

BACKGROUND INFORMATION:

New Mexico currently has 20 micro school districts—districts serving fewer than 200 students—that are situated in entirely rural areas as defined by the U.S. Census Bureau. Collectively, these micro districts serve 2,360 students, accounting for roughly 0.8 percent of the state's total student population. In FY25, these districts received \$61.7 million in formula funding through the State Equalization Guarantee (SEG) distribution, representing 1.5 percent of New Mexico's total educational appropriation. That year, formula funding per student in micro districts totaled \$26.1 thousand, compared to the statewide average of \$13.9 thousand.

A 2014 LFC program evaluation of small and micro districts on the eastern side of the state found student performance was no better in micro districts than larger districts, despite small class sizes, and achievement gaps between English learners (EL) and their peers were particularly large. The evaluation further noted micro districts chronically relied on emergency supplemental funds from the Public Education Department (PED), despite multiple size adjustment subsidies in the funding formula. Additionally, many shifted to longer four-day school weeks and experienced declining enrollment resulting in a significant underutilization of facility spaces that were built for a larger student body.

While the Legislature did not act upon the evaluation's recommendations to incentivize consolidation of micro district administrative functions or redistricting schools to serve at least 2,000 students, the state added a size adjustment factor for micro districts in the SEG formula in 2015 and further added a rural population factor in 2020 to help these districts generate additional funding.

Despite these adjustments to account for the added costs of operating small and rural schools, micro districts still note the formula is not scaled adequately to incentivize participation in certain programs (such as K-12 Plus or bilingual multicultural education). Micro districts also claim funding for increased service levels (such as higher minimum salary levels and instructional hours) is disproportionately allocated to larger districts with more students.

Educational Trends and Outcomes

Micro districts in New Mexico tend to serve fewer English language learners and more Caucasian students than larger local educational agencies (LEA). While the rates of students receiving free or reduced lunch prices and rates of special education identification appear to be on par with other LEAs, micro districts report markedly lower identification rates for gifted students.

Student Enrollment. On average, funded student enrollment in micro districts between FY14 and FY25 grew by 9 percent, although half of these districts experienced enrollment declines over this period—with districts like Reserve and Vaughn losing over half of their student body. Vaughn is now the smallest school district in the state with an enrollment of 43 funded students. In contrast, districts like Mosquero, Roy, and Grady have nearly doubled their enrollment in the last decade, with growth continuing even through the Covid-19 pandemic. Notably,

AGENCY: Public Education Department

DATE: May 13, 2025

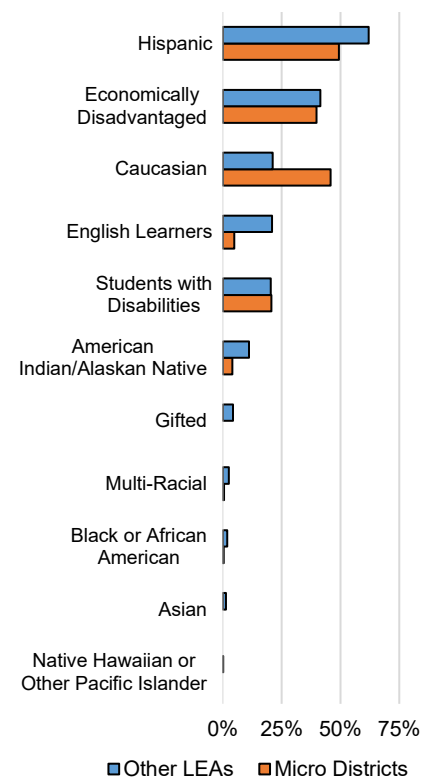
PURPOSE OF HEARING: Education in Micro Districts

WITNESS: Johnna Bruhn, Superintendent, Mosquero Municipal Schools; Edward Fluhman, Superintendent, Roy Municipal Schools

PREPARED BY: Rachel Mabe, Analyst, LFC; Sunny Liu, Analyst, LFC

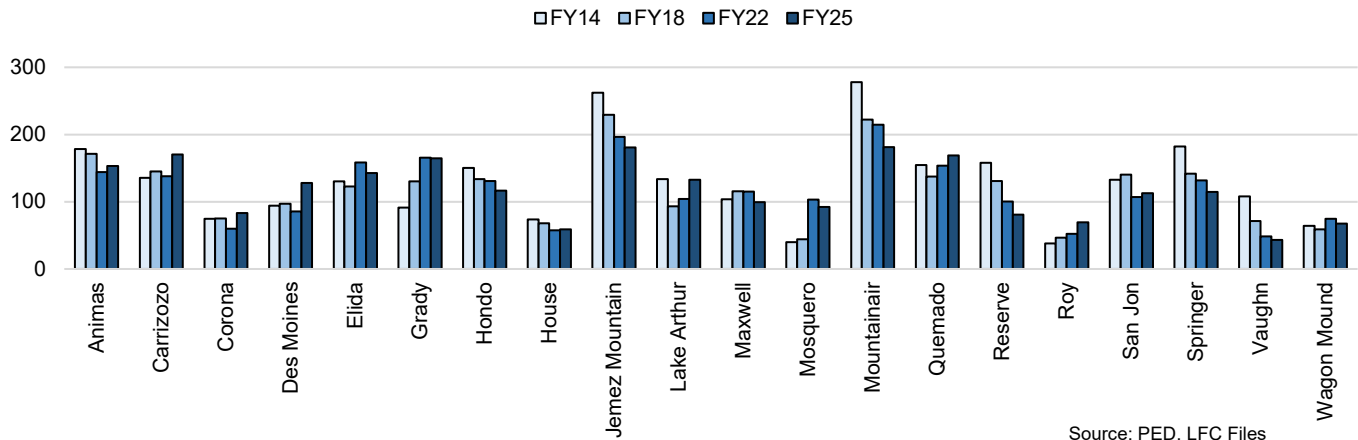
EXPECTED OUTCOME: Informational

Student Demographics



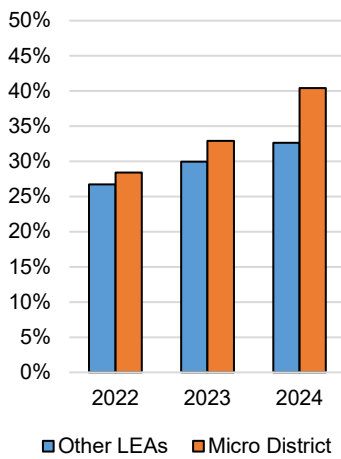
Source: PED, LFC Files

Funded Student Membership in Micro Districts



two districts—Jemez Mountain and Mountainair—lost nearly a third of their enrollment over the last two decades and now qualify as micro districts. Because of their size, even small changes in enrollment have significant fiscal and programmatic impacts on micro districts.

Reading Proficiency Rates



Reading and Math Proficiency. While micro districts report higher student proficiency rates on reading test scores for the state standardized (MSSA) test than other districts, average achievement in math remains low and is not markedly different from statewide performance. As flagged in the 2014 LFC program evaluation, micro districts continue to struggle with supporting English learners (EL). EL students in micro districts report significantly lower proficiency in both reading and math tests.

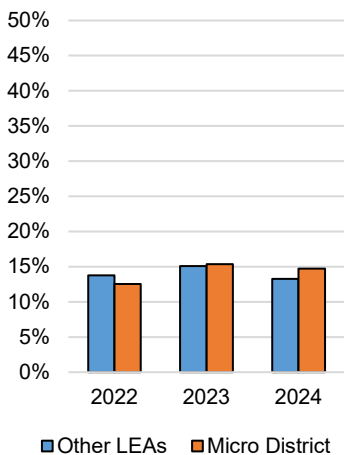
Proficiency Rates by English Learner (EL) Status

		Other LEAs ELs	Other LEAs Non-ELs	Micro Districts ELs	Micro Districts Non-ELs
Reading	2022	7%	30%	0%	29%
	2023	10%	33%	4%	34%
	2024	18%	34%	10%	41%
Math	2022	3%	16%	0%	13%
	2023	4%	17%	0%	16%
	2024	7%	14%	0%	15%

Source: PED, LFC Files

Not every micro district serves EL students, as seven micro districts do not report any EL student enrollment. However, despite serving fewer ELs than other LEAs, ELs in micro districts have larger achievement gaps than ELs other districts. The chronic low performance for this at-risk subgroup remains an ongoing concern considering findings on inadequate EL programs highlighted in the *Martinez-Yazzie* education sufficiency lawsuit.

Math Proficiency Rates

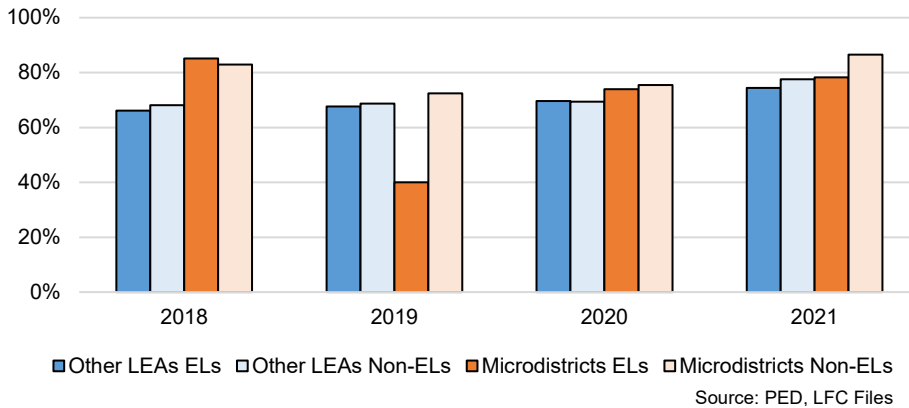


Chronic Absenteeism. Chronic absenteeism in micro districts surged following the pandemic but remains consistently below the statewide average. Prior to Covid-19, absenteeism rates among micro districts typically aligned with, or occasionally surpassed, state averages. Due to small student enrollments, minor fluctuations in attendance can disproportionately influence overall district absenteeism rates. For example, Wagon Mound experienced a dramatic increase

in FY24, with chronic absenteeism reaching 55.6 percent (40 of 72 students), compared to around 10 percent in the previous five years. Similarly, Corona showed considerable variability in absenteeism rates over the last six years, ranging from 0 to 23 percent.

High School Graduation. Micro districts generally report higher 4-year high school graduation rates than other LEAs. Despite historical underperformance in reading and math academic achievement, EL students at micro districts have graduated from micro districts at a higher rate than statewide averages.

High School 4-Year Graduation Rates by EL Status



Graduation rates during the pandemic were notably higher, coinciding with PED’s waivers of normal graduation requirements during school closures and remote learning.

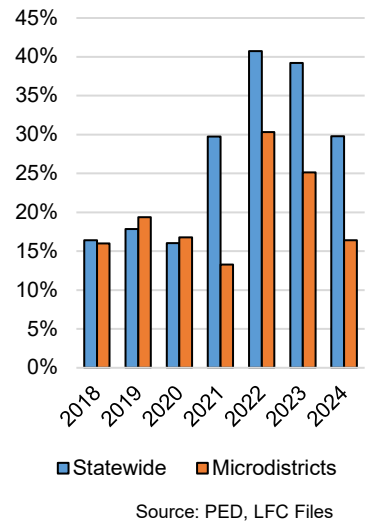
Educational Programming

Micro districts in New Mexico are more likely than larger districts to be on a 4-day school week schedule, have fewer instructional and professional work days, have more school hours per day, have smaller class sizes, employ older teachers with more advanced degrees, and recruit more teachers whose degrees are from out-of-state institutions. Micro districts report fewer students in bilingual multicultural education programs and fewer students receiving intensive special education services.

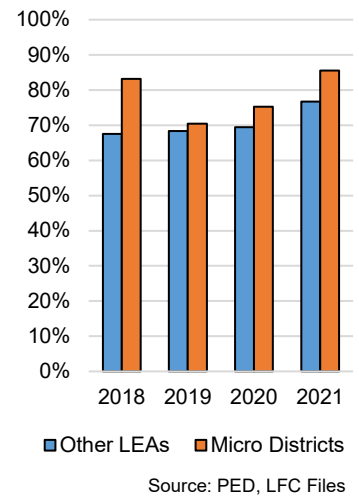
Instructional and Professional Work Time. Except for Des Moines and Lake Arthur, all other micro districts provided a 4-day school week schedule in FY25. On average, micro districts provide 154 days of instruction and 5.6 days of professional work time each year, shorter than other LEAs that provide an average of 178.7 days of instruction and 7.6 days of professional work time.

Staffing Patterns. Staffing in micro districts reflects consistently lower student-to-teacher ratios than larger districts across New Mexico. Between FY19 and FY25, micro district ratios stabilized between 6.7 and 7.5 students per teacher—roughly half the statewide LEA average (14.3 to 15.6 students per teacher). These notably lower ratios suggest greater capacity for individualized instruction. Unlike other LEAs, which have adjusted staffing levels in response to enrollment declines, micro district ratios have remained stable. This trend likely points to limited flexibility in staffing structures.

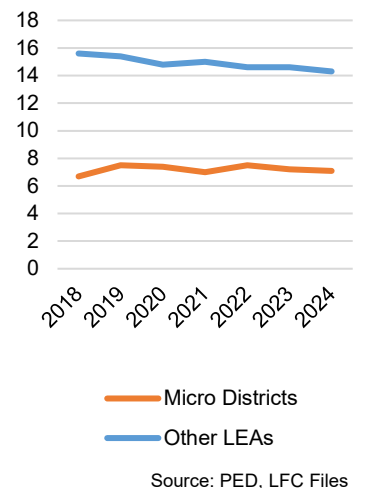
Chronic Absenteeism



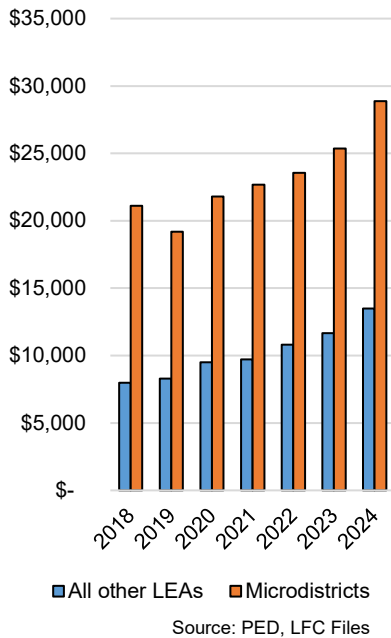
High School 4-Year Graduation Rates



Student-to-Teacher Ratio



Funding-per-Student



Finances and Capital Outlay

Since the 2014 LFC program evaluation, micro districts have seen increased formula funding and, consequently, fewer micro districts are requesting PED emergency supplemental funding. In FY14, 18 micro districts served 2,244 students, or 0.7 percent of the population, and generated \$25.4 million, or 1.1 percent of the SEG distribution.

Operating Revenues. The 2014 LFC program evaluation found smaller districts spend more than double what other districts spend per student, but less of that spending goes to instruction and more in administration. These districts often show signs of inefficiency, with notably higher per-student administrative and operational costs, and have historically depended heavily on supplemental funds.

Micro district operational per-student funding rose from \$21,110 in FY18 to \$28,870 in FY24—a 37 percent increase. In contrast, all other LEAs grew from \$7,986 to \$13,486 over the same period—a larger percentage increase, but from a significantly lower baseline.

Like other LEAs statewide, micro districts significantly increased unrestricted cash balances since the COVID-19 pandemic. From 2019 to 2024, these balances grew nearly 285 percent—from \$3.38 million to \$13.02 million—compared to a statewide rise of 140 percent (\$273 million to \$656 million). Several districts accumulated substantial reserves by June 2024, notably Carrizozo, Grady, Lake Arthur, and Quemado. Grady had the largest reserve at \$1.3 million (40 percent of its program cost). Trends varied: Carrizozo’s reserves surged from \$177,000 (7 percent) in 2022 to \$1.2 million (34 percent) in 2024, while San Jon’s dropped from 29 percent to just 9 percent. Hondo Valley and Wagon Mound maintained stable, modest balances of 3 to 11 percent.

District	Year	Waivers (in thousands)
Maxwell	FY24	\$6,703.2
Springer	FY24	\$9,532.0
San Jon	FY24	\$11,787.8
Hondo	FY24	\$11,420.8
Des Moines	FY23	\$44,646.4
Mosquero	FY22	\$51,304.9
Carrizozo	FY21	\$43,421.9
Mountainair	FY15	\$4,773.3

Measure	Other Districts	Micro District
Average Facility Condition Index (lower is better)	55.2% Fair	77.1% Poor
Average Facility Maintenance Score (higher is better)	72.7% Good	64.2% Fair

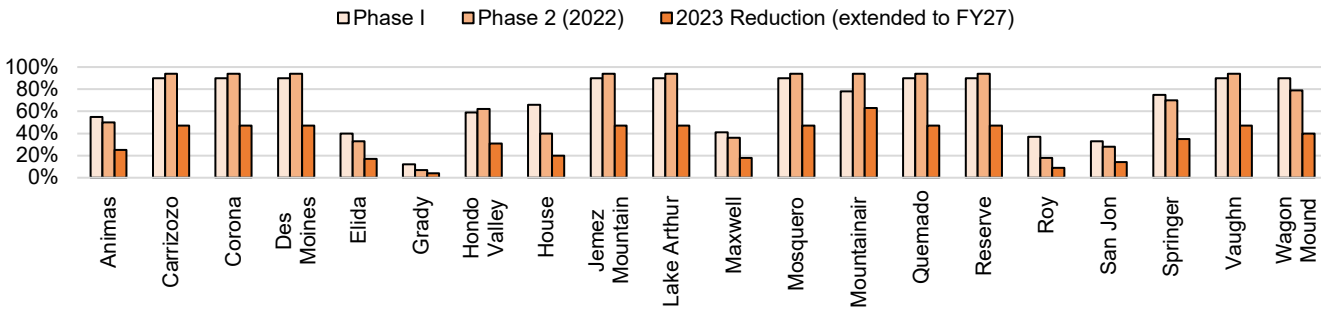
Source: PED, LFC Files

Capital Outlay. Recently, the Public School Capital Outlay Council (PSCOC) awarded several micro districts construction funding to replace aging school facilities. Laws 2025, Chapter 16 (Senate Bill 82), extended the reductions to school district local match requirements for PSCOC-funded projects from 2023, which included a 50 percent reduction for micro districts. The continuation of this a 94 percent local match requirement under the 2022 “phase two” formula, placing almost all the responsibility for school replacements on the district. The Senate Bill 82 reductions cut this match requirement in half until FY27, substantially increasing the incentive for these micro districts to participate in the PSCOC process before the reductions expire.

However, even with the state covering about half of project costs, recent surges in construction costs have made the local match requirement unattainable for many micro districts, despite local efforts to raise levies, bond to capacity, and right-size spaces. With aging facilities in greater need of repair, poorer maintenance practices, and significant operating costs for underutilized space, micro districts are in dire need of facility replacements. But with the high costs of building in rural

areas, a smaller tax base to generate local revenue, and strong community attachments to large auxiliary spaces (such as gyms), micro districts often lack support to embark on wholesale school replacements or must heavily prioritize specific square footage due to fiscal and political constraints.

Legislated Local Match Reductions for PSCOC Projects



Source: PED, LFC Files

PSCOC has created a new minimum of 55 thousand gross square feet for all school replacements, making more facility space eligible for state support, particularly for micro districts with smaller student populations. As a result, the council has waived most or all of the costs of construction after determining the micro district has exhausted all of its available resources.

New Micro District Gross Square Footage



Source: PED, LFC Files