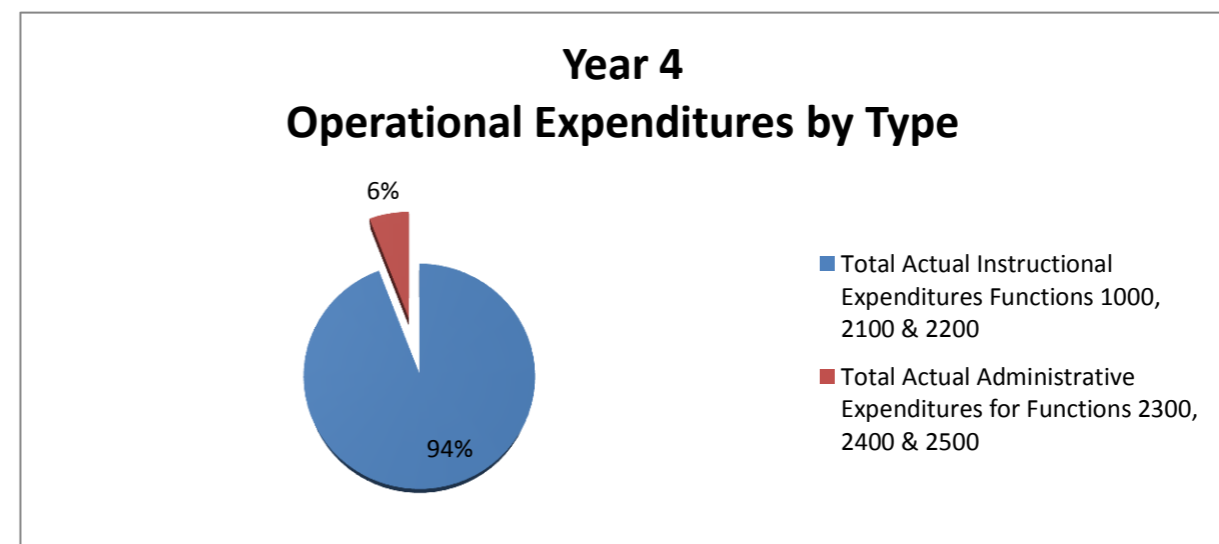
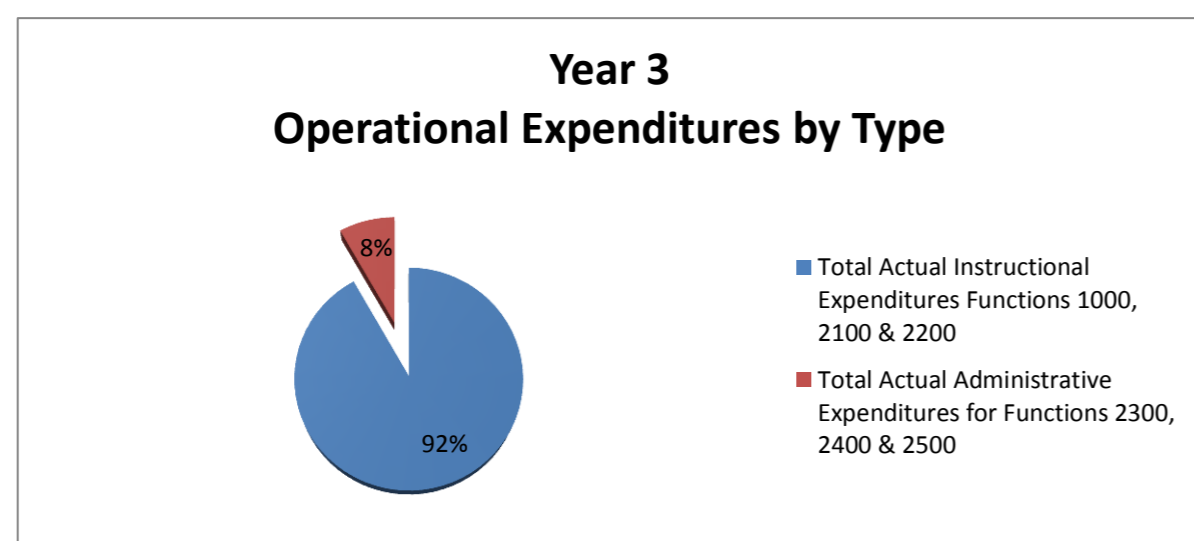
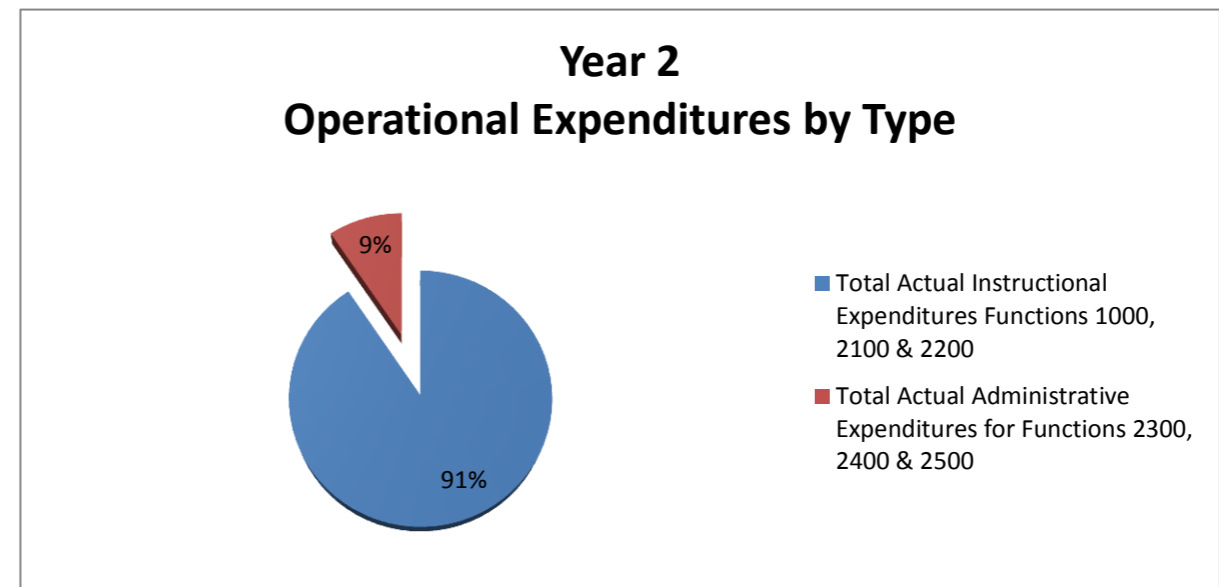
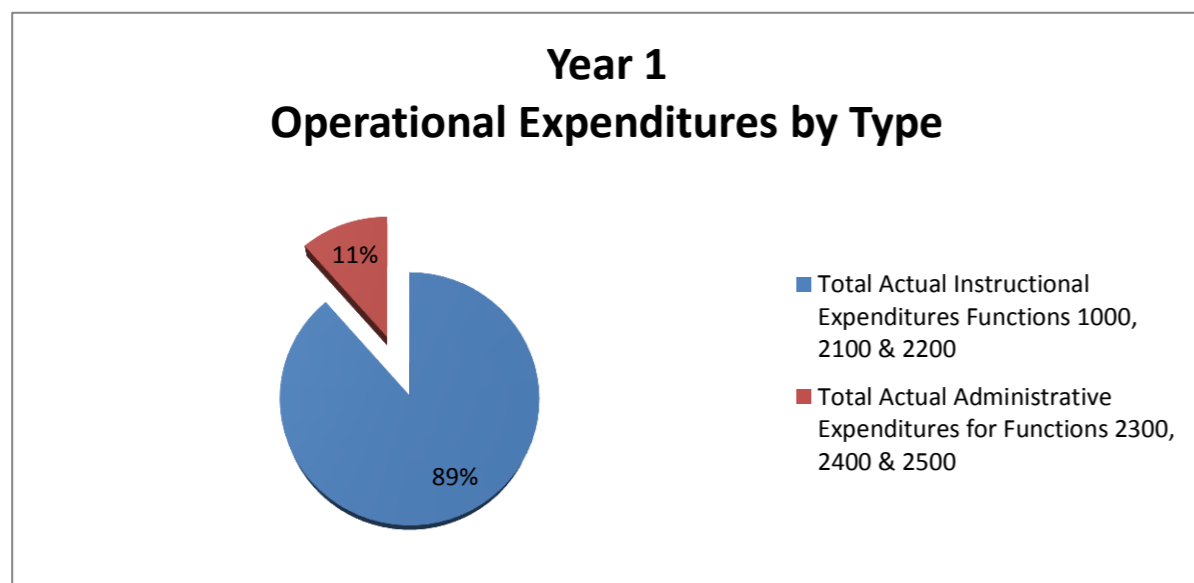
VI. OPERATIONAL FUNCTION VARIANCES:

A. Overall Operational Expenditures

	Year 1	Year 2	Year 3	Year 4	Year 5-Budgeted
Total Actual Operational Expenditures	\$2,564,989.00	\$4,722,580.00	\$6,285,195.00	\$9,586,602.30	
Total Budgeted Operational Expenditures	\$2,557,282.00	\$4,182,155.00	\$7,375,986.00	\$9,671,364.00	\$11,997,483.00

B. Operational Expenditure by Type

	Year 1	Year 2	Year 3	Year 4	Year 5-Budgeted
Total Actual Instructional Expenditures Functions 1000, 2100 & 2200	\$2,157,863.00	\$4,155,307.00	\$5,641,422.00	\$8,839,042.84	
Total Budgeted Instructional Expenditures Functions 1000, 2100 & 2200	\$2,221,258.00	\$3,632,407.00	\$6,238,422.00	\$8,832,058.00	\$11,125,838.00
Difference	(\$63,395.00)	\$522,900.00	(\$597,000.00)	\$6,984.84	
% Actual Total Instructional Expenditures to Total Operational Expenditures	84.13%	87.99%	89.76%	92.20%	
% Budgeted Total Instructional Expenditures to Total Operational Expenditures	86.86%	86.85%	84.58%	91.32%	92.73%
Difference	-2.73%	1.13%	5.18%	0.88%	
Administrative Expenditures					
Total Actual Administrative Expenditures for Functions 2300, 2400 & 2500	\$278,069.00	\$432,606.00	\$503,825.00	\$544,910.92	
Total Budgeted Administrative Expenditures for Functions 2300, 2400 & 2500	\$271,748.00	\$388,817.00	\$648,990.00	\$635,089.00	\$621,272.00
Difference	\$6,321.00	\$43,789.00	(\$145,165.00)	(\$90,178.08)	
% Actual Total Instructional Expenditures to Total Operational Expenditures	10.84%	9.16%	8.02%	5.68%	
% Budgeted Total Instructional Expenditures to Total Operational Expenditures	10.63%	9.30%	8.80%	6.57%	5.18%
Difference	0.21%	-0.14%	-0.78%	-0.88%	



C. Actual Operational Expenditures by Function

	Year 1	Year 2	Year 3	Year 4
1000 - Direct Instruction	\$1,941,889	\$3,959,545	\$5,221,723	\$8,348,464
2100 - Support Services Students	\$200,490	\$143,228	\$324,915	\$444,742
2200 - Support Services Instruction	\$15,484	\$52,534	\$94,784	\$45,836
2300 - General Administration	\$32,925	\$35,685	\$15,619	\$18,475
2400 - School Administration	\$155,200	\$342,832	\$418,746	\$455,082
2500 - Central Services	\$89,944	\$54,089	\$69,460	\$71,354
2600 - Operation of Maint of Plant	\$129,057	\$134,667	\$136,263	\$202,649
2700 - Student Transportation	\$0	\$0	\$0	\$0
2900 - Other Support Services	\$0	\$0	\$3,685	\$0
3100 - Food Services	\$0	\$0	\$0	\$0
3300 - Community Services	\$0	\$0	\$0	\$0
4000 - Capital Outlay	\$0	\$0	\$0	\$0
Totals should equal expenditures above	\$2,564,989	\$4,722,580	\$6,285,195	\$9,586,602

C. Budgeted Operational Expenditures by Function

	Year 1	Year 2	Year 3	Year 4	Year 5
1000 - Direct Instruction	\$2,130,548	\$3,369,898	\$5,747,095	\$8,398,483	\$10,364,599
2100 - Support Services Students	\$0	\$242,509	\$341,327	\$332,575	\$659,239
2200 - Support Services Instruction	\$90,710	\$20,000	\$150,000	\$101,000	\$102,000
2300 - General Administration	\$35,000	\$49,800	\$61,000	\$26,500	\$173,077
2400 - School Administration	\$181,148	\$270,347	\$503,490	\$521,514	\$370,944
2500 - Central Services	\$55,600	\$68,670	\$84,500	\$87,075	\$77,251
2600 - Operation of Maint of Plant	\$64,276	\$160,931	\$188,574	\$204,217	\$250,373
2700 - Student Transportation	\$0	\$0	\$0	\$0	\$0
2900 - Other Support Services	\$0	\$0	\$300,000	\$0	\$0
3100 - Food Services	\$0	\$0	\$0	\$0	\$0
3300 - Community Services	\$0	\$0	\$0	\$0	\$0
4000 - Capital Outlay	\$0	\$0	\$0	\$0	\$0
Totals should equal expenditures above	\$2,557,282	\$4,182,155	\$7,375,986	\$9,671,364	\$11,997,483

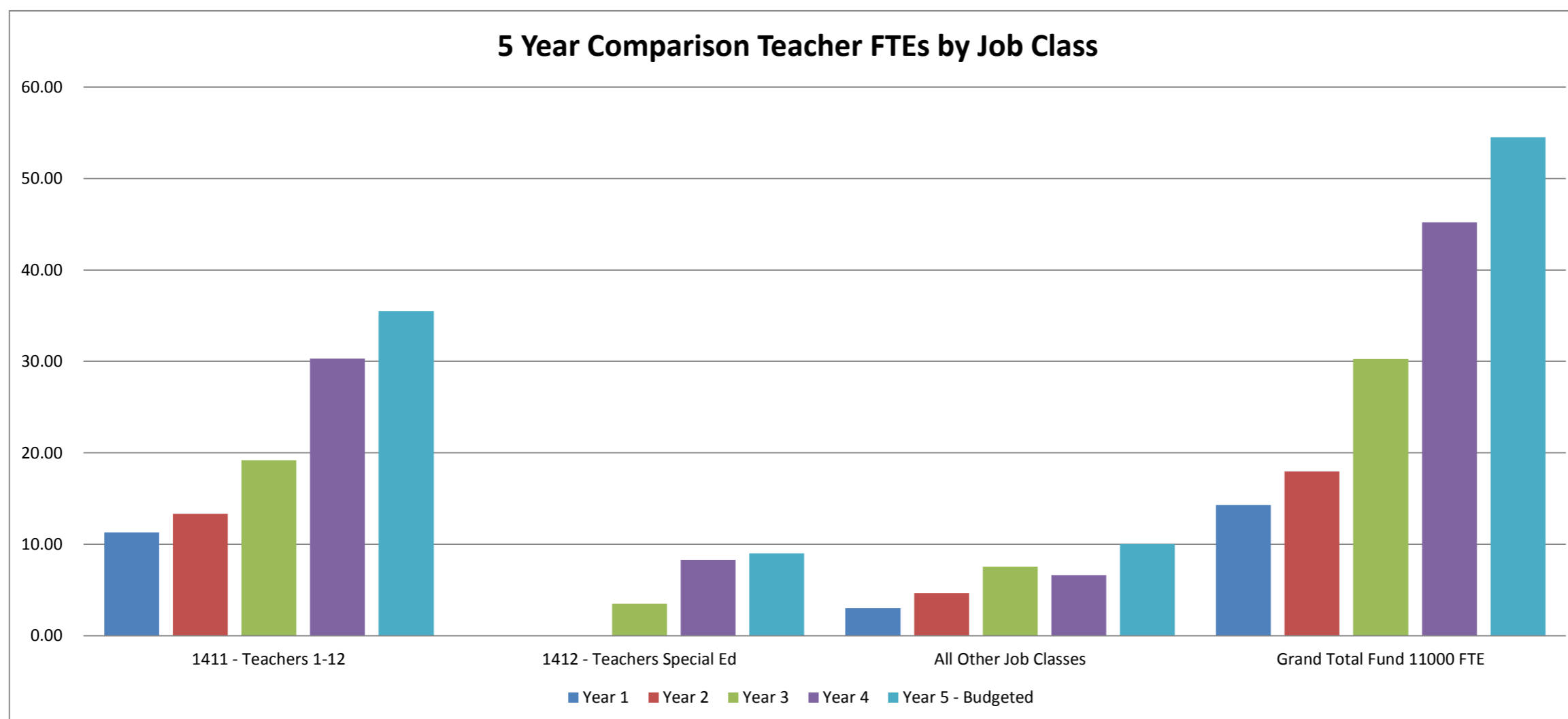
5 Year Comparison of Actual and Budgeted Expenditures by Function

— Year 1 Actual Operational Expenditures
 — Year 1 Budgeted Operational Expenditures
 — Year 2 Actual Operational Expenditures
— Year 2 Budgeted Operational Expenditures
 — Year 3 Actual Operational Expenditures
 — Year 3 Budgeted Operational Expenditures
— Year 4 Actual Operational Expenditures
 — Year 4 Budgeted Operational Expenditures
 — Year 5 Budgeted Operational Expenditures



VII. FUND 11000 "OPERATIONAL" FTE COMPARISON

	Year 1	Year 2	Year 3	Year 4	Year 5 - Budgeted
1411 - Teachers 1-12	11.30	13.32	19.20	30.3	35.5
1412 - Teachers Special Ed	0.00	0.00	3.50	8.3	9
1413 - Teachers ECE					
1414 - Teachers Preschool					
1415 - Teachers Voc Tech					
1416 - Other Instruction					
1422 - Teachers Special Ed Gifted					
All Other Job Classes	3.00	4.62	7.55	6.6	10
Grand Total Fund 11000 FTE	14.30	17.94	30.25	45.20	54.50



VIII. SCHOOL CALENDAR

	Year 1	Year 2	Year 3	Year 4	Year 5-Budgeted
Instructional Days	181	181	180	180	180

IX. SCHOOLS THAT HAVE EARNED A "D" OR LOWER LETTER GRADE

Describe how the school prioritized resources toward proven programs and methods linked to improved student achievement from the time it earned a "D" or "F" until the school earned a grade of C or better for two consecutive years. If the school has not yet earned a grade of C or better for two consecutive years, the narrative must identify current/ongoing actions. CSD will review and evaluate evidence to verify these actions on the site visit.

To improve student achievement, we have taken the following actions in our budgeting:

1. State Testing

We have increased state testing expenses since the 2013-14 school year. If 95% of students had participated in testing, our school letter grades would have been C, B, F, and D, which would bring us closer to a C average.

State testing in a virtual environment is different from state testing in a brick-and-mortar school. In a brick-and-mortar school, testing is just another day at the home campus; in a virtual school, testing requires months of pre-coordination, communication with parents, and transportation of students by parents to a site away from their typical schooling site (home). We plan state test sites across the state in colleges, community centers, hotels, and other places that meet the needs of the students and requirements of the tests. The goal is to test students within 50 miles of their home.

Since participation in state testing is so important to our school's letter grade, the budget has reflected increased spending over the years of the charter. This money was spent on adding test sites so students are closer to their testing locations. In the spring of 2016, we supported 18 test sites around the state. This number was increased in the spring of 2017 to 24 test sites, as shown in Figure 1:

Figure 1. Test Sites

Test Site	Year	Year
Albuquerque	2016	2017 (2 sites)
Santa Fe	2016	2017
Farmington	2016	2017
Rio Rancho	2016	2017
Las Cruces	2016	2017
Carlsbad	2016	2017
Taos	2016	2017
Las Vegas	2016	2017
Gallup	2016	2017
Raton	2016	2017
Socorro	2016	
Hobbs	2016	2017

Roswell	2016	2017
Tucumcari/Santa Rosa	2016	2017
Silver City	2016	
Ruidoso	2016	
Clovis	2016	2017
Los Alamos		2017
Clayton		2017
Tijeras		2017
Los Lunas/Bosque Farms	2016	2017
Farmington		2017
Lordsburg		2017
Truth or Consequences		2017
Deming		2017
Alamogordo		2017

State testing in the virtual environment is expensive. We have to pay to rent the test sites and for teachers to travel to the test sites. The cost includes mileage or rental cars and gas, as well as food and lodging for the staff. The school has, at times, had to pay for proctors to help to administer the test. We also have to pay to rent computers to bring from test site to test site. Our school administration and Governing Council have invested more money into state testing in hopes of raising the percentage of students who test – and therefore increase our school letter grade. Our testing budget has increased each year of the charter term from \$15,333 in Year 1 to a budgeted amount of \$102,000 in Year 5. These costs exclude the additional costs of travel to testing sites.

Since the Legislature expanded the allowable uses for capital outlay funding, our Governing Council has also invested \$71,196 in purchasing Chromebooks to help ease the burden of renting laptops for state testing. We also hope that if the school has a supply of Chromebooks, we will be able to complete practice testing around the state to familiarize students with the devices that they will eventually use to take the actual state assessments.

2. Staffing

As shown in the Part C expenditure pie charts, by far the largest percentage of our budget is staffing. Over the years, we have increased the number of teachers and (less slowly) the number of administrative positions. The School Leader works with the Business Manager and the Governing Council to set staffing ratios that also allow for a balanced school budget. Over the course of the five years the school has been in existence, the student-to-teacher ratios have changed.

Please note that the ratios required of brick-and-mortar schools are not necessarily appropriate for teaching and learning in an online environment. Our teachers have a different teaching experience than their peers in brick-and-mortar schools. For example, our teachers utilize online curriculum and assessments rather than creating their own. We also do not face as many classroom management challenges or have the same monitoring duties (e.g., lunch, hall, and car line) as a traditional school setting. Our ratios therefore have a different meaning than in a brick-and-mortar school. In a brick-and-mortar school, the ratios of an online school would be impossible to support due to the size of the rooms and number of desks.

Student-to-teacher ratios in the elementary grades have decreased, meaning each teacher teaches fewer students. In the 2013-14 school year, the ratio was 55:1, meaning elementary teachers had 55 students (and Learning Coaches) to work with one-on-one or in small groups (not all at one time like in a brick-and mortar-school). We have decreased the elementary student-to-teacher ratio from 55:1 to 53:1 in 2014-15, to 50:1 in 2015-16, and to 45:1 in 2016-17. This means that more money was spent on teachers. Since our school letter grade has not improved significantly over the course of the charter term, our Governing Council will need to revisit these ratios.

Additionally, we significantly decreased student-to-teacher ratios for students with disabilities. Many students with disabilities choose our school to meet their unique learning needs. Each year of the charter term, our number of students with disabilities has increased and our number of Special Education teachers has increased as well. The student-to-teacher ratio in 2013-14 was 50:1, but will be 29:1 in the 2017-18 school year. Students with disabilities need more help, and we must provide it to them. This continues to be a focus for us.

Our school has grown significantly over the charter term. This growth is positive in terms of budget, but can be difficult for the staff. As noted in the charter renewal application, virtual schools have high student turnover due to the online nature of the school. For example, students often arrive to NMCA from other schools where they were not successful. In addition, our school enrolls students seeking a temporary solution to a problem (like sickness or bullying), and, unfortunately, students who are running from truancy issues. Research on virtual schools has demonstrated that students who start late and students who do not stay for more than a year in a virtual school tend to experience some academic regression, and we have seen that in our test scores.^{[1],[2]}

Since we are nearing our enrollment cap, we expect this issue will level off to some extent in the near future.

3. Professional Development (including Title IIA expenditures)

Ensuring our teachers are familiar with the best research-based practices has been important to our school since the beginning of the charter. The amount budgeted for professional development has increased from \$19,776 in 2013-14 to an estimated \$109,688 in 2017-18. Again, these numbers exclude the additional costs of travel.

In 2013-14 and 2014-15, our staff attended several exceptional professional development sessions that seemed to translate into improved student achievement. In these first two years of the charter, several of the staff attended Solution Tree PLC training with the goal of having these staff members share their knowledge with the rest of the staff so that PLCs would be fully operational within the school. This research-based program has helped lead to positive student academic outcomes in other schools. Unfortunately, this promising start was not implemented as thoroughly as it could have been. Staff has not been sent back to PLC training for a refresher and additional staff has not been trained. This is something we plan to rectify during the 2017-18 school year.

Other professional development sessions in 2013-14 and 2014-15 focused on additional important topics to improve the school – diversity training, a STEM conference (a material part of the charter), and ELL training.

In 2015-16, professional development resources were focused on improving the operations of the school, and less on improving academic outcomes. While the operations and the morale of the school did improve, student achievement did not.

In 2016-17, we refocused on the areas where we were deficient academically and sent a few teachers to each of these conferences so that they would share the ideas that they learned with their fellow teachers:

Math:

- T3 conference – Teachers Teaching with Technology. This conference focused on teachers who “share a collective passion for excellence in math, science, and STEM education.”
- National Council of Teachers of Mathematics. The focus of this conference was creating communities and cultivating change.

Reading: Teachers received reading strategies training from the Neuhaus Education Center.

Special Education: Five of our Special Education teachers attended the Special Education Convention. The focus of the conference was to develop additional inclusion strategies in the virtual environment and then to share with those teachers who did not attend, general education and special education teachers alike.

This year, we will continue to focus on the areas in which we are struggling and to ensure that all of our professional development clearly aligns to our areas of academic deficiency and charter goals. We plan to attend the Solution Tree Professional Learning Communities at Work conference to make sure all the administrators and several new staff members have a firm handle on PLCs, how they should be structured, their purpose, their use, and their implementation. A big part of our improvement plan for this year is to relaunch PLCs so they are used the right way – with a focus on SMART goals, data, and student achievement.

The other focuses will be teaching math and reading. We understand that professional development funds will need to be used on these key areas to drive student achievement.

^[1] <http://www.advanc-ed.org/source/challenges-measuring-online-school-performance>

^[2] <https://www.learntechlib.org/p/150993/>