

# Evaluation of the Public School Funding Formula

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A Joint Study –  
Legislative Finance Committee  
Legislative Education Study Committee

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## Table of Contents

|  | <u>Page No.</u> |
|--|-----------------|
| <b>EXECUTIVE SUMMARY .....</b>   | <b>2</b>        |
| <b>FINDINGS AND RECOMMENDATIONS .....</b>  | <b>9</b>        |
| <b>NEW MEXICO NEEDS TO UPDATE THE PUBLIC SCHOOL FUNDING FORMULA TO ENSURE<br/>EFFICIENT ALLOCATION OF RESOURCES ALIGNED WITH RECENT EDUCATION POLICY .....</b> | <b>9</b>        |
| <b>UNCLEAR STATUTES AND RULES AND DEFERENCE TO LOCAL DECISIONS UNDERMINE THE<br/>FAIR DISTRIBUTION OF \$2.3 BILLION IN FUNDING.....</b>                        | <b>21</b>       |
| <b>THE ACCOUNTABILITY FUNCTION OF PED IS INSUFFICIENT, RESULTING IN UNFAIR,<br/>INACCURATE, AND INEQUITABLE DISTRIBUTION OF PUBLIC RESOURCES.....</b>          | <b>34</b>       |
| <b>AGENCY RESPONSE .....</b>   | <b>39</b>       |
| <b>APPENDIX A: CURRENT AND PROPOSED FUNDING FORMULAS .....</b>   | <b>48</b>       |
| <b>APPENDIX B: FISCAL IMPACT OF FORMULA CHANGES ON DISTRICTS AND CHARTERS .</b>  | <b>50</b>       |
| <b>APPENDIX C: SAMPLE PERFORMANCE BASED BUDGETING DOCUMENT .....</b>   | <b>56</b>       |
| <b>APPENDIX D: DATA-BASED FINDINGS.....</b>  | <b>58</b>       |
| <b>APPENDIX E: OBJECTIVES AND METHODOLOGY .....</b>  | <b>59</b>       |
| <b>APPENDIX F: GLOSSARY OF TERMS.....</b>  | <b>61</b>       |

# Evaluation of the Public School Funding Formula

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Joint Study: Legislative Finance Committee & Legislative Education Study Committee

## EXECUTIVE SUMMARY

For FY12, New Mexico will allocate about \$2.3 billion through its public school funding formula to 173 school districts and charter schools to serve 330 thousand students. Upon initial implementation, New Mexico's funding formula was nationally heralded as a success in providing equitable public education funding. Over 40 years later, New Mexico's funding formula still provides comparatively equal access to funding, but has been amended over 80 times to reflect changes in public school policy and finance. The current formula has generally served the state well. However, recent budget challenges, analysis and studies by various groups have highlighted acute formula problems, such as the ineffective allocation of resources to high need areas, administrative complexity, and weakening oversight.

Public education funding formulas reflect public policy goals and establish incentive structures to meet these goals. As such, their impact must be monitored and evaluated and, as necessary, formulas should be modernized. Staff from the Legislative Finance Committee (LFC) and Legislative Education Study Committee (LESC) conducted this joint evaluation to assess the funding formula's efficacy in allocating resources and assess the oversight and administration of the formula by the Public Education Department to ensure resources are allocated in a fair, accurate and equitable manner.

The state's public school formula is too complicated and difficult to administer. Some elements of the funding formula create incentives that run contrary to, or do not effectively support, recent education policy and research. The combination of unclear statutes, rules and weakening management and oversight have undermined the fair and effective allocation of resources. As a result some public schools can, and do, make decisions to maximize their revenue at the expense of others. These practices, though "within the rules," raise serious concerns over basic fairness and undermine the equitable distribution of taxpayer dollars to educate New Mexico's children. Finally, greater accountability for the use of these non-categorical dollars is necessary, particularly given the sizable investment taxpayers have made and the stubbornly small improvements the system has shown. Local public schools do not participate in the Accountability in Government Act and performance-based budgeting despite receiving almost half of appropriations from the general fund.

This report includes recommendations to modernize the state's funding formula that, if implemented, will make the formula more effective, fair, transparent, simpler to understand and administer, and less prone to manipulation by local decision-making. All savings from formula changes should be put back into the formula which will boost the unit value from \$3,586 to an estimated \$3,887. Not all changes will be revenue neutral to local public schools, particularly those that are outliers in certain components of the formula. For these public schools, a hold-harmless program would cost \$48 million. The legislature should consider using some of the state's healthier general fund reserves to implement non-recurring funding for a hold harmless program. Economic uncertainty still exists, however this funding amount would not damage the state's reserve levels which were approaching nine percent at the time of this report.

## KEY FINDINGS

**New Mexico needs to update the public school funding formula to ensure efficient allocation of resources aligned with recent education policy.** The formula's 24 components make it overly complicated and difficult to administer, and a number of these components generate few units that have a minimal impact on school funding.

***Some components do not effectively recognize the cost difference or fairly allocate funding for serving at-risk students.*** Past LFC reports found the formula does not effectively steer resources to the incremental costs needed to educate at-risk students. Other states direct more funds to their at-risk students that are English language learners and/or living in poverty. Those states also use simplified metrics to identify these students rather than the formula's at-risk index, which is a broken component that, when calculated correctly, would direct more funds to districts with fewer at-risk students.

***Formula elements incentivize school practices that run contrary to recent research and policy goals.*** The formula incentivizes districts to identify high levels of class C or D special education (SpEd) students. These SpEd designations distribute more money through the formula and discourage preventative district interventions that keep children out of special education programs. The SpEd funding structure also incentivizes over-hiring of ancillary staff. The 2008 AIR funding formula evaluation recommended the state adopt a census-based special education funding mechanism that other states use to eliminate these incentives.

Additionally, the formula incentivizes districts to hire teachers with more experience and education to increase the district's T&E index value, an important multiplying factor in the formula. This incentive exists despite no clear body of recent research that concludes highly educated teachers with more experience increase student achievement.

***Size adjustments do not effectively target subsidies for scale inefficiencies and invite inappropriate formula chasing.*** District size adjustments do not adequately compensate districts to make up for their administrative inefficiencies, and school size adjustments incent districts to create inefficient school structures. Rural isolation units have exhausted their usefulness, as none were allocated in FY11.

***Special provisions are necessary to fairly recognize charter schools' unique role in the education system.*** Charter schools generally garner more units per student than their district counterparts, which dilutes the formula unit value. In fact, charter schools account for over half of the school districts and charters with per student program costs exceeding \$10 thousand per student in FY10.

**Unclear statutes and rules and deference to local decisions undermine the fair distribution of \$2.4 billion in funding.** Fair and effective administration of the funding formula requires clear and reinforced ground rules for claiming funding. Unclear rules and several different formula-related guidance documents have resulted in inconsistent district-level practices.

***PED distributes funding in ways inconsistent with statute.*** State statute specifies instructional staff to be included in the T&E index calculation; however non-instructional staff are routinely included in the index calculation, which increases the T&E index value. Additionally, new

guidance from PED regarding 3 and 4 year-old developmentally delayed children that require speech-only services is not supported by statute or administrative code. This change has been implemented inconsistently across the state as a result.

Past reports by the LFC have found that charter schools receive size adjustments despite statute language specifically barring charter schools and other special programs from receiving such units.

***Unclear guidance allows districts to claim more funds than necessary for special education services.*** Unclear guidance on how to classify class D special education students, who are allocated at least twice as much funding as any other class of special education student, have led to wide variances in the percentage of special education students categorized as class D. High levels of class D students are connected with significantly higher per student SpEd funding. PED also does not regulate the number of ancillary services FTE through a ratio of ancillary service providers to special education students, as allowed by statute. As a result there is no limit to the number of ancillary services FTE a district or charter can hire.

***Deference to local decisions undermines fairness.*** Districts have been found to create or keep unnecessary small schools to receive small school size adjustments. Additionally, some schools that are housed in the same structure qualify separately for small school size adjustments.

Districts have also implemented policies requiring their teachers to earn a master's degree in order to increase their T&E index value.

***PED could strengthen internal guidance to ensure transparency and consistency.*** The PED does not have documentation of the methodology used to calculate the funding formula's initial unit value and does not have a succession plan in place for important financial leadership positions.

**The accountability function of PED is insufficient, resulting in unfair, inaccurate, and inequitable distribution of public resources.** PED's audits generally contain findings that help recover public funds and maintain the integrity of education programs. However, not enough audits are completed. PED does not have a sufficient audit function in place and has not performed enough audits to be effective in auditing bilingual programs. For example, the current rate of bilingual audits will reach districts and charters only every 17 years. As a result, districts and charters are implementing inconsistent program- and funding-based practices.

***The implementation of performance-based budgeting for public schools starting in FY14 would be of great benefit.*** New Mexico school districts have local control over how their funds are spent and distributed amongst district schools to fit the needs of the students in particular communities. But with no accountability measures in place, districts can direct funds to ineffective programs and policies.

## KEY RECOMMENDATIONS

The legislature should revise the funding formula in the following ways:

- Eliminate components that generate few units or are not funding statewide programs;
- Adjust the at-risk index to pay a cost differential of .15 for percentage of districts students identified as eligible for the free and reduced-price lunch program;
- Adjust bilingual funding to direct a cost differential of .15 towards ELL students statewide;
- Move to a census-based SpEd funding model that funds districts for serving 16% of districts students at a cost differential of 2;
- Replace the T&E index with an “effective” teacher index that only multiplies MEM units with the following values corresponding to licensure: level 1 – 0.75, level 2 – 1, and level 3 – 1.25;
- Repeal all current size adjustment components of the formula and create a new district size adjustment that institutes a new formula using the current total size unit allocation to districts;
- Phase out size adjustments and growth units for charter schools; create a categorical funding program to fund 1<sup>st</sup> year and growth units;
- Any savings from decreased units from the above formula changes should be put back into the unit value;
- Use a 2-year hold harmless to allow districts to adjust to the above changes; and
- Amend the Public School Code to clearly establish a maximum age limitation. The funds needed to serve the students over the maximum age limit in adult basic education programs that are currently served through public education would cost an estimated \$225 thousand.

PED should:

- Implement a home language survey for use by all districts and charters that is valid, reliable, and developed in accordance with state and federal guidelines.
- Develop a written methodology to determine the initial unit value and a succession plan for finance staff currently determining the value.
- Develop a new audit unit that is of sufficient size and skill to meet current administrative requirements for responsibly administering the funding formula. The unit should report directly to the secretary, develop and follow an annual work plan and procedure manual.

## BACKGROUND

Public education funding formulas reflect public policy goals and establish incentive structures to meet these goals. Public education funding totals approximately \$2.3 billion dollars for FY12, almost half of annual general fund appropriations. New Mexico’s funding formula has been amended more than 80 times since the 1970s, and consists of 24 discrete factors addressing specific policy goals. However, not all of these factors allocate resources in a way that ensures student success given modern education policy. Concerns have been raised about the current funding formula; it is generally too complicated, difficult, and costly to administer. The formula contains adjustment factors that allow some districts to generate units unfairly, resulting in fewer resources for other districts and inefficient operations.

Most states distribute public school funding to local education agencies through a funding formula. While formulas differ based on the needs and preferences of the states, the most common form of distribution is a foundation or base formula model, which is used by New Mexico. The foundation or base model provides base funding for all students and includes additional cost differentials based on additional educational needs of students and specific school district structures, such as size. For example, many states have weighted components for at-risk/low-income students or English language learners.

**Table 1. FY11 New Mexico Funding Formula Components with Awarded Funds and Units**

|    | Component                     | Units Awarded | Funds Awarded (in thousands)* | Percentage of Total Funds Awarded |
|----|-------------------------------|---------------|-------------------------------|-----------------------------------|
| 1  | Grade 7-12                    | 181,268       | \$672,898                     | 29.4%                             |
| 2  | Grade 4-6                     | 78,942        | \$293,048                     | 12.8%                             |
| 3  | Grade 2-3                     | 61,115        | \$226,870                     | 9.9%                              |
| 4  | Training and Experience Index | 52,830        | \$196,114                     | 8.6%                              |
| 5  | Related Services FTE          | 46,372        | \$172,141                     | 7.5%                              |
| 6  | Grade 1                       | 31,377        | \$116,477                     | 5.1%                              |
| 7  | Early Childhood Education     | 29,063        | \$107,888                     | 4.7%                              |
| 8  | Class A/B SPED                | 25,170        | \$93,435                      | 4.1%                              |
| 9  | At-Risk                       | 19,856        | \$73,708                      | 3.2%                              |
| 10 | Class D-Level                 | 19,653        | \$72,955                      | 3.2%                              |
| 11 | Senior High Size              | 13,129        | \$48,735                      | 2.1%                              |
| 12 | 3/4 YO DD                     | 10,839        | \$40,236                      | 1.8%                              |
| 13 | Bilingual                     | 9,667         | \$35,884                      | 1.6%                              |
| 14 | Class C SPED                  | 8,631         | \$32,040                      | 1.4%                              |
| 15 | Fine Arts Program             | 8,116         | \$30,130                      | 1.3%                              |

|    |                                   |       |          |       |
|----|-----------------------------------|-------|----------|-------|
| 16 | Elementary/ Jr. High Size         | 7,079 | \$26,280 | 1.1%  |
| 17 | District Size                     | 4,938 | \$18,332 | 0.8%  |
| 18 | Elementary PE                     | 3,908 | \$14,506 | 0.6%  |
| 19 | Growth @ 1.5 units                | 3,113 | \$11,557 | 0.5%  |
| 20 | Growth @ 0.5 units                | 1,581 | \$5,869  | 0.3%  |
| 21 | National Board Certified Teachers | 580.5 | \$2,155  | 0.1%  |
| 22 | Rural Size                        | 29    | \$108    | <0.1% |
| 23 | Charter School Activities         | 7.5   | \$28     | <0.1% |
| 24 | Home School Student Activities    | 2.3   | \$9      | <0.1% |

\* Based on FY11 Unit Value of \$3712.17

Source: PED

Funding formula statutes, rules, and department guidelines are often vague or broad, allowing “unit chasing” and “formula gaming” to occur. In addition, past evaluations and studies have raised concerns about the existing funding formula, its application, and its ability to efficiently steer funding in a fair manner that supports state policy goals. Current economic conditions make now the time to closely analyze how public dollars are spent on education, what needs to be prioritized to improve educational opportunities for New Mexico’s children, and what programs are ineffective and should be eliminated.

In 2008, the American Institutes for Research completed a 16 month study to determine a new funding formula and the cost of a sufficient education for New Mexico students. The AIR study proposed a simplified formula containing a base per pupil cost multiplied by a number of adjustments or multipliers for poverty, English learners, special education, mobility, grade level composition, and enrollment. Among these, bilingual funding would be received by all districts based on ELL population and special education would be census based and funded at a single weight. The AIR study also proposed replacing the training and experience (T&E) index with an index of staff qualifications (ISQ) to reflect the three-tiered licensure system and the average experience and education of staff in New Mexico. Although the study suggested an unfeasible increase in funding for public schools of 14.5 percent (\$345.3 million in 2009 dollars), many of the suggested updates to the funding formula addressed how to more effectively and efficiently allocate state dollars to districts and charters.

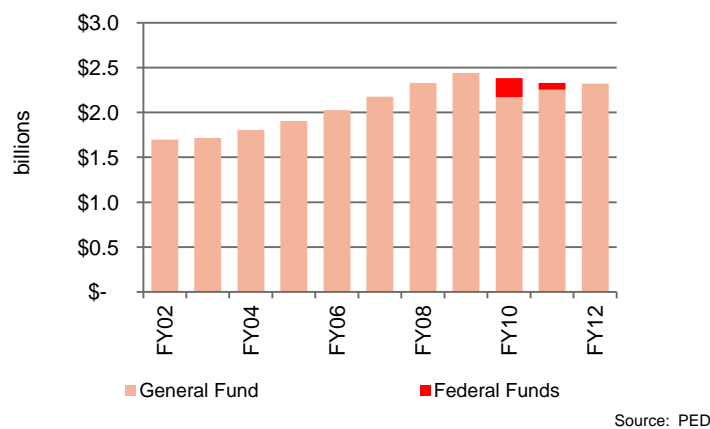
Given the sizable investment in and importance of public education and concerns over the accurate and appropriate distribution of public funds, LFC staff conducted a joint interim evaluation with Legislative Education Study Committee (LESC) staff, resulting in the accompanying findings and recommendations.



## Funding

In the face of decreased state revenues, the Legislature has managed to limit overall reductions to public education. Though state appropriations to public education declined in FY10 and FY11, federal funds available through the American Recovery and Reinvestment Act and Education Jobs Fund programs helped to minimize the blow to public school funding. As of October 2011, it appears that no additional federal stimulus funds will be appropriated, and as a result schools will operate with lower revenues.

**Chart 1. Formula Funding for Public Schools**



Decreases in public school funding and an increase in funding formula units have caused the unit value to decline since FY09. A decline in the unit value affects individual districts and charter schools differently depending on the total number of formula units generated. As districts and charter schools face tough budget decisions, it is reasonable to expect the PED will ensure districts are prioritizing instruction spending during the budget approval process.

**Table 2. Public School Funding Formula Unit Value and Total Units - FY09 - FY11**

|             | 2009    | 2010    | 2011    |
|-------------|---------|---------|---------|
| Unit Value  | \$3,872 | \$3,793 | \$3,712 |
| Total Units | 625,393 | 627,839 | 629,145 |

Source: LFC Volume 2

**Appendix E** outlines the objectives and methodology for the evaluation.

## FINDINGS AND RECOMMENDATIONS

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### **NEW MEXICO NEEDS TO UPDATE THE PUBLIC SCHOOL FUNDING FORMULA TO ENSURE EFFICIENT ALLOCATION OF RESOURCES ALIGNED WITH RECENT EDUCATION POLICY**

**In FY12, the state’s formula used 24 distinct components to distribute \$2.3 billion to 173 districts and charter schools to fund education services for 330 thousand students.** The formula provides financial incentives that are intended to meet state policy goals and recognize cost differences to educate all students in different settings. It is also designed to distribute operational funds to school districts objectively and in a non-categorical manner while providing for local school district autonomy. Formula dollars received by local districts are not earmarked for specific programs; however, districts are allocated more formula units through the formula to compensate for the higher costs of different student populations, activities and programs. The following are some examples of such financial incentives:

- Units generated by the various size adjustment factors in the formula for small and rural schools and districts;
- Units generated by at-risk factors;
- Units generated by growing districts; and
- Save harmless units generated to protect very small districts from declining revenue.

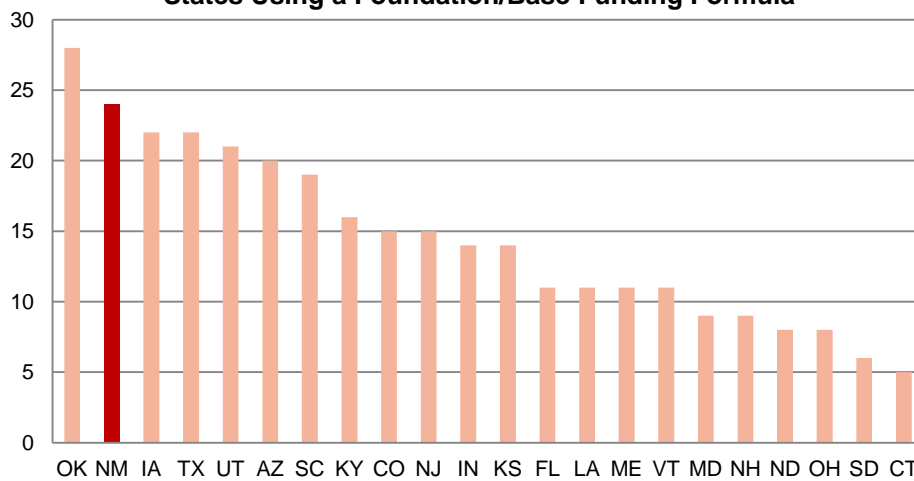
*The Legislature has amended the formula more than 80 times since its inception in 1973.* The formula was amended to recognize the incremental cost in educating at-risk students in 1997, and other factors have been added to support new programs, such as fine arts and elementary physical education. Additional formula amendments were made to prompt statutory data-based refinements to the structure of the formula while maintaining the philosophical concept of educational equity for all students. For example, the cost differentials for basic program, bilingual, special education, and early childhood education units have all been changed and updated since 1990.

*The American Institutes of Research (AIR) review recommended changes that would simplify the distribution of the fund, but exceeded the state’s available resources to implement.* The recommendation included a 14.5 percent increase in funding for additional school days and other assumed costs unrelated to the formula. The study, conducted by the AIR for the Funding Formula Study Task Force, determined the appropriate level of education funding and a proper distribution mechanism. After reviewing the public school funding formula, the study concluded that the state should consider a revised, simplified funding formula that incorporates: (1) a smaller and simplified set of weighting factors to achieve an equitable distribution of funds according to pupil need; (2) a simplified set of programmatic weights for student grade level composition for elementary, middle, and high school students; and (3) an enrollment size

weighting schedule that accounts separately for the scale of district operations and charter school operations. The institute’s final recommendation was a formula with eight total components.

**Numerous components overly complicate the formula and increase administrative burden, yet some have limited fiscal impact on schools.** New Mexico’s funding formula has more components than other states with similar funding mechanisms. With 24 factors, New Mexico’s funding formula has the second most formula components of the 21 states that employ a foundation or base funding formula. The average base formula has 14 formula components. Each funding formula component has administrative and accountability needs that must be met to properly administer the formula at both the state and local levels. Formulas with more components are likely more administratively burdensome than a formula with fewer components and present more opportunities for error or misallocation of funds.

**Chart 2. 2011 Number of Funding Formula Components for States Using a Foundation/Base Funding Formula**



Source: University of Nevada - Reno

***Five components generate a total of 100 units and have minimal to no impact on school funding.*** These components create administrative burden that results in little financial impact on districts and charters. The formula components for home school student activities, rural size, and charter school activities allocated less than 100 units to districts in FY11. Combined, these three factors generated only 0.02 percent of all the units allocated through the formula.

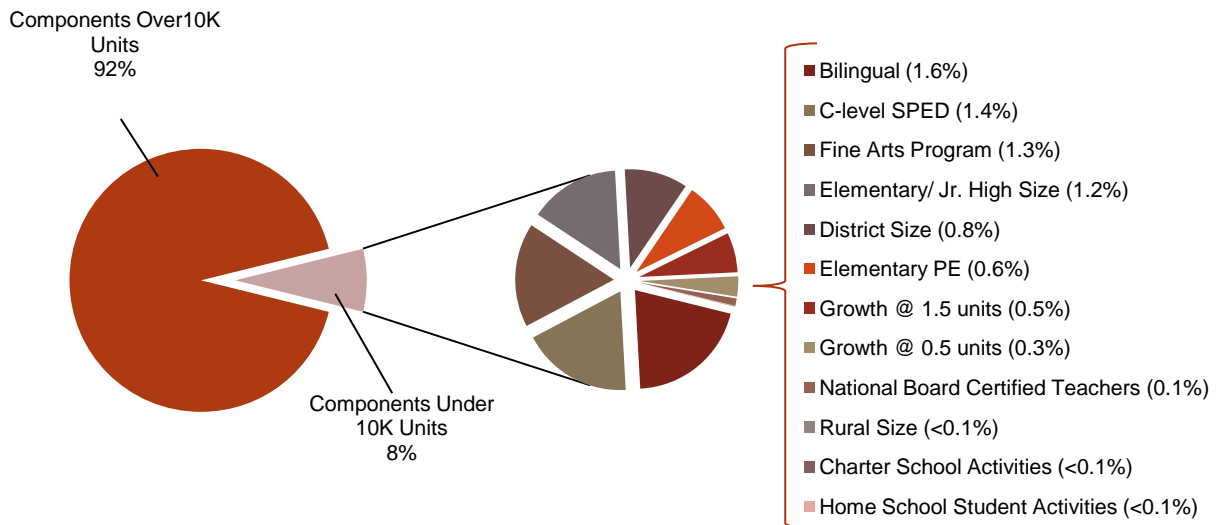
**Table 3. 2011 Small Formula Components and Their Impact on Districts**

| Formula Component              | Units Allocated | Districts Impacted | Average Units per District |
|--------------------------------|-----------------|--------------------|----------------------------|
| Charter School Activities      | 75              | 5                  | 15.0                       |
| Rural Size                     | 29              | 1                  | 29.2                       |
| Home School Student Activities | 2               | 7                  | 0.3                        |

Source: PED

*Some of the 12 components generating less than 10 thousand units each are for special programs that do not benefit students statewide.* Half of the 24 components in the funding formula generate less than 10 thousand units each. These 12 components together generate 8 percent of total units, and none of the 12 components individually generate more than 1.6 percent of total units awarded.

**Chart 3. 2010-2011 Units Awarded**



Source: PED

Only a select number of districts and charter schools receive funds through three of these 12 components and fewer than half benefit from two of these components, bilingual and elementary physical education.

**Some components do not effectively recognize the cost difference or fairly allocate funding for serving at-risk students.** Research has shown that educating at-risk students requires additional resources, although studies recognizing the additional costs necessary to serve at-risk students vary in the estimates of those costs. A 2011 LFC evaluation of southern school districts

found that federal Title I funds supplement state funds aimed toward at-risk students, but the combined funds might not be enough to fully cover the incremental costs to serve the state’s at-risk student population.

***The at-risk index is a broken funding mechanism that is too complex and misallocates funds even when calculated accurately.*** Among the factors in the at-risk index is the mobility rate, but the PED does not calculate the mobility rate accurately, leading to a misallocation of at-risk funds. The mobility rate is currently calculated using seven enrollment codes, assigned to students based on enrollment status. However, due to federal requirements asking for more specific enrollment and withdrawal data, the PED requires districts to track student enrollment through one of 27 codes. Students with enrollment codes not used in the current mobility rate are not counted in the district’s calculation, creating an inaccurate mobility rate used in the at-risk index. For example, a student who withdraws from school and whose whereabouts are unknown is counted under the current mobility formula, but a student who withdraws to attend a Bureau of Indian Education school or to pursue a general education degree or vocational program is not counted.

***A more accurate STARS-based mobility rate would increase the amount of funds directed toward districts but not allocate them to districts with more high-need students, suggesting a broken mobility rate calculation.*** The STARS system calculates the mobility rate by using all the applicable enrollment codes, creating a more accurate picture of a district’s mobility rate. In all, 23 of the 27 enrollment codes are used to calculate the STARS mobility rate. Using this more accurate tool creates more units for districts under the at-risk formula, but allocates them to districts with fewer high-need students.

**Table 4. FY12 Impact of Current Mobility Formula and STARS-Based Mobility Formula on At-Risk Units Generated by Selected Districts**

| District    | At-risk units using Current Mobility Formula | At-risk Units using STARS calculation | Difference | Allocation Difference |
|-------------|--|---------------------------------------|------------|-----------------------|
| Statewide   | 18,333                                       | 18,420                                | 87         | \$321,902             |
| Los Alamos  | 168  | 264                                   | 96         | \$357,427             |
| Rio Rancho  | 331  | 372                                   | 41         | \$150,376             |
| Wagon Mound | 237  | 198                                   | (38)       | (\$142,637)           |
| San Jon     | 565  | 485                                   | (79)       | (\$294,899)           |
| Albuquerque | 4,901  | 4,789                                 | (112)      | (\$415,887)           |
| Gadsden     | 1,589  | 1,354                                 | (235)      | (\$871,722)           |

Source: PED

*Most other states allocate funds to at-risk students with more simple calculations that use federal data.* Performing similar calculations could generate a similar number of units for New Mexico's funding formula while saving administrative time. In addition to mobility, the at-risk index incorporates the district's population of English language learners and students in poverty. Other states that distribute at-risk funds through a funding formula generally use one measure for determining at-risk students, most commonly a federal measure of poverty such as a free and reduced lunch or food stamp eligibility.

*States vary on the incremental dollars allocated for at-risk students, but comparatively, New Mexico allocates a relatively small amount to its most needy students.* At-risk units generated \$71 million in 2011; on a per-student basis, this amounted to less than a 10 percent cost differential to New Mexico students that qualified for free and reduced-price lunch. Other states allocate per-student incremental funds ranging from five percent to 50 percent for students that qualify for free and reduced-price lunch.

**Table 5. Selected States' Incremental Funding for At-Risk Students**

| State          | Additional Funding Provided per At-Risk Student |
|----------------|---|
| Minnesota      | 50%   |
| Georgia        | 30%   |
| Texas          | 25%   |
| Vermont        | 25%   |
| South Carolina | 25%   |
| Missouri       | 25%   |
| Oregon         | 25%   |
| Connecticut    | 25%   |
| Maine          | 20%   |
| Louisiana      | 19%   |
| Michigan       | 12%   |
| Hawaii         | 10%   |
| New Mexico     | 10%   |
| Mississippi    | 5%  |

Source; Verstegen and Jordan, 2009

*Fewer than half of all districts and charters currently receive state funding to support language-related services.* The majority of districts and charters receive no state funding directed to support other language and multicultural education programs. Some districts have sizable ELL populations and do not participate in bilingual programs and therefore, do not receive bilingual units. For example, in 2009-2010, Jal Public Schools had 15.7 percent of their student population classified as ELL but did not receive any bilingual program units. The American Institutes for Research (AIR) funding formula study suggested providing state funding to support language related services by providing a cost differential for ELL students.

***Other states fund English language learners as a separate category based on ELL district population.*** Thirty-seven states provide additional funds for ELL students. The weight given to the ELL students varies greatly among the states; Maine funds up to an additional 60 percent for ELL students. Texas and Arizona provide an additional 10 percent and 11.5 percent, respectively. The 2008 AIR funding formula study recommended that New Mexico discard the overly-complex at-risk index and fund ELL students as a separate funding formula category. The AIR recommended an incremental funding percentage of 9.4 percent.

**Formula elements incentivize school practices that run contrary to recent research and policy goals.** For example, the formula’s special education funding structure encourages over-identification of special education (SpEd) students, especially those classified as C or D. Because of the differentials in the special education funding factors, a class D student generates nearly three times more funding than a class A/B program and twice as much as a class C student. A class C student generates 43 percent more funding than a class A/B student.

**Table 6. Total Funds Generated by Special Education Students in Each Program Class, FY11**

| SPED Program Class | Unit Value | Cost Differential Factor | Total Funds Generated |
|--------------------|------------|--------------------------|-----------------------|
| Class A/B          | \$3,712    | 0.7                      | \$2,599               |
| Class C            | \$3,712    | 1                        | \$3,712               |
| Class D            | \$3,712    | 2                        | \$7,424               |

Source: LFC Documents and NMSA 1978

***Other states use census-based special education funding mechanisms that reduce the fiscal incentive to over-identify special education students and encourage early-intervention and pre-referral strategies.*** Five states (Alabama, California, Massachusetts, North Carolina, and Pennsylvania) employ a census-based special education funding structure, which provides funding based on the total number of students in the school district regardless of the number of special education students served. The 2008 AIR study recommended a similar system for New Mexico, stating, “33 states used special education finance systems based on actual head counts of special education students identified, all of which have exhibited increases in special education enrollment”.

***Special education formula funding encourages excessive hiring of ancillary services FTE, regardless of services to children.*** The funding formula incentivizes excessive hiring of ancillary staff because ancillary and related services FTE are not controlled through a ratio with special education students’ needs. An individual education plan (IEP) team develops an education plan for the child and determines the type and frequency of special education and ancillary services a child should receive. Because the state does not require a district to tie

student IEP requirements to the number of ancillary service and diagnostic service providers claimed through the funding formula, the number of FTE claimed might result in over- or under-staffing of ancillary FTE.

***The training and experience index is not aligned to the three-tiered licensure system.*** Currently, the T&E index produces units and funding for teacher salaries based on years of experience and education level. Both the New Mexico Effective Teaching Task Force final report and the AIR funding formula study recommended better alignment of the T&E index with the three-tiered licensure system.

***The T&E index encourages higher education levels and more years of service, despite inconclusive evidence these factors increase student achievement.*** No clear body of research links higher education level or more years of service with better student outcomes or achievement. A 2009 report from the Urban Institute states that characteristics such as graduate education and experience are at best weak predictors of a teacher's contribution to student achievement. However many states, including New Mexico, continue to use education and experience as the basis for teacher compensation.

***The T&E index allows a rounding up from a half year to a full year which is a practice resulting in inconsistencies across districts.*** The most recent T&E manual states that district or charter school personnel can round years of experience up to the next full year for individuals with half a year of experience. This policy is supported by statutory language allowing years of experience to follow those on district salary schedules. As a result, districts and charters round half years of service differently. These differences result in different T&E index values for similarly experienced teachers.

**Table 7. Days/Hours Equal to One Year for T&E Index Calculations by District/Charter**

| District/Charter   | Days equaling one year according to district* |
|--|---|
| Anansi Charter (Taos District Charter)**                   | Full Year                                     |
| Taos Academy Charter**                                     | Full Year                                     |
| Cariños De Los Niños Charter (Española District Charter)** | Full Year                                     |
| Taos Municipal Schools                                     | 135 days                                      |
| Las Cruces   | 100 days                                      |
| Cobre  | 92 days                                       |
| Deming   | 91 days                                       |
| Silver City  | 91 days                                       |
| APS*   | 87.7 days                                     |

Source: LFC

\*Note some districts use hours rather than days, days reported is a conversion of hours based on a 6.5 hour school day.

\*\*District/Charter uses actual experience and does not round up to years.



**Size adjustments do not effectively target subsidies for scale inefficiencies and invite inappropriate formula chasing.**

For example, small-district size adjustment units do not adequately compensate districts to make up for their administrative inefficiencies. Very small school districts with fewer than 300 students are not given the appropriate amount of funds through the formula to cover operational costs. As a result, a majority claim the greater part of all emergency supplemental funding. From FY07-FY10, districts with fewer than 300 students accounted for more than 66 percent of emergency supplemental allocations, and some of the emergency supplemental payments were larger than the districts’ initial state equalization guarantee payments.

**Table 8. Emergency Supplemental Awarded to Districts with Less than 300 Students**

| District       | Total FY10 MEM | Emergency Supplemental | SEG Allocation | Emergency Supplemental as a % of total funding |
|----------------|----------------|------------------------|----------------|--|
| MOSQUERO       | 44.50          | \$ 550,000             | \$ 487,511     | 53%  |
| ROY            | 51.25          | \$ 700,000             | \$ 653,371     | 52%  |
| CORONA         | 78.50          | \$ 610,000             | \$ 838,423     | 42%  |
| MAXWELL        | 83.00          | \$ 530,000             | \$ 1,051,516   | 34%  |
| HOUSE          | 84.00          | \$ 250,000             | \$ 1,089,759   | 19%  |
| DES MOINES     | 91.50          | \$ 400,000             | \$ 993,198     | 29%  |
| VAUGHN2        | 106.00         | \$ 585,000             | \$ 1,266,756   | 32%  |
| GRADY          | 117.00         | \$ 285,000             | \$ 1,251,891   | 19%  |
| ELIDA          | 126.00         | \$ 280,000             | \$ 1,243,159   | 18%  |
| LAKE ARTHUR    | 140.75         | \$ 860,000             | \$ 1,458,634   | 37%  |
| HONDO          | 166.50         | \$ 270,000             | \$ 1,605,648   | 14%  |
| RESERVE        | 167.00         | \$ 100,000             | \$ 833,610     | 11%  |
| QUEMADO        | 173.50         | \$ 100,000             | \$ 632,530     | 14%  |
| SPRINGER       | 209.75         | \$ 370,000             | \$ 2,167,028   | 15%  |
| LOGAN          | 230.50         | \$ 200,000             | \$ 2,194,002   | 8%   |
| JEMEZ MOUNTAIN | 296.50         | \$ 1,585,000           | \$ 3,033,752   | 34%  |

Source: PED

***Size adjustment units account for a modest number of total units allocated by the formula, but generate more than a third of many district and charter school revenues.*** Small districts that receive size adjustments were dependent on them for up to 44 percent of their total generated units in FY11. In total, 27 of New Mexico’s 89 school districts relied on size adjustments for more than 30 percent of the total generated units under the public school funding formula. Similarly, 28 of New Mexico’s 84 charter schools depended on size adjustments for more than 30 percent of the units they generated under the formula. For the past three fiscal years, size adjustment allocations, which include adjustments not just for district size but also for school size and rural isolation, totaled over \$90 million a year – roughly 4 percent of the total units.

The two small-school size adjustments – one for elementary and junior high schools and one for senior high schools – make up a majority of size adjustment units as a whole.

**Table 9. FY09-FY11 Statewide District and Charter Size Adjustment Revenue**  
(in thousands)

| Size Adjustment Type    | 2009     | 2010     | 2011     |
|-------------------------|----------|----------|----------|
| Elementary/ Junior High | \$27,150 | \$27,289 | \$26,280 |
| Senior Size             | \$44,895 | \$46,709 | \$48,735 |
| District Size           | \$19,404 | \$18,929 | \$18,332 |
| Rural Size              | \$1,893  | \$1,900  | \$108    |
| Total                   | \$93,342 | \$94,827 | \$93,456 |

*Only one district has historically qualified for a rural size adjustment, and no units are projected to be generated in FY12.* Rural isolation units have exhausted their usefulness as a funding formula component. Gallup-McKinley County Schools (GMCS), the only district to receive rural isolation units in the past five years, has not qualified for any units during FY12. Rural isolation units are generated by the number of approved regular senior high schools ineligible for small-school size adjustments units, and are only provided to districts with over 10 thousand student members (MEM) with a ratio of MEM to senior high schools less than 4,000:1. The district has seen a reduction in isolation units since FY10. That decrease in isolation unit revenues has been partially offset by an increase in high school size units.

**Table 10. SY2008-2012 Gallup Rural Isolation Units and Size Units**

| School Year | Isolation Units | HS Size Units | Total Isolation & Size Units | Unit Value | Total HS Size and Isolation Unit Revenue |
|-------------|-----------------|---------------|------------------------------|------------|--|
| 2007-2008   | 460             | 475           | 935                          | \$3,674    | \$3,434,138                              |
| 2008-2009   | 489             | 485           | 973                          | \$3,871    | \$3,768,992                              |
| 2009-2010   | 501             | 452           | 953                          | \$3,793    | \$3,614,494                              |
| 2010-2011   | 29              | 522           | 551                          | \$3,712    | \$2,046,773                              |
| 2011-2012   | 0               | 632           | 632                          | \$3,586    | \$2,267,581                              |

Source: PED

The district could receive isolation units in the future depending on demographic changes at GMCS and its high schools.

*The PED’s process to approve new schools does not include a robust review of need.* The process by which the PED currently approves new schools does not include a formalized review to determine whether the school is necessary and what the fiscal impacts would be for the district.

**Special provisions are necessary to fairly recognize charter schools’ unique role in the education system.** Charter schools can have a unique impact on the funding formula, because these generally small local educational entities are treated as districts in the formula.

*Charter schools generally garner more units per student than their district counterparts, diluting the formula unit value.* A 2010 report from the LFC found the cost per student at charter schools is 26 percent above that of traditional public schools. Since 2002, the growth in the number of charter schools has continued to have a growing impact on total state formula funding.

*Charter schools account for over half, or 32, of school districts and charter schools with per student program cost that exceeded \$10 thousand per student in FY10.* A 2010 LFC program evaluation found ten charter schools received formula funding exceeding \$12 thousand per student. Two charter schools generated more formula funding than the smallest school district in the state. Charter schools have the same high levels of program cost per student and funding formula units per student as many small rural school districts.

**Table 11. Per Student Program Cost by Rank for FY10**  
(charters shaded gray)

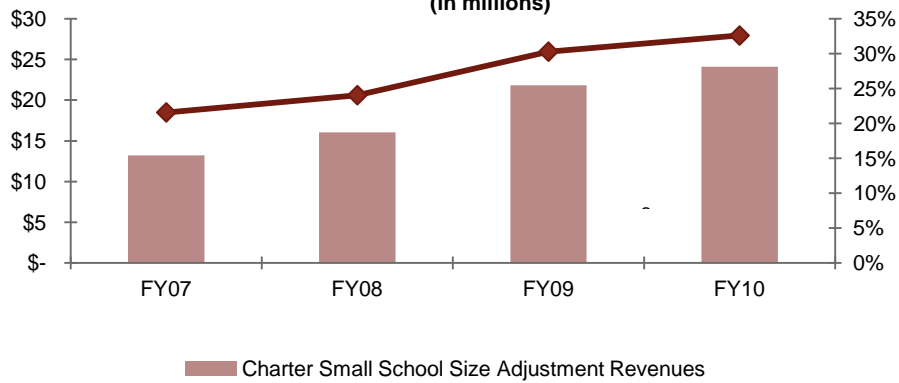
| Rank | District/Charter                 | Per Student Program Cost |
|------|----------------------------------|--------------------------|
| 1    | COTTONWOOD CLASSICAL ST. CHARTER | \$16,054                 |
| 2    | ACADEMIA DE LENGUA Y CULTURA     | \$15,697                 |
| 3    | MOSQUERO                         | \$14,756                 |
| 4    | VAUGHN                           | \$14,127                 |
| 5    | WALATOWA CHARTER HIGH            | \$14,036                 |
| 6    | WAGON MOUND                      | \$13,993                 |
| 7    | LA ACADEMIA DE ESPERANZA         | \$13,918                 |
| 8    | ROBERT F. KENNEDY                | \$13,623                 |
| 9    | LA PROMESA EARLY LEADERSHIP      | \$13,414                 |
| 10   | DES MOINES                       | \$12,953                 |
| 11   | ROY                              | \$12,844                 |
| 12   | RESERVE                          | \$12,609                 |
| 13   | LA RESOLANA LEADERSHIP           | \$12,379                 |
| 14   | TIERRA ENCANTADA CHARTER         | \$12,362                 |
| 15   | RALPH J. BUNCHE ACADEMY          | \$12,341                 |
| 16   | JEFFERSON MONT. ACAD.            | \$12,275                 |
| 17   | HOUSE                            | \$12,234                 |
| 18   | HONDO                            | \$12,227                 |
| 19   | SAN JON                          | \$11,856                 |
| 20   | SPRINGER                         | \$11,797                 |

Source: PED

*In FY10, charter schools generated about \$24.1 million in additional formula funding because of their small size.* Traditional public schools generated an additional \$49.9 million in small-school adjustments in FY10, for a total of \$74 million between both charters and traditional public schools. Formula funding for total size adjustments (small school, rural, and small district) account for more than 30 percent of program cost for 26 school districts or about 29 percent of districts. About 35 percent, or 24 charter schools, rely on size adjustment formula funding for over 30 percent of their program cost. As more small charter schools are authorized the amount of small-school funding increases, in addition to any changes to the unit value.

*Growth at charters is planned and makes it easy for charters to obtain growth units due to their small size.* A 2010 LFC report found charter schools disproportionately benefit from

**Chart 4. Charter School Small School Size Adjustments, FY07 to FY10 (in millions)**



Source: PED

funding for student population growth under the funding formula because of their small size. Charter schools generated \$7.5 million through growth units in FY10, more than 32 percent of growth funding in that year. Because most have fewer than 200 students, charter schools have the advantage in seeking additional funding for growth because the factor is based on percentage growth. School districts and charter schools do not qualify unless enrollment increases by at least 1 percent. This is easy in the average charter school, where just two students represent 1 percent of total enrollment, but more difficult in a district like Rio Rancho, where enrollment must grow by 172 students before the district qualifies. Funding for charter school growth averaged 6 percent, or more than \$100 thousand per school, in FY10, and represented more than 30 percent of total formula funding for some charter schools.

## RECOMMENDATIONS

The Legislature should revise the funding formula in the following ways:

- Eliminate components that generate few units or are not funding statewide programs;
- Adjust the at-risk index to pay a cost differential of 0.15 for percentage of districts students identified as eligible for the free and reduced-price lunch program;
- Change bilingual funding to direct a cost differential of 0.15 towards ELL students statewide;
- Move to a census-based Special education funding model that funds districts for serving 16 percent of district students at a cost differential of two;
- Replace the T&E index with an “effective” teacher index that only multiplies grade-level program units with the following values corresponding to licensure: level 1 – 0.75, level 2 – 1, and level 3 – 1.25;
- Repeal all current size adjustment components of the formula and create a new district size adjustment that institutes a new formula using the current total size unit allocation to districts;
- Phase out growth units for charter schools; create a categorical funding program to fund 1<sup>st</sup> year charter school and charter growth units;
- Any savings from decreased units from the above formula changes should be put back into the unit value; and
- Create a hold harmless program to allow districts to adjust to the above changes

Flow charts that show the differences between the two formulas can be found in **Appendix A**.

## FISCAL IMPACT

The funding formula recommendations, if completely implemented, would make the formula more transparent, simpler to understand and administer, and less prone to manipulation. Overall the funding formula recommendations would result in fewer allocated units (from 634 thousand units to 586 thousand units in FY12) and a higher formula unit value. Based on FY12 preliminary unit value, the unit value would increase from \$3,586 to \$3,887. Initial estimates show the formula changes would also allow the state to claim credits on impact aid funding. Formula changes make funding more equalized, reversing a trend of disqualification from the last two years. Implementing all changes in the formula would cost the state \$48 million to hold districts harmless that receive less funding through the changes.

Given the state’s healthy reserve levels, the Legislature should consider directing these funds to hold harmless those districts that receive fewer funds through the new formula package.

A complete breakdown of the fiscal impact for districts can be found in **Appendix B**.

## **UNCLEAR STATUTES AND RULES AND DEFERENCE TO LOCAL DECISIONS UNDERMINE THE FAIR DISTRIBUTION OF \$2.3 BILLION IN FUNDING.**

**Fair and effective administration of the funding formula requires clear and reinforced ground rules for claiming funding.** Although guidance providing the groundwork for how components of the funding formula are calculated exists in law and administrative rule, gaps lead to serious discrepancies in component calculations.

*The state lacks a comprehensive document detailing all formula statutes, rules and reporting requirements creating a patchwork of guidance to local schools.* Guidance currently available regarding funding formula statutes, rules and reporting requirements are spread among a number of documents within and across programs. For example, the Special Education Bureau has a “Law Rules Guidance” webpage with 73 distinct links and a “Technical Manuals” page that includes links to 15 manuals (ranging in length from four to 312 pages) along with a link to the Quality Assurance Bureau website which contains numerous additional manuals and links to guidance.

*District personnel are sometimes using outdated or incomplete guidance.* The PED provides two documents to support calculation and entry of the T&E index: the *T&E Manual of Procedures for the Calculation of the Training and Experience Index* (2008) and the *Training and Experience Program Instruction Document* (2010). Searching PED’s website for “T&E” produces the training and experience instructions from 2008, 2009, and 2010. As a result, Las Cruces Public Schools, for example, was using an outdated T&E manual, and another district was using only the Program Instruction Document stating that no other guidance was available from PED.

**The PED distributes funding in ways inconsistent with statute.** State statute specifies instructional staff to be included in the T&E index calculation; however, the PED routinely includes other staff in the calculation, even those funded through other formula components. Instructional staff is defined as follows: “personnel assigned to the instructional program of the school district, excluding principals, substitute teachers, instructional aides, secretaries and clerks.”

The PED’s T&E manual incorporates the same definition of instructional staff as in statute. However, the personnel listed as eligible for inclusion in T&E guidance includes principals and positions that would typically be classified as related service, ancillary, or instructional support providers. Many of these positions are also defined in statute as being eligible for units as ancillary staff in special education, meaning that districts are compensated for these staff members in two different formula components. In some districts, more than 40 percent of the

staff included in the T&E index calculation is ancillary staff. Including these staff typically produce higher T&E indexes than including only licensed teachers because they have attained education certifications beyond a bachelor’s degree. In Lovington, ancillary staff such as diagnosticians, speech therapists and physical/recreational therapists have high T&E factors.

**Table 12. Analysis of Lovington Municipal School District’s 2010 T&E Data**

| Job Code                                   | T&E Factor | Avg FTE | Number of Staff | Avg Years Exp |
|--|------------|---------|-----------------|---------------|
| Library/Media Specialists (1212)           | 1.5        | 1       | 1               | 36            |
| Coordinators/Subj Matter Spec. (1211)      | 1.422      | 0.75    | 3               | 21.67         |
| Diagnosticians (1311)                      | 1.357      | 1.1483  | 6               | 19            |
| Teachers-Grades 1-12 (1411 fed stim funds) | 1.242      | 1       | 18              | 24.61         |
| Speech Therapists (1312)                   | 1.222      | 1       | 4               | 23.75         |
| Guidance Counselors/Social Workers (1214)  | 1.212      | 1.0756  | 9               | 17            |
| Physical/Recreational Therapists (1314)    | 1.1        | 1.07    | 2               | 17.5          |
| Teachers-Special Education (1412)          | 1.097      | 0.9662  | 35              | 14.65         |
| Teachers-Grades 1-12 (1411)                | 1.065      | 1       | 20              | 12.52         |
| Interpreters (1317)                        | 1.033      | 1       | 3               | 9.67          |
| Registered Nurses (1215)                   | 1.025      | 1       | 2               | 12.5          |

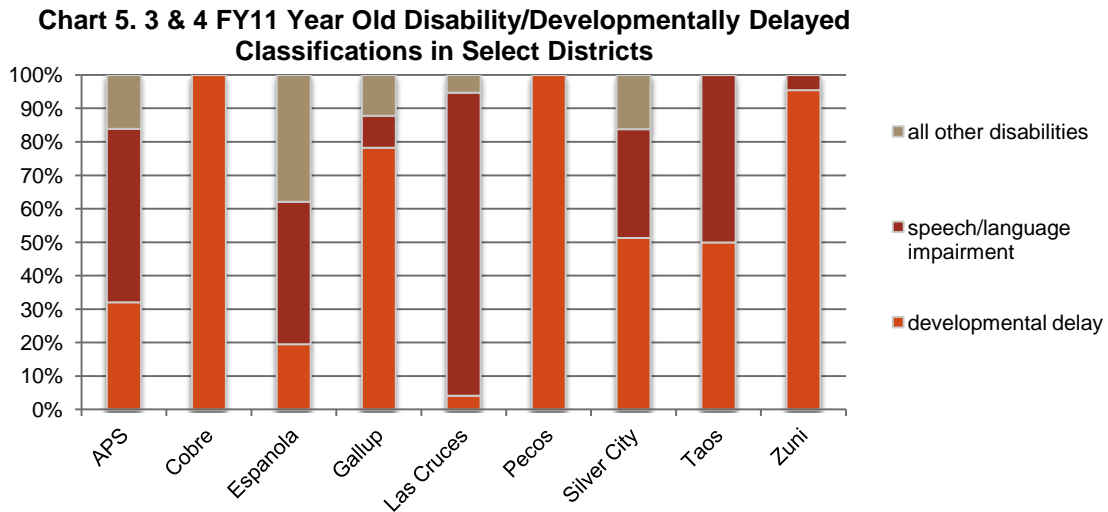
Source: Lovington T&E Data

*The PED’s chart of accounts offers a structure to properly count the training and experience index to better align with state statute.* The PED’s *Chart of Accounts Manual* describes positions included under instructional functions and under other categories such as support services. Instruction positions involve activities with direct interactions between teachers and students and best matches the “instructional staff” definition for T&E index eligibility provided in statute. These staff would be inclusive of PED teaching job codes. Allowing calculation of the T&E index based only on job codes classified as teachers results in a lower T&E index and approximately a 1.7 percent reduction in Lovington’s T&E units and a 1.4 percent reduction for Albuquerque Public Schools.

*PED guidance for funding three- and four-year olds who require only speech services is not supported by current statute.* On July 1, 2011, the PED provided guidance to school districts stating that preschool students who receive “speech only” services not meeting the definition of “special education” in agency rule can only be funded at a minimum, or class A, level of service rather than at class C or D. PED staff indicate that many of the children classified as having “speech/language impairments” are in fact experiencing developmental delays in communication skills. The guidance appears to align with PED rule. However, that rule is not consistent with state statute, which is silent on the issue of services for students who are, by definition, “developmentally delayed” rather than “developmentally disabled.”

*The guidance in the July 1 memorandum could result in a reduction in funding to three- and four- year old special education students in school district programs.* Based on the FY12 preliminary unit value, the change would result in a reduction of \$4,662 per student. Some of this loss of funding to districts could be offset by counting in their state equalization guarantee (SEG) calculation the adjusted ancillary service provider full-time FTE who serve developmentally delayed three- and four-year-olds as therapists and case managers.

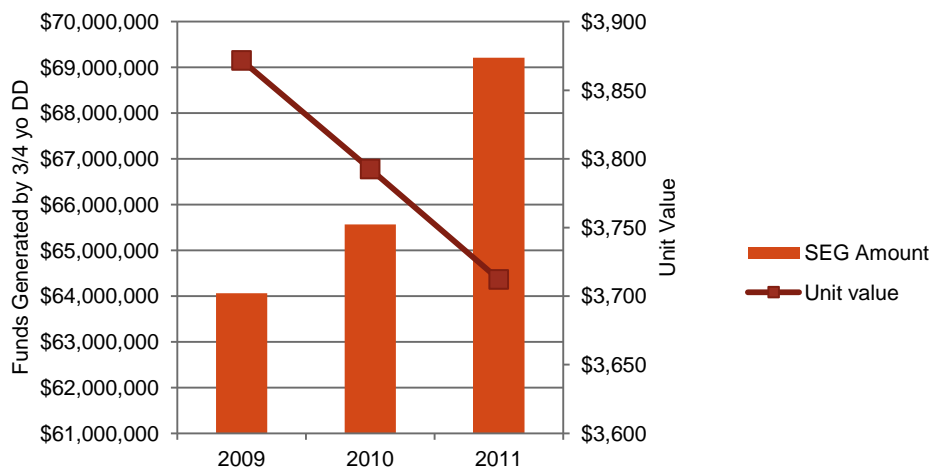
*Changes in special education identification practices for developmentally delayed children have been implemented inconsistently, resulting in differing practices for identification among districts.* In 2007, the administrative code was changed to classify a developmentally delayed child based on new criteria. Some districts have been following the rule change since at least 2009; other districts have yet to implement the rule change. These inconsistent practices among districts and charters have contributed to the large variance in rates of identifying children as developmentally disabled among districts.



Additionally, these inconsistent practices have contributed to over-identification of three- and four-year-old developmentally delayed children, reflected in the increasing cost of developmentally delayed children over the last three years despite declining unit values.



**Chart 6. Cost of 3/4 Year Old DD Programs in NM/Unit Value**



Note that the SEG amount for 3/4 Year Old DD Programs includes applicable ECE half day units (1.44 multiplier) in the calculation above. Source: PED

***It is not clear that size adjustment units in the funding formula are meant to apply to charter schools.*** Charter schools are envisioned as smaller school sites by choice, and are often in urban areas where traditional public schools have available space for students. The Public School Finance Act recognizes this unique status, stating, “Separate schools established to provide special programs, including but not limited to vocational and alternative education, shall not be classified as public schools for purposes of generating size adjustment program units.” For example, alternative high schools and district magnet schools do not receive size adjustment units. The purpose of the Charter Schools Act is “to enable individual schools to structure their educational curriculum to encourage the use of different and innovative teaching methods that are based on reliable research and effective practices or have been replicated successfully in schools with diverse characteristics,” which could be interpreted as a special program.

***The PED has approved schools to qualify for size adjustments even though they share facilities and administrative personnel.*** Past LFC reports found that both Bernalillo and West Las Vegas school districts, with PED approval, classify kindergarten to eighth grade schools as two separate schools - one elementary and one middle school. However, the schools operate under one administration and in a single building. If the schools were appropriately classified as one school by the PED they would not qualify for small school size adjustment units under the funding formula. This classification appears to conflict with the statutory definition of a public school. In FY09, Bernalillo and West Las Vegas generated about \$372 thousand and \$300 thousand, respectively, in school-size adjustment funding because of these school arrangements. Estancia Municipal Schools also claims small school-size adjustments, despite including two small lower elementary schools on one campus.

**A lack of clear PED guidance results in inconsistent funding of districts and charter schools.** Proper guidance and technical assistance is integral to administering the formula because it relies on districts to be consistently counting formula data to fairly distribute public school funds.

***Home language surveys used among districts differ in ways that impact both the validity and reliability of the survey.*** The purpose of the home language survey is to identify children with a first, home, or heritage language other than English. The PED does not standardize the home language survey but does offer templates in the Bilingual Multicultural Education Bureau technical assistance manual. This results in differences in the home language surveys among districts, which could lead to differences in identification. Over-identification potentially added to the \$36 million spent on bilingual programs in FY11. Under-identification can also be very costly because a student who needs but is not receiving ELL services could impact that student’s success and outcomes. Additionally, district surveys can vary in the way the surveys are administered, the number of questions they include, and who they are administered to.

**Table 13. Selected Home Language Survey Element Differences**

| District/Charter            | Number of Items | Item Examples  |
|-----------------------------|-----------------|--|
| Lovington Municipal Schools | 4               | Is a language other than English spoken in your home?                                    |
| Taos Municipal Schools      | 9               | What was the primary (first) language the child learned when she/he first began to talk? |
| Cariños De Los Niños        | 4               | What language(s) does the child listen to?   |
| Taos Academy                | 7               | What language or languages does your child understand?                                   |

Source: Selected Home Language Surveys

PED direction states that if one or more responses on a home language survey confirm the influence of a language other than English on a home language survey then a child should be identified as a student whose primary language is other than English. The identification of an influence of any language other than English among some of the examples presented in the table above is inconsistent with the statutory definition of a primary or heritage language. Furthermore, differences in surveys leave the potential for unreliable identification across districts and charters.

***The PED provides conflicting guidance regarding the bilingual entrance test cutoff score.*** In 2010 and 2011, PED bilingual guidance documents provided contradicting cut scores on the bilingual entrance exam (W-APT) and different testing windows. Depending on which manual is used and which pages are read, the classification of a child as an English language learner could vary.

**Unclear guidance allows districts to claim more funds than necessary for special education services.** New Mexico school districts designate class A, B, C or D special education programs based on incomplete guidance from PED. Statewide statute defines each special education class. The PED’s guidance is not established in rule and is limited to samples of individualized education plans (IEPs). In it, the PED creates clear guidelines for designation of class A, B, and C special education programs but leaves identification of class D special education programs vague, creating an inconsistent patchwork of classification criteria.

**Table 14. Definitions of Class A,B,C and D Special Education Students in Statute and PED Guidance**

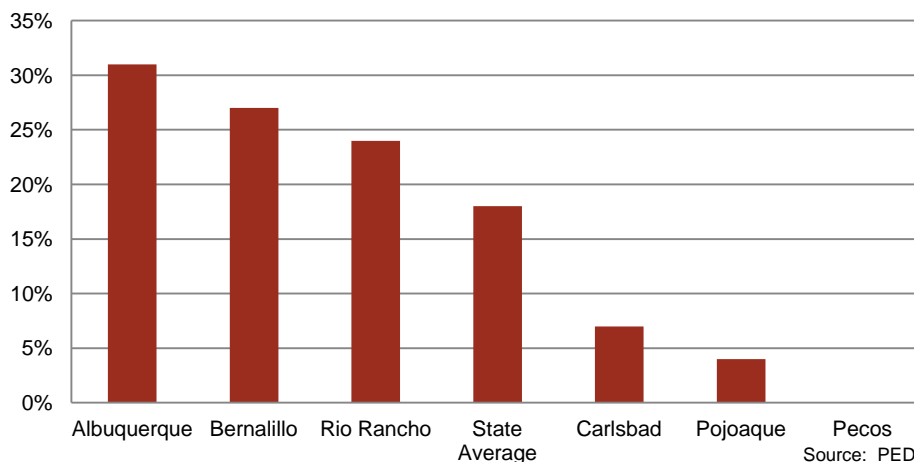
| Special Education Program Type | Statute Definition                                | PED Guidance - SpEd Students Receive Services for:                              |
|--------------------------------|---|---|
| Class A                        | ... <b>minimal</b> amount of special education.   | 10% or less of the school day   |
| Class B                        | ... <b>moderate</b> amount of special education.  | 11%-49% of the school day   |
| Class C                        | ... <b>extensive</b> amount of special education. | 50% of the school day or more   |
| Class D                        | ... <b>maximum</b> amount of special education.   | Approaching a full school day, or 3 Year or 4 year old Developmentally Disabled |

Source: NMSA 22-8-21 and PED's "Developing Quality IEPs"

Without proper guidance on how to properly assign a special education program to a student, districts and charters have begun to make their own thresholds for class D, ranging from 66 percent to 85 percent service levels. Special education students with similar needs could receive different classifications and funding levels depending each district’s policies.

*The share of special education students identified as class C or D varies greatly among districts and suggests inconsistent identification practices across the state.* Some districts have 2 percent of their SpEd population identified as class D, while other districts’ class D students are as high as 45 percent. Sixteen of the 40 largest districts in the state identified less than 9 percent of their SpEd students as class D. Districts with a higher proportion of class D SpEd students generate increased state SpEd funding through the funding formula.

**Chart 7. 2011 Selected Districts' Percent of Class D Total SpEd Population**



*Districts have no limit to ancillary FTE funding because the PED does not have guidelines regulating the ratio of special education students to staff as allowed by state law.* Licensed and certified ancillary service and diagnostic service FTE can be considered for related services funding at 25 units per FTE, or \$89,649 per FTE based on the preliminary FY12 unit value. PED rules defining ancillary service providers can be interpreted to include a number of positions not generally considered ancillary staff eligible for related services funding, such as educational assistants. As a result, the number of students per ancillary FTE varies greatly among districts and charters.

**Table 15. FY11 Special Education Classification and Related Services FTE**

| 10-11 Final Funded                          | A/B MEM   | C MEM    | D MEM    | RELATED SERVICES FTE | Students per FTE |
|---|-----------|----------|----------|----------------------|------------------|
| <b>Districts</b>                            |           |          |          |                      |                  |
| ALBUQUERQUE                                 | 9,028.50  | 2,334.00 | 5,147.50 | 523.83               | 31.52            |
| BERNALILLO                                  | 222.50    | 162.00   | 144.50   | 25.58                | 20.68            |
| CENTRAL CONS.                               | 1,029.00  | 132.00   | 110.50   | 23.49                | 54.13            |
| COBRE CONS.                                 | 115.50    | 30.00    | 24.50    | 25.20                | 6.75             |
| EUNICE                                      | 42.50     | 35.00    | 0.50     | 0.40                 | 195.00           |
| FLOYD                                       | 34.50     | 5.00     | 0.00     | 0.41                 | 96.34            |
| QUEMADO                                     | 12.50     | 2.50     | 0.00     | 1.57                 | 9.55             |
| SAN JON                                     | 16.00     | 3.00     | 0.00     | 0.29                 | 65.52            |
| <b>Charters</b>                             |           |          |          |                      |                  |
| AMY BIEHL ST. CHARTER (APS)                 | 32.50     | 6.50     | 7.50     | 3.93                 | 11.83            |
| CIEN AGUAS INTERNATIONAL ST. CHARTER (APS)  | 17.50     | 2.00     | 0.00     | 0.15                 | 130.00           |
| EAST MOUNTAIN ST. CHARTER (APS)             | 85.00     | 4.00     | 0.00     | 0.36                 | 247.22           |
| INT'L SCHOOL MESA DEL SOL ST. CHARTER (APS) | 2.00      | 0.00     | 0.00     | 0.01                 | 200.00           |
| SOUTH VALLEY ACADEMY (APS)                  | 26.50     | 0.00     | 0.00     | 4.26                 | 6.22             |
| STATEWIDE Final Funded FY11                 | 37,385.50 | 8,631.00 | 9,826.50 | 1,854.88             | 30.11            |

Source: PED

PED guidance documents defining the positions that can be included as related service providers are inconsistent. This ambiguity contributes to districts that have similar special education student populations having significantly different levels of special education ancillary staff.

The STARS manual (volume 1, page 5) includes a definition of “related service providers” and lists the following 12 positions: school counselor, school social worker, school nurse, speech-language pathologist, psychologist, physical therapist, physical therapy assistant, occupational therapist, occupational therapy assistant, recreational therapist, interpreter for the deaf, and diagnostician. The STARS manual (volume 2, page 88) provides a list of 16 staff positions classified as related service personnel, including diagnosticians, but not including educational assistants or counselors. In administrative code, PED rules defining instructional support providers, often referred to as related service or ancillary providers, list 15 different positions including educational assistants, counselors, and marriage and family therapists.

***Districts can claim more than one ancillary service FTE per ancillary service provider or diagnostician, generating more revenue for districts without necessarily offering additional services for students.*** Districts that hire ancillary staff to work longer than instructional staff, can count those staff as more than one FTE. For example, in FY11, Cobre Consolidated School District had many of its related services staff counted as 1.2 FTE, generating thousands of dollars in revenue without offering additional services to students. In FY12, Cobre voluntarily reduced the total number of ancillary service FTE from 25.2 to 17. This was largely achieved by reducing each ancillary services provider from 1.2 to 1 FTE. The district plans on reducing their ancillary FTE further, from 17 FTE to 13 FTE in FY13.

**Deference to local decisions undermines fairness.** For example, districts make decisions to create small schools that result in junior high and high school size adjustment units. In 2009, Lovington Municipal Schools built a new wing of their high school to become a new freshman academy. The Lovington Freshman Academy operates on the high school campus and is considered a separate school from Lovington High School, despite sharing administration and facilities with the high school.



Photo 1. Lovington’s Freshman Academy (marked with a red X) sits adjacent to two Lovington High School Buildings (marked with green checkmarks).

Since the inception of Lovington Freshman Academy, Lovington Municipal Schools has received high school size adjustment units. The size adjustment units earned the district an additional \$548 thousand in FY10 and \$561 in FY11.

Zuni Public School District (ZPSD) operates two high schools despite the capacity to serve its high school population in one building. Twin Buttes High School and Zuni High School lie three miles apart and together serve 432 students. Eleven percent of the high school population is served by Twin Buttes. This high school structure allows ZPSD to collect high school size adjustment units for both high schools, though Zuni High School has the capacity to serve all students.

**Table 16. FY11 Zuni High School Membership and High School Size Adjustment Units Compared to a Consolidated Zuni High School**

|                          | Student Membership | HS Size Adjustments Allocated | HS Size Adjustment Funding Allocated |
|--------------------------|--------------------|-------------------------------|--------------------------------------|
| Twin Buttes High         | 49                 | 74                            | \$264,317                            |
| Zuni High                | 383                | 26                            | \$93,038                             |
| “Consolidated” Zuni High | 432                | 0                             | \$0                                  |

Source: PED Form 910B5

*The Southwest Learning Academy charter schools receive size adjustment units for separate schools on the same campus that share administrators and facilities.* The three Albuquerque charter schools are currently operating under one roof and share administrative staff. In FY11, the schools had a combined enrollment of 492 students, yet generated approximately \$886 thousand in size adjustments, 23 percent of the district’s FY11 equalization guarantee allocation.

*The funding formula’s training and experience (T&E) index incentivizes district and charter policies requiring teachers to earn a master’s degree despite uncertain impact on student achievement.* At least five districts have developed policies requiring staff included in the T&E index to obtain a master’s degree to keep their positions. The Lovington superintendent confirmed that such a policy was put in place to boost their district’s T&E index. There is not a conclusive scientific body of research that links higher degree level to higher student achievement; at least two scientific studies link obtaining a master’s degree as having negatively impacting student achievement.

*The funding formula incentivizes participation in an untargeted bilingual program with poor results.* School districts place approximately 40 percent of participating students in the three-hour programs that are the most costly to the state and least effective. Students with greater English deficiencies are not placed based on their proficiency level. Instead, the type of program and hours of instruction are chosen by districts, and not by student needs.

In FY11, ELL students who did not participate in state funded bilingual programs outperformed students in the bilingual program on the ACCESS language proficiency assessment (3.8 compared to 3.5). According to the ACCESS language proficiency assessment, the most costly model (dual language) also has students with the lowest average scores, whereas the model with the lowest hourly requirement (enrichment) produces students with the highest average scores.

**Table 17. Examinees and ACCESS Scores for Students in State Funded Bilingual Programs**

| State Funded*<br>Bilingual Education Program                  | Count of<br>Examinees | Overall<br>Proficiency<br>Level (1-6) |
|---|-----------------------|---------------------------------------|
| Developmental/Maintenance Bilingual (2-3 hours)               | 6,233                 | 3.6                                   |
| Dual Language Immersion (3 hours)                             | 10,371                | 3.3                                   |
| Enrichment (1-2 hours)  | 336                   | 4.0                                   |
| Heritage/Indigenous Language (1-3 hours)                      | 6,291                 | 3.8                                   |
| Not participating in one of these models: Valid value for ESL | 418                   | 3.9                                   |
| Structured English Immersion (N/A)                            | 1                     | 3.9                                   |
| Transitional Bilingual (2-3 hours)                            | 3,888                 | 3.3                                   |

Source: PED

**Incomplete guidance and rule allow districts to obtain funding for students who are not in school full-time or should be educated in a different, more appropriate program.** Over the past three years, the total number of public school students who have reached their 22<sup>nd</sup> birthday by the first day of school has increased 95 percent; 70 percent of this growth is due to charter school enrollments. For example, Gordon Bernell Charter School provides an opportunity for adults who have not been successful in traditional school environments, including inmates at the Bernalillo County Metropolitan Detention Center, to graduate from high school. Since 2008, the school has helped more than 60 students earn high school diplomas. While the program provides a benefit to the state, the student population is one more appropriately served through adult basic education programs. The school claims funding for 145 students between the ages of 26 and 57.

During the 2010-2011 school year, districts and charter schools claimed funding for approximately 627 non-special education students who had reached at least their 22<sup>nd</sup> birthday by the first day of the school year, resulting in funding of approximately \$5.5 million.

Adult students claimed for K-12 funding dilute funding for public schools and would be more appropriately served by adult basic education (ABE). ABE is free to participating adults, and costs the state much less per student. During FY11, the average cost to the state per Kindergarten to 12<sup>th</sup> grade student was almost \$7 thousand, while the average cost to the state per ABE student was only \$267. The ABE division of the Higher Education Department serves those 16 years of age and older who function below the high school completion level.

*The PED is improperly allowing school districts and charter schools to claim funding for special education students that have already attained their 22<sup>nd</sup> birthday by the first day of the school year.* School districts and charter schools claimed at least three special education students who were 22 or older by the first day of the school year in 2008-2009 and three in 2010-2011.

*The state provides full funding for students who do not attend full-time; students in the 12<sup>th</sup> grade can and do attend part-time because they do not need the credits to graduate or are taking college courses through the dual credit program.* According to the Public School Finance Act, to qualify for funding a student must be enrolled at a minimum of one half of the course requirements approved by the PED. This definition has not been clarified in administrative rule and raises public policy questions on why a part-time student should generate full-time funding. Students in the 12<sup>th</sup> grade are most likely to be close to completing graduation requirements and attending part time. Separately, LFC has found that students in home and family school arrangements also attend regular public schools on a part-time basis but generate full funding for school districts.

*The state lacks a uniform standard for determining whether a student is a 12<sup>th</sup> grader.* The statute does not define enrollment requirements for each grade, thus leaving the classification to districts to define. District and school definitions varied widely. For example, within this study's sample high schools, a 12<sup>th</sup> grader is a student with.

**The PED could strengthen internal guidance to ensure transparency and consistency.** The department has no documentation of the methodology used to determine the initial unit value or a succession plan to identify and train the employees that will perform this function in the future. The initial unit value is an estimated unit value released to districts and charter schools each Spring during the budget workshop. Districts use the initial unit value calculation to make significant budget decisions prior to the school year. Because districts rely heavily on the initial unit value, it is important that the estimate is accurate.

*The PED does not have a succession plan in place for important financial leadership positions.* Succession planning is important for to ensure stability in formula implementation. Without proper succession planning, the PED risks losing valuable institutional knowledge and continuity in administration.

Findings related to data and data transmission can be found in **Appendix D**.



## RECOMMENDATIONS

PED should:

- Develop a reliable and valid survey instrument for identifying primary home language other than English (PHLOTE).
- Implement a home language survey for use by all districts and charters that is valid, reliable, and developed in accordance with state and federal guidelines;
- Require that districts and charters develop and describe specific procedures to ensure that all students who have a PHLOTE are identified at each school. These procedures should
  - Ensure appropriate home language surveys (HLSs) are distributed in a language and mode of communication appropriate for the parents (i.e., use of the available translated forms or documented oral translation);
  - Describe any other methods used by the district to effectively identify PHLOTE students (i.e. teacher surveys or recommendations);
  - Identify the procedures for distributing, collecting, maintaining and reviewing the HLS forms; and
  - Provide training to staff on distributing and processing such forms to accurately identify PHLOTE students.
- Develop a written methodology to determine the initial unit value and a succession plan for those currently determining the value.
- Amend the Public School Code to clearly establish a maximum age limitation. The funds needed to serve the students over the maximum age limit in adult basic education programs that are currently served through public education would cost an estimated \$225 thousand.

Should the recommendations from Chapter 1 in this evaluation not be addressed by the Legislature, PED should:

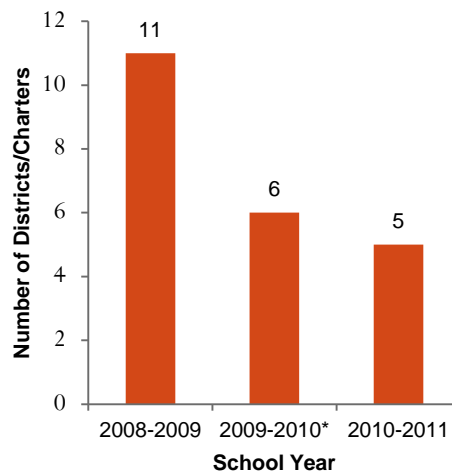
- Count only instructional staff in the T&E index calculation as defined in the *PED Chart of Accounts Manual*, excluding all instructional support providers (related service and ancillary staff).
- Work with the Legislature on a consistent definition of a half year of experience as it relates to the T&E index so that years of experience are counted consistently and accurately across districts and charters;
- Discourage policies requiring employees who are counted in the T&E index to earn master's degrees;
- Promulgate requirements for districts to follow for reporting funding formula data that include identifying the procedures for having records of official transcripts and procedures for verification of staff experience for the T&E index calculation;
- Create a rule that institutes a process for approving public schools to be included in formula calculations that ensures the necessity of those schools;

- Create a rule that defines the percentage of service time needed to classify a student as a class A, B, C, or D-level special education student;
- Set ratios for the amount of ancillary service providers to the number and classification level of special education students, as permitted by statute;
- Promulgate a rule to clarify the definition of instructional positions for use in the T&E index calculation;
- Delay implementing any change in funding to school districts for “speech-only” students until the Legislature has addressed this issue;
- Notify all districts and charters of the statutory requirement regarding identification of developmentally delayed children to include both standardized testing criteria and professional judgment because differing practices regarding this guidance exists;
- Improve communication with districts and charters to ensure that appropriate staff receives updated or changed guidance.

**THE ACCOUNTABILITY FUNCTION OF PED IS INSUFFICIENT, RESULTING IN UNFAIR, INACCURATE, AND INEQUITABLE DISTRIBUTION OF PUBLIC RESOURCES.**

**The PED does not have a sufficient program audit function to ensure that districts' special education and bilingual programs are consistent with rule and statute.** For example, the current rate of the PED bilingual audits will reach each district and charter once every 17 years. The PED has procedures in place to audit districts' and charters' bilingual programs, however, the frequency of audits is insufficient, geographically limited, and declining.

**Chart 8. Districts/Charter Bilingual Programs Audited**



Source: PED  
\*Included a partial audit of APS (10 schools)

For FY11, 84 charters and districts were implementing bilingual programs and five charters and districts (0.06 percent) were targets of focus monitoring visits by PED. If no additional bilingual programs are approved or discontinued, the PED will reach all districts and charters by 2027, allowing a student beginning kindergarten in 2011 to graduate without ever having their school audited.

***The lack of oversight in the bilingual multicultural education program results in inconsistent practices among districts and charters.*** At Taos Academy, for example, PED instruments for identifying students for ELL testing, such as the teacher observation form, are not used. Some class schedules in Lovington only allow for 2 hours and 45 minutes of bilingual education to occur per day despite the district claiming funding for a full three hours. The latter finding regarding “rounding up hours” has also been cited in previous LFC evaluations. Rounding can cost students more than seven school days of home language instruction over the school year.

***PED bilingual audits have uncovered significant findings that affect identification of ELL students and over-identification of students and hours of bilingual program participation.*** For example, Questa Independent School District (Questa) was over-funded for both students and program hours under the bilingual component by \$240 thousand in FY11. The erroneous claims for bilingual funding had occurred since at least FY06. In Española, a PED audit found that students indicating a language other than English on home language survey were not assessed annually for English language proficiency and that home language instructional time did not correspond with the amount of time devoted to other class periods.

***The PED does not have a sufficient special education audit function to ensure that districts are not hiring excessive numbers of ancillary service FTE or over-identifying students.*** Special education membership and ancillary FTE generate approximately 17 percent to 19 percent of total units statewide. According to the PED, the recent audit of school districts and charter schools found instances of misidentified special education students, unusually high rates of ancillary services provided, failure to provide services to children despite having received dollars for these services, and failure to follow federal law on the transition of young children from early intervention into special education preschool services. Given the significant amount of funds generated by special education components, the issues already identified by audits, and lack of clarity in special education guidance, the PED should allocate resources to audit district's special education data on a regular basis.

***The PED does not consistently validate the numbers of ancillary FTE submitted by districts for funding.*** The amounts and types of services needed by special education students should determine the number of ancillary service and diagnostic service FTE required to meet the student's needs. Over time, the number of special education students has decreased while the number of ancillary service providers has increased, indicating a need for a clear definition of those ancillary service providers necessary and eligible for funding through the funding formula. Statewide the special education enrollment per ancillary staff FTE has declined from 36 in FY06 to 33 in FY11. The funding formula does not connect the amount of funding derived from special education students to the amount of funding derived from special education ancillary FTE, which allows districts and charters to claim ancillary service FTE funding for an unlimited number of FTE.

**The PED does not have a sufficient program audit function to ensure that district and charter T&E and membership figures are consistent with rule and statute.** The PED has never met audit performance measures and performance is declining. One of the PED's key quarterly performance measures focuses on completing 100 percent of scheduled audits for the year. Between FY07 and FY08, achievement on this performance measure declined from 90 percent to 75 percent. For FY09, the PED reported that this measure was "in process". In December 2009, the PED provided a status update reporting the lack of an audit schedule, the undermining of assignments for PED's internal audit section, and a significant reduction in staffing. This status for the measure has not changed since December of 2009 in quarterly reporting.

***The PED does not have a sufficient financial audit function to ensure that district membership and T&E indices are consistent with rule and statute.*** Public education funding in New Mexico accounts for nearly 50 percent of the state budget, yet the PED has not had an auditing schedule in place since FY10 and recently dissolved the internal audit section, after initially eliminating two positions in the office through a reduction in force. Recent audits conducted by PED staff members and by a contracted auditing firm have failed to follow commonly accepted auditing standards, and in some cases actionable feedback and recommendations to districts or charters to correct problems have not yet been provided.

***An increasing number of districts/charters combined with high vacancy rate for auditing positions demands a revised auditing strategy.*** Historically, the PED internal audit unit followed an audit schedule that covered all districts and charters every three years. If this plan continues, workload will continually increase. The number of school districts and charters increased 150 from FY07 to 173 in FY12. With at least 11 new charters authorized for FY13, the number of entities in need of an audit will continue to increase.

**Table 18. PED Internal Audit Statistics**

| Year  | FY07 | FY08 | FY09        | FY10        | FY11        | FY12 |
|---|------|------|-------------|-------------|-------------|------|
| Funded Districts and Charters*              | 150  | 153  | 156         | 161         | 170         | 173  |
| Audit Schedule (1/3 <sup>rd</sup> per year) | 50   | 51   | 52          | 53.6        | 56.6        | 57.6 |
| Budgeted Auditors                           | 5    | 5    | 5           | 5           | 4           | 5    |
| Auditor Positions Filled                    | 4    | 3    | 3.3         | 2           | 1           | N/A  |
| Districts Per Budgeted Audit Staff Member   | 10   | 10.2 | 10.4        | 10.7        | 14.2        | 11.5 |
| Percent of Audits Completed on Schedule     | 90%  | 75%  | No Schedule | No Schedule | No Schedule | N/A  |

\*District and charter school counts are from final funded runs in corresponding school year and include both state and district charter schools.

Source: TOOL

***The PED has taken a proactive approach on funding-formula-related audits, but has implemented questionable audit practices in need of revision.*** In April 2011, the PED performed a number of audits of public school districts and charters and later performed audits with contracted financial auditors to perform audits of districts' and charters' special education programs. The PED has taken a proactive approach in holding districts accountable. However, these audits did not follow commonly accepted auditing standards. The PED and contract auditors deviated from the initial scope of work during the course of the audit, the audited entities reported a lack of entry and exit conferences, and the auditors lacked programmatic knowledge.

The PED is implementing a plan to move the audit function out of the Office of the Inspector General and under the Student Budget and Financial Analysis Bureau. Forming the new audit group gives the PED an opportunity to establish formalized audit work standards and an audit schedule.

*T&E audits conducted this year found that over half of files reviewed were incorrect.* Led by the SpEd director, the PED this year reviewed 306 files in the process of auditing five districts and 13 charter schools for T&E. The PED classified more than half (54 percent) of the files reviewed as incorrect. At three district FY11 audits, 100 percent of files reviewed were classified as incorrect. Most districts and charter schools reviewed had file errors that will result in material differences to their T&E calculation.

**The implementation of performance-based budgeting for public schools starting in FY14 would be of great benefit.** New Mexico school districts have local control over how their funds are spent and distributed among district schools to fit the needs of the students in particular communities. But with no accountability measures in place, districts can direct funds to ineffective programs and policies. For example, districts are awarded more funds for their at-risk populations, but no mechanism is in place to ensure that districts are effectively serving this population of children.

The Legislature contemplated including school districts as part of its Accountability in Government Act. Ultimately districts were not included, and no new accountability measure for school districts has been created. Implementing a performance-based budgeting process would allow examination of student achievement along with district budgets. The use of a performance dashboard that includes much of the data districts and charters already collect would give a broad picture of whether district expenditures are working towards student achievement.

An example of performance-based budgeting applicable for districts and charters can be found in **Appendix C.**

## RECOMMENDATIONS

PED should:

- Develop a new audit unit of sufficient size and skill to meet current administrative requirements for responsibly administering the funding formula; and
- Develop a new audit unit that reports directly to the secretary and follow commonly accepted auditing standards, including holding entrance and exit conferences.

## AGENCY RESPONSE



RECEIVED  
LEGISLATIVE  
FINANCE COMMITTEE

STATE OF NEW MEXICO  
PUBLIC EDUCATION DEPARTMENT  
300 DON GASPAR  
SANTA FE, NEW MEXICO 87501-2786  
Telephone (505) 827-5800  
[www.ped.state.nm.us](http://www.ped.state.nm.us)

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HANNA SKANDERA  
SECRETARY OF EDUCATION


SUSANA MARTINEZ  
GOVERNOR

November 14, 2011

### MEMORANDUM

**TO:** Senator John Arthur Smith  
Chairman, Legislative Finance Committee

Representative Rick Miera  
Chairman, Legislative Education Study Committee

**FROM:** Hanna Skandera   
Secretary, Public Education Department

**RE:** Response to LFC Review of the Public School Funding Formula

The Public Education Department (PED) would like to commend the Legislative Finance Committee (LFC) and the Legislative Education Study Committee (LESC) for the effort made to study the New Mexico Public School Funding Formula. The formula is the key component to ensure our districts receive the funding each student is entitled to. The evaluation highlights a number of important issues related to formula components as well as concerns regarding the implementation of the formula by PED. While the review is thoughtful, a number of concerns raised regarding the implementation of the formula appear to be the result of differences in interpretation of statute and rule and not counter to them. While the Secretary holds broad authority over public education in New Mexico, these differences in interpretation point to the need for legislative action to tighten up the application of the formula and establish limits against the broad construal of formula components. The evaluation is thorough and focuses on some important issues that will assist the PED moving forward. A few of the LFC and LESC recommendations do not recognize some new processes and practices that have already been implemented within the PED independent of the evaluation. These will be addressed in our response.

It is also important to remind the committee that New Mexico, as a state, has always supported the concept of allowing local control over educational decisions and program implementation. As such, many of the findings noted in this evaluation implicate changes to this policy by suggesting the PED take a more prescriptive role in areas such as special education program determination, T&E calculations and



reclassifying schools. In many cases, it is unclear the Department has such broad authority particularly with regard to special education.

The Department response does not address general comments and recommendations about the formula contained in the evaluation, but focuses on findings and recommendations specifically involving PED. Many findings and recommendations require substantive policy consideration and PED stands ready to continue working with its legislative partners to further study several of the issues identified in the program review. I believe this type of cooperation will ultimately enable us to continue to provide efficient and effective distribution of public school funding to our districts and charter schools to support the highest quality education of every child in New Mexico.

**The at-risk index is a broken funding mechanism that is too complex and misallocates funds when calculated accurately.**

While the at-risk calculation uses three indicators, the evaluation focused on only one indicator –mobility- to determine whether the at-risk index distributes funding properly. The Department does not agree with the assertion that the PED does not accurately calculate the mobility rate. The at-risk index and the corresponding methodology were added to the formula in fiscal year 1999 as a result of a comprehensive study of the funding formula conducted by LFC, LESC and the Department of Finance and Administration (DFA) and is the methodology used today. This methodology is calculated accurately. The Department agrees that a number of codes have been added to the Student Teacher Accountability Reporting System (STARS) as a result of reporting requirements that are not included in the current calculation. However, a comparison of the calculated at-risk rate using all of the data elements in STARS as stated in the evaluation and the current calculation indicated that changes to the index and the funding generated amounted to about \$29 thousand. Although this is a small amount, to address this concern, the Department has begun work to develop the appropriate queries and beginning in fiscal year 2013 will calculate the mobility rate using all of the mobility data elements in STARS.

Although not directed at the department, the report suggests using free and reduced lunch or food stamp eligibility as a measure for poverty in the index calculation. It is important to note that the information used in both of these measures is dependent on the number of families that actually apply, not necessarily those eligible and in the case of free and reduced lunch the number of eligible families applying falls off considerably in middle school and high school.

**PED's process to approve new schools does not include a robust review of need.**

Currently all requests for permission to reorganize school districts and open or close schools undergo a review by the Strategic Initiatives Division in concert with the Transportation, Budget, School Improvement, Assessment & Accountability, and Capital Outlay bureaus to ensure compliance with existing statute and rule. Although “robust” has a number of connotations, the department agrees that a more comprehensive review is necessary and is committed to working with stakeholders to develop transparent criteria for reviewing requests for permission to reorganize school districts, open new schools, or close schools.

**The Legislature should revise the funding formula as indicated.**

As mentioned above, the department response does not address general comments and recommendations regarding the formula, however it is important to remember that all changes to the formula need to be

weighed against the backdrop of the disparity calculation and the state's ability to continue to take credit for 75 percent of the operational portion of federal impact aid. Losing the ability to take this credit would have an immediate impact on the general fund of at least \$68 million.

**The state lacks a comprehensive document detailing all formula statutes, rules and reporting requirements.**

The department agrees that a comprehensive document does not exist but points out that the sheer volume of guidance, statute and rule if compiled in one place would be extremely burdensome and add confusion to an already confusing situation. The department is currently working on upgrading its website and is committed to working toward a single site that will direct users to the specific guidance needed and alleviate having to navigate among the different bureaus.

**Training and Experience**

***PED distributes funding in ways inconsistent with statute.***

The department disagrees with this assertion regarding the T&E calculation in its entirety. The evaluation reports that "state statute specifies instructional staff to be included in the T&E index calculation" and asserts that the calculation of the T&E index includes non-instructional staff, including ancillary staff. Three sections of statute are implicated in determining the personnel included in the T&E calculation:

- Section 22-8-24.A.1, NMSA 1978 which states that "instructional staff" means the personnel assigned to the instructional program of the school district, excluding principals, substitute teachers, instructional aides, secretaries and clerks.
- Section 22-1-2.AA, NMSA 1978 defines a certified school instructor as a teacher or instructional support provider.
- Section 22-1-2.F NMSA 1978 defines an instructional support provider as a person who is employed to support the instructional program of a school district, including educational assistant, school counselor, social worker, school nurse, speech-language pathologist, psychologist, physical therapist, occupational therapist, recreational therapist, marriage and family therapist, interpreter for the deaf and diagnostician.

***District personnel are sometimes using outdated or incomplete guidance.***

The evaluation notes that the guidance documents being provided by PED are outdated and provides examples. The examples given are the latest documents available with the most recent Manual of Procedures for the Calculation of the Training and Experience Index being an update of the manual completed in 2008. Since no changes have taken place in the interim, updates have not been made. Not all documents are updated annually if no changes are indicated. These documents were developed using the appropriate sections of statute and when this guidance was first developed, staff from the LFC, LESC and DFA were involved in the process. All of the appropriate documents are available on the PED website under 2011 October Training and Experience making it unclear why districts are using incomplete or outdated documents. Also, based on the information from the report, it is difficult to determine what parts of the guidance are confusing and incomplete.

**PED guidance for funding 3- and 4-year-olds who require only speech services is not supported by current statute or administrative code.**

An interesting phenomenon among some districts was identified by the department when examining services being claimed for 3-year-old and 4-year-old special education students statewide. A number of districts were claiming full day special education services, generally reserved for students with the greatest need, for students identified as needing speech only services. Generally, speech only services are for one or two hours a week and provided as a stand-alone service. Students identified as being **developmentally disabled** and requiring full day services are claimed for funding at 2 units per student as noted in the evaluation. Presently all of these children are being claimed at 2 units per special education student regardless of educational need.

Students requiring speech only services under the Individual with Disabilities Education Act, Part B (IDEA-B) are considered to be **speech language impaired** special education students and must be provided services by districts at no cost as part of receiving a free appropriate public education (FAPE), but should not be claimed at the same rate as a student requiring full day intervention. Absent a funding mechanism, districts would be required to provide services to these students without compensation. Should PED limit funding to only 3-year old and 4-year-old students who meet the definition of “developmental disability” under the Developmental Disabilities Act, very few preschool children would qualify for funding under the Public School Finance Act.

To address this issue the department looked at the definition of a “qualified student,” which includes a public school student who is at least 3 years of age and is receiving special education services pursuant to the rules of the department. Using the statutory definition of membership, “the total enrollment of qualified students” the department then looked at special education definitions and determined these students should be classified as either “A” or “B” level students. Translating this to Section 22-8-21 that would mean special education program units for these students would be multiplied by the cost differential factor of 0.7.

As the evaluation reports, a number of districts would see reduced revenue as a result of this change, however, it is inherently unfair to claim full day services for a student who requires very limited intervention. As PED has previously advised, the parts of the Public School Code dealing with children with disabilities need to be updated to align with IDEA, which is a project that the Special Education Bureau and LESC have been working on for some time.

**Changes in special education identification practices for developmentally delayed children have been implemented inconsistently, resulting in differing practices for identification among districts.**

The department disagrees with this assertion in its entirety. The change to the definition of Developmental Delay went into effect on December 31, 2009. School districts were notified of the public comment period on the rule change and each district received written notification of the change along with a copy of the updated rule on January 4, 2010. Training was provided at the Directors Academy on January 11, 2010 and the transitioning technical assistance manual was distributed on February 12, 2010. Additional guidance was issued in December 2010 and April 2011. Training was provided again at the Directors Academy in January 2011. Sign-in sheets from all trainings indicate that essential personnel from most if not all districts have attended at least one of the trainings and were made aware of the rule changes. While it is unclear why districts have been unable or unwilling to implement the rule, the department has again notified districts of the rule and issued notices of noncompliance as needed. The

process for identification is defined in the New Mexico Technical Evaluation and Assessment Manual located on the PED website.

**It is not clear that size adjustments units in the funding formula are meant to apply to small charter schools.**

The reference to and interpretation of Section 22-8-23(A) as it applies to charter schools appears to be flawed. Charter schools are not “separate schools established to provide special programs, including but not limited to vocational and alternative education; but rather, under the provisions of Section 22-8B-2, charter schools are recognized as public schools. These are full service schools that serve as stand-alone schools not special programs or alternative programs attached to another school or district.

**PED has approved schools to qualify for size adjustments even though they share facilities and administrative personnel.**

All but a few schools in operation today have been open for many years, including most of the schools noted in the evaluation. It is clear that many of these schools should be reclassified into single schools, but no criteria or precedent exists to do so unless a district requests a reclassification for the school. At that time all of these concerns will be taken into account to determine the appropriate classification.

**A lack of clear guidance results in inconsistent funding of districts and charter schools.**

***PED direction for calculating the T&E index allows a rounding up from a half year to a full year, which is a practice not identified in statute or code that is applied inconsistently across districts.***

PED guidance for determining years of experience is in accordance with Sections 22-8-24.A(3) and 22-8-24.A(4) NMSA 1978. A review of the guidance package available on the PED website indicates a comprehensive package that appears to address all situations and circumstances. A review of the statutes however, suggests a degree of flexibility available to districts as they establish salary schedules and determine the years of experience they will accept. As to the concern about rounding, the calculation is made using the first payroll in October and uses the position on the salary schedule a staff member occupies as approved by the district.

Section 22-8-24 A(3) provides that, “the number of years of experience to be used in calculating the instructional staff training and experience index is that number of years of experience allowed for salary increment purposes on the salary schedule of the school district.”

Section 22-8-24A (4) states, “the academic degree and additional credit hours to be used in calculating the instructional staff training and experience index is the degree and additional semester credit hours allowed for salary increment purposes on the salary schedule of the school district.” Each school district prepares a separate salary schedule and recognizes years of experience in accordance with their collective bargaining agreements and local policy.

***Home language surveys used among districts differ in ways that impact both the validity and reliability of the survey.***

Bilingual education is valuable part of the department’s efforts to improve the achievement of multilingual students and is a priority. The Department recognizes issues exist with the bilingual program and is working through them at this time. The department is filling the recently vacated director position

and is poised to address concerns raised in the evaluation. With regard to specific concerns, information provided to districts with regard to identifying students is parallel to information located in the Bilingual Multicultural Education Technical Assistance Manual. Procedures for identification of English Language Learners have been sent to all district directors and coordinators and samples of Home Language Surveys are included in the Technical Assistance Manual Appendix III – pages 74-76. As long as the three required questions are asked, districts have the flexibility to ask other questions. The department will work with our assessment staff to address these issues.

***PED provides conflicting guidance regarding the bilingual entrance cutoff score.***

The department issued a memorandum and chart on January 5, 2010 to all New Mexico educators informing of advisory meetings held to determine how to raise the bar for all students and establish placement test cut scores. In addition, the Bilingual Multicultural Education Technical Assistance Manual Chapter 3 reflects information pertaining to WAPT cut scores and procedures for identification of ELL students. The data contained in the technical assistance manual reflects cut score information that is aligned with the January 5, 2010 memo.

In order to ensure districts are kept up to date, a series of training sessions have been held by WIDA staff pertaining to the WAPT administration and scoring. Training sessions by WIDA staff continue to be held annually for new directors/test administrators or for those needing refresher sessions. Also, the WIDA website offers webinar and other resources which are available to New Mexico directors and coordinators.

***Unclear guidance allows districts to claim more funds than necessary for special education services.***

The department disagrees with the assertion that unclear guidance is provided. Service levels for all special education students are determined by an IEP team that includes parents, teachers, advocates, ancillary support providers, school administrators, diagnosticians and any other professionals needed to make an informed decision regarding a student’s program of study. These service levels are established after considering what resources are needed to enable a student to be successful. It is not the role of the department to second guess the IEP team, but to provide assistance if needed to help them make the best decision for the student. In making this assertion, the evaluation focuses on one single definition, that of a “D” level student requiring a “maximum” amount of special education service. In rule, this is defined as needing a “modified program that approaches a full school day.” An example of this would be a student who receives 100 percent of their education in a modified classroom environment where all instruction provided is modified and takes place in the same classroom. Another would be a student that needs to receive all academic instruction in a modified classroom environment but is able to participate in a limited number of electives in the regular classroom (but with an aide present). The former represents a 100 percent program while the latter a 66 percent program, yet both legitimately qualify as “D” level programs. Other than the 3-year old and 4-year old developmental disabled issue addressed above, it may cost more than the amount of funding received for a district to provide a full day modified program for a student, depending on the severity of the disabling condition.

***The share of special education students identified as class C or D varies greatly among districts and suggests inconsistent identification practices across the state.***

It is unclear how the selected districts were chosen for inclusion in the chart on page 24, however it is important to note that both Rio Rancho and Albuquerque have reported for years that families with high need students migrate to the Albuquerque metropolitan area, (APS, Rio Rancho, Bernalillo, Los Lunas and Moriarty) because of better access to healthcare facilities and better support services for their

students. Based on the data presented, this case is made. A more in-depth look at all districts would be needed to determine the accuracy of the finding.

***Districts have no limit to the Ancillary FTE they can get funded for because PED does not have guidelines regulating the ration of special education students to staff as allowed by state law.***

The department agrees with the findings on limits but notes that current statute does not address ancillary FTE ratios. The department is developing rule changes to address this issue and to align these caseloads generally with subsection (H) of 6.29.1.9 NMAC. Changes have been made to STARS for the 2011-2012 school year to track these services more closely.

The department however disagrees with the statement, “PED rules (6.63.3.7) defining ancillary service providers can be interpreted to include a number of positions not generally considered to be ancillary staff for related service funding” and “PED guidance documents defining the positions that can be included as related service providers are inconsistent.” PED rule 6.63.3.7 defines Instructional Support Providers **not** ancillary staff. Specific positions eligible for related services funding can be found in Volume 2 of the STARS manual, page 88.

***Districts can often claim more than one ancillary service FTE per ancillary service provider or diagnostician, generating more revenue for districts without necessarily offering additional services for students.***

The department agrees with this statement. Volume 2 of the STARS Manual, page 127, provides directions to districts on how to request extended contract approval and the documentation required. It appears some districts have been taking advantage of this provision. The department, in its restructuring has created an auditing and accounting function within the School Budget and Financial Analysis Bureau to examine and evaluate units claimed by school districts in all categories. The unit is in the process of developing its FY12 evaluation schedule and plan and will be in the field soon. The department expects issues related to unit claims to be reduced significantly through the work of this unit.

***Incomplete guidance and rule allow districts to obtain funding for students that are not in school full-time or should be educated in a different, more appropriate program.***

State statute defines a qualified student as a public school student who has not graduated from high school, is regularly enrolled in one-half or more of the minimum course requirements approved by the department for public school students, and in terms of age is at least five years old prior to 12:01 on September 1 of the school year, is at least 3-years old at any time during the school year and is receiving special education services, or has not reached the student’s twenty-second birthday on the first day of the school year and is receiving special education services. Statute is silent in the maximum age for non-special education students, therefore making students of any age eligible for K-12 funding if they meet the criteria noted. The department does not disagree that other funding sources might be more appropriate, however current statutes does not provide for this option.

***PED is improperly allowing school districts and charter schools to claim funding for special education students that have already attained their 22nd birthday by the first day of the school year.***

Data submitted to the U.S. Department of Education contradicts this finding. According to the 2010 – 2011 exit report submitted on November 1, 2011, three students reached maximum age (turned 22 after the school year began) and 43 graduated at age 21.

Section 22-1-2 defines a school year as the total number of contract days offered by public schools in a school district during a period of twelve consecutive months. This would indicate that the criteria as to the beginning of a school year might be different district by district. Also, school year by convention refers to the current fiscal year. Depending on how this is construed, different timelines could be in play. This is an area the Legislature may wish to consider revising statutory language.

**PED could strengthen internal guidance to ensure transparency and consistency.**

The department has provided documentation of the methodology and spreadsheets used to determine the initial unit value to LFC staff during the initial data request for this evaluation. Annually, on or about April 1<sup>st</sup>, PED has invited staff from LFC, LESC and DFA as well as other stakeholders to meet with the Deputy Secretary and discuss how the initial unit value will be set.

***PED does not have a succession plan in place for important financial leadership positions.***

Senior department staff recognized this as a significant issue early on and has conducted a system-wide review of all critical positions within the finance divisions. Key personnel and systems were identified and a plan is being developed to ensure standard operating and guidance manuals are in place. In addition, a content based training program is being implemented to ensure each key position has at least one staff member trained to step in if necessary. Administrative service managers are also developing a program to cross train staff among bureaus to step in during staff shortages or during busy times to ensure sufficient staffing of critical systems.

**The accountability function of PED is insufficient, resulting in unfair, inaccurate and inequitable distribution of public resources.**

The department strongly disagrees with this entire section of the evaluation. Program evaluators have not taken into account changes the department has implemented since the beginning of the fiscal year. PED undertook a major restructuring in the fourth quarter of FY11 as a result of decreased appropriations and the need to realign its practices with the priorities of the Governor and the Secretary. One of the most significant changes made was the creation of an audit and accounting group within the School Budget and Financial Analysis Bureau. This in response to concerns raised by the Secretary, our external auditors and legislative partners that PED was not holding districts and charter schools accountable for the number of units claimed and services provided.

While it may be true that in the past the Department may have not focused on these concerns, PED today stands ready to move staff into the field to ensure units are being claimed fairly and in accordance with statute and rule. As a result of our cross training efforts, staff from our Special Education Bureau and our Bilingual Bureau will join with our audit and accounting group to look at all aspects of the formula and ensure units are being claimed accurately. Staff is preparing a long term evaluation plan and schedule to ensure consistent district evaluations take place at least once every three years.

**The implementation of performance-based budgeting for public schools starting in FY14 would be of great benefit.**

Recognizing the need to keep dollars in the classroom, analysts from the School Budget and Financial Accountability Bureau and staff from the department's Priority Schools Bureau worked with districts as they developed their FY12 budgets to not only ensure classroom spending was prioritized, but to ensure a significant return on investment by spending dollars on programs that work. Much effort has been focused on improving the Education Plan for Student Success (EPSS) process to help schools recognize

what is working and what is not and to encourage them to get rid of those programs that are not working. As PED begins to prepare for FY13, staff is working to further refine the process to assist districts in getting more focused on what is working for children. Waiting until FY14 would mean giving up on students who need these reforms now, that's why PED is moving now to improve opportunities for all students in New Mexico.

The Public Education department is grateful for the efforts of the LFC and LESC on this critical issue. The parents and children of New Mexico demand and deserve a system that is fair, efficient and accountable. PED continues to make sure every decision and every dollar is focused on the highest priority of this department: New Mexico's students.

If you have any questions or need additional information, please do not hesitate to contact Paul Aguilar at (505) 827-6519.

cc: Office of the Governor  
Keith Gardner, Chief of Staff, Office of the Governor  
Representative Luciano "Lucky" Varela, Vice-Chair, Legislative Finance Committee  
Senator Cynthia Nava, Vice Chair, Legislative Education Study Committee  
Tom Clifford, Secretary, Department of Finance and Administration  
David Abbey, Director, Legislative Finance Committee  
Frances Ramirez-Maestas, Director, Legislative Education Study Committee  
Paul Aguilar, Deputy Secretary, Finance and Operations, PED  
Christine Stavem, Chief of Staff, PED  
Steve Burrell, Director, School Budget and Finance Analysis Bureau, PED

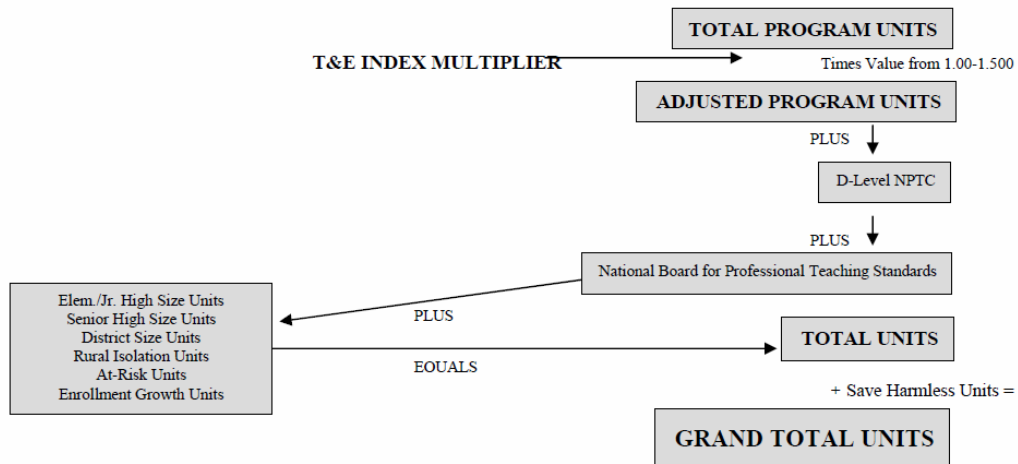


# APPENDIX A: CURRENT AND PROPOSED FUNDING FORMULAS

## Current

### STATE EQUALIZATION GUARANTEE COMPUTATION

| <u>MEMBERSHIP/PROGRAM</u>         |     | <u>TIMES</u> | <u>DIFFERENTIAL=UNITS</u> | S<br>U<br>M<br><br>O<br>F<br><br>U<br>N<br>I<br>T<br>S |
|-----------------------------------|-----|--------------|---------------------------|--|
| Kindergarten & 3- & 4-Year-Old DD | FTE | ×            | 1.440                     |  |
| Grade 1                           | MEM | ×            | 1.200                     |  |
| Grades 2-3                        | MEM | ×            | 1.180                     |  |
| Grades 4-6                        | MEM | ×            | 1.045                     |  |
| Grades 7-12                       | MEM | ×            | 1.250                     |  |
| <b><u>SPECIAL EDUCATION</u></b>   |     |              |                           |  |
| Ancillary                         | FTE | ×            | 25.000                    |  |
| A/B Level                         | MEM | ×            | 0.700                     |  |
| C/D Level                         | MEM | ×            | 1.000                     |  |
| D Level                           | MEM | ×            | 2.000                     |  |
| 3- & 4-Year-Old DD                | MEM | ×            | 2.000                     |  |
| <b><u>BILINGUAL</u></b>           |     |              |                           |  |
|                                   | FTE | ×            | 0.500                     |  |
| <b><u>FINE ARTS EDUCATION</u></b> |     |              |                           |  |
|                                   | FTE | ×            | 0.050                     |  |



**Grand Total Units × Unit Value = Program Cost**

**Program Cost**  
 -75% (Noncategorical Revenue Credits)  
 -Cash Balance Credits\*  
-Utility Conservation Program Contract Payments  
**State Equalization Guarantee**

\* The State takes the cash balance credit as defined in Sec. 22-8-41 NMSA 1978.

**Proposed**

| <b><u>MEMBERSHIP/PROGRAM TIMES</u></b>     |                             |   | <b><u>DIFFERENTIAL=UNITS</u></b> |  |
|--|-----------------------------|---|----------------------------------|--|
| Kindergarten and<br>3&4 YO DD              | FTE                         | X | 1.440                            | <div style="border: 1px solid black; padding: 5px; display: inline-block; text-align: center;">                     S<br/>U<br/>M<br/><br/>O<br/>F<br/><br/>U<br/>N<br/>I<br/>T<br/>S                 </div> |
| Grade 1                                    | MEM                         | X | 1.200                            |  |
| Grades 2-3                                 | MEM                         | X | 1.180                            |  |
| Grades 4-6                                 | MEM                         | X | 1.045                            |  |
| Grades 7-12                                | MEM                         | X | 1.250                            |  |
| Effective Teacher Index                    | Membership/Program<br>Units | X | Value from<br>1.00-1.25          |  |
| <b><u>SPECIAL EDUCATION</u></b>            |                             |   |                                  |  |
| 3&4 Year-old DD                            | MEM                         | X | 2.000                            |  |
| Census-based                               | 16% of TOTAL MEM            | X | 2.000                            |  |
| <b><u>ENGLISH LANGUAGE<br/>LEARNER</u></b> |                             |   |                                  |  |
|  | % of TOTAL MEM ELL          | X | .15                              |  |
| <b><u>AT-RISK</u></b>                      |                             |   |                                  |  |
|  | % of MEM eligible for FRPL  | X | .15                              |  |

↓

TOTAL PROGRAM UNITS

+

NATIONAL BOARD FOR PROFESSIONAL TEACHING STANDARDS

+

DISTRICT SIZE ADJUSTMENT

+

HOLD HARMLESS

=

GRAND TOTAL UNITS

**Grand Total Units x Unit Value = Program Cost**

**Program Cost**

-75% (Noncategorical Revenue Credits

-Cash Balance Credits\*

-Utility Conservation Program Contract Payments

**State Equalization Guarantee**

## APPENDIX B: FISCAL IMPACT OF FORMULA CHANGES ON DISTRICTS AND CHARTERS

**Table 19. FY12 Program Cost Change Between Current Formula and Formula with Proposed Changes**

| DISTRICT/CHARTER             | Current Formula Program Cost (in thousands) | Program Cost with Formula Change (in thousands) | \$ Change in Program Cost (in thousands) | % Change in Program Cost | \$ Change in Program Cost with Hold Harmless (in thousands) | % Change in Program Cost with Hold Harmless |
|------------------------------|---|---|--|--------------------------|---|---|
| ALAMOGORDO                   | \$41,032                                    | \$42,655  | \$1,623                                  | 4%                       | \$1,623   | 4%  |
| ALBUQUERQUE                  | \$584,761                                   | \$584,211                                       | -\$551                                   | 0%                       | \$0   | 0%  |
| ACADEMIA DE LENGUA Y CULTURA | \$747                                       | \$588   | -\$159                                   | -21%                     | \$0   | 0%  |
| ALB TALENT DEV SECONDARY     | \$1,251                                     | \$977   | -\$274                                   | -22%                     | \$0   | 0%  |
| ALICE KING COMMUNITY SCHOOL  | \$1,715                                     | \$1,617   | -\$97                                    | -6%                      | \$0   | 0%  |
| BATAAN MILITARY ACADEMY      | \$1,266                                     | \$934   | -\$332                                   | -26%                     | \$0   | 0%  |
| CAREER ACADEMIC TECH ACADEMY | \$1,342                                     | \$924   | -\$418                                   | -31%                     | \$0   | 0%  |
| CHRISTINE DUNCAN COMMUNITY   | \$1,148                                     | \$796   | -\$352                                   | -31%                     | \$0   | 0%  |
| CORRALES INTERNATIONAL       | \$1,248                                     | \$1,202   | -\$46                                    | -4%                      | \$0   | 0%  |
| DIGITAL ARTS & TECH ACADEMY  | \$2,136                                     | \$1,975   | -\$161                                   | -8%                      | \$0   | 0%  |
| EL CAMINO REAL               | \$3,006                                     | \$3,284   | \$278                                    | 9%                       | \$278   | 9.3%  |
| GORDON BERNELL               | \$2,426                                     | \$2,039   | -\$387                                   | -16%                     | \$0   | 0%  |
| LA ACADEMIA DE ESPERANZA     | \$3,015                                     | \$2,216   | -\$799                                   | -26%                     | \$0   | 0%  |
| LOS PUENTES                  | \$1,773                                     | \$1,261   | -\$512                                   | -29%                     | \$0   | 0%  |
| MONTESSORI OF THE RIO GRANDE | \$1,189                                     | \$1,253   | \$64                                     | 5%                       | \$64  | 5.4%  |
| MOUNTAIN MAHOGANY            | \$1,130                                     | \$1,075   | -\$55                                    | -5%                      | \$0   | 0%  |
| NATIVE AMERICAN COMM ACAD.   | \$2,595                                     | \$2,802   | \$207                                    | 8%                       | \$207   | 8.0%  |
| NUESTROS VALORES             | \$1,228                                     | \$866   | -\$362                                   | -29%                     | \$0   | 0%  |
| PAPA                         | \$2,285                                     | \$2,219   | -\$66                                    | -3%                      | \$0   | 0%  |
| ROBERT F. KENNEDY            | \$2,380                                     | \$1,725   | -\$655                                   | -28%                     | \$0   | 0%  |
| SIA TECH                     | \$2,223                                     | \$2,012   | -\$210                                   | -9%                      | \$0   | 0%  |
| SOUTH VALLEY                 | \$2,166                                     | \$1,549   | -\$617                                   | -28%                     | \$0   | 0%  |
| TWENTY FIRST CENT.           | \$1,645                                     | \$1,524   | -\$121                                   | -7%                      | \$0   | 0%  |
| ANIMAS                       | \$2,460                                     | \$2,429   | -\$31                                    | -1%                      | \$0   | 0%  |
| ARTESIA                      | \$24,251                                    | \$23,983  | -\$267                                   | -1%                      | \$0   | 0%  |
| AZTEC                        | \$20,209                                    | \$20,890  | \$681                                    | 3%                       | \$681   | 3.4%  |

|                        |          |          |          |      |         |       |
|------------------------|----------|----------|----------|------|---------|-------|
| MOSAIC ADADEMY CHARTER | \$1,092  | \$1,143  | \$52     | 5%   | \$52    | 4.7%  |
| BELEN                  | \$30,369 | \$31,218 | \$848    | 3%   | \$848   | 2.8%  |
| BERNALILLO             | \$23,857 | \$21,100 | -\$2,757 | -12% | \$0     | 0%    |
| BLOOMFIELD             | \$20,321 | \$20,614 | \$292    | 1%   | \$292   | 1.4%  |
| CAPITAN                | \$3,962  | \$4,636  | \$673    | 17%  | \$673   | 17.0% |
| CARLSBAD               | \$42,409 | \$39,153 | -\$3,255 | -8%  | \$0     | 0%    |
| JEFFERSON MONT. ACAD.  | \$1,375  | \$1,045  | -\$329   | -24% | \$0     | 0%    |
| CARRIZOZO              | \$1,696  | \$1,692  | -\$5     | 0%   | \$0     | 0%    |
| CENTRAL CONS.          | \$44,249 | \$43,373 | -\$876   | -2%  | \$0     | 0%    |
| CHAMA VALLEY           | \$4,157  | \$4,070  | -\$87    | -2%  | \$0     | 0%    |
| CIMARRON               | \$3,550  | \$3,119  | -\$431   | -12% | \$0     | 0%    |
| MORENO VALLEY HIGH     | \$766    | \$535    | -\$231   | -30% | \$0     | 0%    |
| CLAYTON                | \$5,018  | \$4,872  | -\$146   | -3%  | \$0     | 0%    |
| CLOUDCROFT             | \$3,490  | \$3,668  | \$178    | 5%   | \$178   | 5.1%  |
| CLOVIS                 | \$52,749 | \$56,607 | \$3,858  | 7%   | \$3,858 | 7.3%  |
| COBRE CONS.            | \$12,595 | \$10,506 | -\$2,089 | -17% | \$0     | 0%    |
| CORONA                 | \$813    | \$787    | -\$26    | -3%  | \$0     | 0%    |
| CUBA                   | \$5,713  | \$5,284  | -\$429   | -8%  | \$0     | 0%    |
| DEMING                 | \$34,790 | \$36,098 | \$1,307  | 4%   | \$1,307 | 3.8%  |
| DEMING CESAR CHAVEZ    | \$1,460  | \$1,006  | -\$454   | -31% | \$0     | 0%    |
| DES MOINES             | \$832    | \$793    | -\$39    | -5%  | \$0     | 0%    |
| DEXTER                 | \$7,710  | \$8,441  | \$732    | 9%   | \$732   | 9.5%  |
| DORA                   | \$2,729  | \$2,733  | \$5      | 0%   | \$5     | 0.2%  |
| DULCE                  | \$5,771  | \$5,879  | \$107    | 2%   | \$107   | 1.9%  |
| ELIDA                  | \$1,329  | \$1,367  | \$38     | 3%   | \$38    | 2.8%  |
| ESPAÑOLA               | \$29,682 | \$28,178 | -\$1,504 | -5%  | \$0     | 0%    |
| CARINOS DE LOS NINOS   | \$1,657  | \$1,412  | -\$244   | -15% | \$0     | 0%    |
| ESTANCIA               | \$7,167  | \$7,318  | \$151    | 2%   | \$151   | 2.1%  |
| EUNICE                 | \$4,392  | \$5,154  | \$763    | 17%  | \$763   | 17.4% |
| FARMINGTON             | \$65,562 | \$69,657 | \$4,095  | 6%   | \$4,095 | 6.2%  |
| FLOYD                  | \$2,346  | \$2,377  | \$32     | 1%   | \$32    | 1.3%  |
| FT. SUMNER             | \$3,086  | \$3,193  | \$107    | 3%   | \$107   | 3.5%  |
| GADSDEN                | \$93,307 | \$96,799 | \$3,492  | 4%   | \$3,492 | 3.7%  |
| ANTHONY CHARTER        | \$689    | \$464    | -\$225   | -33% | \$0     | 0%    |
| GALLUP                 | \$74,521 | \$77,351 | \$2,829  | 4%   | \$2,829 | 3.8%  |
| MIDDLE COLLEGE HIGH    | \$645    | \$405    | -\$239   | -37% | \$0     | 0%    |
| GRADY                  | \$1,133  | \$1,231  | \$98     | 9%   | \$98    | 8.7%  |
| GRANTS                 | \$26,092 | \$24,413 | -\$1,678 | -6%  | \$0     | 0%    |
| HAGERMAN               | \$3,702  | \$3,999  | \$298    | 8%   | \$298   | 8.0%  |
| HATCH                  | \$9,021  | \$10,603 | \$1,581  | 18%  | \$1,581 | 17.5% |

|   |                  |                  |                 |             |            |          |
|---|------------------|------------------|-----------------|-------------|------------|----------|
| HOBBS                                       | \$50,878         | \$55,470         | \$4,592         | 9%          | \$4,592    | 9.0%     |
| HONDO                                       | \$1,665          | \$1,710          | \$45            | 3%          | \$45       | 2.7%     |
| HOUSE                                       | \$1,163          | \$1,121          | -\$42           | -4%         | \$0        | 0%       |
| JAL   | \$3,246          | \$3,804          | \$559           | 17%         | \$559      | 17.2%    |
| JEMEZ MOUNTAIN<br>LINDRITH AREA<br>HERITAGE | \$2,898<br>\$174 | \$2,753<br>\$122 | -\$145<br>-\$52 | -5%<br>-30% | \$0<br>\$0 | 0%<br>0% |
| JEMEZ VALLEY                                | \$3,262          | \$3,173          | -\$89           | -3%         | \$0        | 0%       |
| SAN DIEGO RIVERSIDE<br>CHARTER              | \$865            | \$696            | -\$168          | -19%        | \$0        | 0%       |
| WALATOWA CHARTER<br>HIGH                    | \$768            | \$474            | -\$294          | -38%        | \$0        | 0%       |
| LAKE ARTHUR                                 | \$1,517          | \$1,404          | -\$113          | -7%         | \$0        | 0%       |
| LAS CRUCES                                  | \$165,794        | \$163,592        | -\$2,202        | -1%         | \$0        | 0%       |
| LA ACADEMIA DOLORES<br>HUERTA               | \$911            | \$804            | -\$107          | -12%        | \$0        | 0%       |
| LAS MONTANAS                                | \$2,025          | \$2,085          | \$60            | 3%          | \$60       | 3.0%     |
| LAS VEGAS CITY                              | \$13,870         | \$13,628         | -\$242          | -2%         | \$0        | 0%       |
| LOGAN                                       | \$2,620          | \$2,748          | \$128           | 5%          | \$128      | 4.9%     |
| LORDSBURG                                   | \$5,372          | \$5,441          | \$70            | 1%          | \$70       | 1.3%     |
| LOS ALAMOS                                  | \$24,300         | \$22,958         | -\$1,342        | -6%         | \$0        | 0%       |
| LOS LUNAS                                   | \$55,400         | \$58,005         | \$2,605         | 5%          | \$2,605    | 4.7%     |
| LOVING                                      | \$5,010          | \$5,145          | \$134           | 3%          | \$134      | 2.7%     |
| LOVINGTON                                   | \$24,282         | \$22,845         | -\$1,437        | -6%         | \$0        | 0%       |
| MAGDALENA                                   | \$4,062          | \$4,092          | \$29            | 1%          | \$29       | 0.7%     |
| MAXWELL                                     | \$978            | \$950            | -\$28           | -3%         | \$0        | 0%       |
| MELROSE                                     | \$2,072          | \$2,194          | \$122           | 6%          | \$122      | 5.9%     |
| MESA VISTA                                  | \$3,778          | \$3,586          | -\$192          | -5%         | \$0        | 0%       |
| MORA  | \$4,737          | \$4,470          | -\$266          | -6%         | \$0        | 0%       |
| MORIARTY                                    | \$21,527         | \$22,089         | \$562           | 3%          | \$562      | 2.6%     |
| MOSQUERO                                    | \$630            | \$568            | -\$62           | -10%        | \$0        | 0%       |
| MOUNTAINAIR                                 | \$3,250          | \$2,978          | -\$272          | -8%         | \$0        | 0%       |
| PECOS                                       | \$5,466          | \$5,504          | \$38            | 1%          | \$38       | 0.7%     |
| PEÑASCO                                     | \$4,697          | \$4,458          | -\$239          | -5%         | \$0        | 0%       |
| POJOAQUE                                    | \$14,327         | \$14,441         | \$114           | 1%          | \$114      | 0.8%     |
| PORTALES                                    | \$21,087         | \$21,228         | \$141           | 1%          | \$141      | 0.7%     |
| QUEMADO                                     | \$1,716          | \$1,598          | -\$118          | -7%         | \$0        | 0%       |
| QUESTA                                      | \$4,053          | \$3,804          | -\$250          | -6%         | \$0        | 0%       |
| ROOTS & WINGS                               | \$414            | \$286            | -\$128          | -31%        | \$0        | 0%       |
| RATON                                       | \$8,905          | \$9,714          | \$809           | 9%          | \$809      | 9.1%     |
| RESERVE                                     | \$2,009          | \$1,851          | -\$158          | -8%         | \$0        | 0%       |
| RIO RANCHO                                  | \$103,628        | \$106,908        | \$3,280         | 3%          | \$3,280    | 3.2%     |
| ROSWELL                                     | \$64,050         | \$66,685         | \$2,635         | 4%          | \$2,635    | 4.1%     |
| SIDNEY GUTIERREZ                            | \$530            | \$378            | -\$152          | -29%        | \$0        | 0%       |

|   |          |          |          |      |         |       |
|---|----------|----------|----------|------|---------|-------|
| ROY   | \$543    | \$507    | -\$36    | -7%  | \$0     | 0%    |
| RUIDOSO   | \$14,711 | \$15,485 | \$774    | 5%   | \$774   | 5.3%  |
| SAN JON   | \$1,398  | \$1,492  | \$94     | 7%   | \$94    | 6.7%  |
| SANTA FE  | \$80,135 | \$84,629 | \$4,494  | 6%   | \$4,494 | 5.6%  |
| ACAD FOR TECH & CLASSICS                        | \$2,624  | \$2,429  | -\$195   | -7%  | \$0     | 0%    |
| MONTE DEL SOL                                   | \$2,860  | \$2,419  | -\$441   | -15% | \$0     | 0%    |
| TIERRA ENCANTADA CHARTER                        | \$1,667  | \$1,238  | -\$429   | -26% | \$0     | 0%    |
| TURQUOISE TRAIL                                 | \$3,010  | \$2,982  | -\$28    | -1%  | \$0     | 0%    |
| SANTA ROSA                                      | \$5,533  | \$5,210  | -\$322   | -6%  | \$0     | 0%    |
| SILVER CITY CONS.                               | \$21,665 | \$20,596 | -\$1,069 | -5%  | \$0     | 0%    |
| SOCORRO   | \$12,239 | \$12,496 | \$257    | 2%   | \$257   | 2.1%  |
| COTTONWOOD CHARTER                              | \$1,108  | \$1,086  | -\$22    | -2%  | \$0     | 0%    |
| SPRINGER  | \$2,327  | \$2,138  | -\$188   | -8%  | \$0     | 0%    |
| TAOS  | \$17,958 | \$17,269 | -\$689   | -4%  | \$0     | 0%    |
| ANANSI CHARTER                                  | \$968    | \$707    | -\$261   | -27% | \$0     | 0%    |
| TAOS CHARTER                                    | \$1,338  | \$1,289  | -\$48    | -4%  | \$0     | 0%    |
| VISTA GRANDE                                    | \$1,093  | \$686    | -\$407   | -37% | \$0     | 0%    |
| TATUM   | \$3,249  | \$3,214  | -\$35    | -1%  | \$0     | 0%    |
| TEXICO  | \$4,775  | \$5,232  | \$457    | 10%  | \$457   | 9.6%  |
| TRUTH OR CONSEQ.                                | \$9,870  | \$10,660 | \$791    | 8%   | \$791   | 8.0%  |
| TUCUMCARI                                       | \$7,924  | \$8,787  | \$863    | 11%  | \$863   | 10.9% |
| TULAROSA  | \$7,102  | \$7,428  | \$326    | 5%   | \$326   | 4.6%  |
| VAUGHN  | \$1,238  | \$1,092  | -\$146   | -12% | \$0     | 0%    |
| WAGON MOUND                                     | \$813    | \$761    | -\$51    | -6%  | \$0     | 0%    |
| WEST LAS VEGAS                                  | \$12,329 | \$12,060 | -\$269   | -2%  | \$0     | 0%    |
| RIO GALLINAS CHARTER SCHOOL                     | \$858    | \$678    | -\$181   | -21% | \$0     | 0%    |
| ZUNI  | \$10,432 | \$10,782 | \$350    | 3%   | \$350   | 3.4%  |
| <b>STATE CHARTER SCHOOLS</b>                    |          |          |          |      |         |       |
| ACADEMY OF TRADES & TECH ST. CHARTER (APS)      | \$1,591  | \$1,113  | -\$478   | -30% | \$0     | 0%    |
| ACE (APS)                                       | \$2,369  | \$1,110  | -\$1,259 | -53% | \$0     | 0%    |
| ALBUQUERQUE INSTI. MATH & SCI. (AIMS) ST. (APS) | \$2,078  | \$1,663  | -\$414   | -20% | \$0     | 0%    |
| ALBUQUERQUE SCHOOL OF EXCELLENCE ST. CHAR (APS) | \$1,739  | \$1,423  | -\$316   | -18% | \$0     | 0%    |
| ALBUQUERQUE SIGN LANGUAGE ST. CHARTER (APS)     | \$735    | \$331    | -\$403   | -55% | \$0     | 0%    |
| ALDO LEOPOLD ST. CHARTER (SILVER CITY)          | \$1,064  | \$645    | -\$420   | -39% | \$0     | 0%    |
| ALMA D' ARTE STATE CHARTER (LAS CRUCES)         | \$1,561  | \$1,139  | -\$422   | -27% | \$0     | 0%    |

|  |         |         |        |      |       |       |
|--|---------|---------|--------|------|-------|-------|
| AMY BIEHL ST. CHARTER (APS)                      | \$2,489 | \$1,821 | -\$668 | -27% | \$0   | 0%    |
| ASK ACADEMY ST. CHARTER (RIO RANCHO)             | \$2,254 | \$1,310 | -\$943 | -42% | \$0   | 0%    |
| CESAR CHAVEZ COMM. ST. CHARTER (APS)             | \$1,678 | \$1,196 | -\$481 | -29% | \$0   | 0%    |
| CIEN AGUAS INTERNATIONAL ST. CHARTER (APS)       | \$1,843 | \$1,329 | -\$514 | -28% | \$0   | 0%    |
| COTTONWOOD CLASSICAL ST. CHARTER (APS)           | \$2,765 | \$2,168 | -\$597 | -22% | \$0   | 0%    |
| CREATIVE ED. PREP INST #1 ST. CHARTER (APS)      | \$1,661 | \$1,149 | -\$512 | -31% | \$0   | 0%    |
| EAST MOUNTAIN ST. CHARTER (APS)                  | \$2,324 | \$2,393 | \$70   | 3%   | \$70  | 3.0%  |
| GILBERT L. SENA STATE CHARTER (APS)              | \$1,729 | \$1,212 | -\$516 | -30% | \$0   | 0%    |
| HORIZON ACADEMY WEST ST. CHARTER (APS)           | \$2,445 | \$2,755 | \$310  | 13%  | \$310 | 12.7% |
| INT'L SCHOOL MESA DEL SOL ST. CHARTER (APS)      | \$1,341 | \$968   | -\$372 | -28% | \$0   | 0%    |
| J. PAUL TAYLOR ACADEMY (LAS CRUCES)              | \$867   | \$981   | \$114  | 13%  | \$114 | 13.1% |
| LA PROMESA ST. CHARTER (APS)                     | \$1,714 | \$1,141 | -\$573 | -33% | \$0   | 0%    |
| LA RESOLANA LEADERSHIP (APS)                     | \$652   | \$416   | -\$236 | -36% | \$0   | 0%    |
| LEARNING COMMUNITY (APS)                         | \$1,956 | \$1,407 | -\$549 | -28% | \$0   | 0%    |
| MASTERS PROGRAM ST. CHARTER (SFPS)               | \$1,208 | \$804   | -\$405 | -33% | \$0   | 0%    |
| MEDIA ARTS COLLAB. ST. CHARTER (APS)             | \$1,503 | \$1,152 | -\$351 | -23% | \$0   | 0%    |
| MONTESSORI ELEMMENTARY ST. CHARTER (APS)         | \$1,915 | \$2,237 | \$321  | 17%  | \$321 | 16.8% |
| NEW AMERICA CHARTER SCHOOL ST. CH. (APS)         | \$2,374 | \$1,853 | -\$521 | -22% | \$0   | 0%    |
| NEW MEXICO INTERNATIONAL SCHOOL (APS)            | \$795   | \$813   | \$19   | 2%   | \$19  | 2.4%  |
| NEW MEXICO SCHOOL FOR THE ARTS ST. CH (SANTA FE) | \$1,972 | \$1,214 | -\$758 | -38% | \$0   | 0%    |
| NORTH VALLEY ACADEMY ST. CHARTER (APS)           | \$2,567 | \$3,048 | \$481  | 19%  | \$481 | 18.7% |
| RALPH J. BUNCHE ACADEMY (APS)                    | \$627   | \$519   | -\$108 | -17% | \$0   | 0%    |
| RED RIVER VALLEY (QUESTA)                        | \$491   | \$387   | -\$104 | -21% | \$0   | 0%    |
| SCHOOL OF DREAMS ST. CHARTER (LOS LUNAS)         | \$2,208 | \$1,456 | -\$752 | -34% | \$0   | 0%    |
| SOUTH VALLEY PREP ST. CHARTER (APS)              | \$995   | \$573   | -\$422 | -42% | \$0   | 0%    |
| SOUTHWEST INTERMEDIATE LEARNING CENTER (APS)     | \$893   | \$738   | -\$155 | -17% | \$0   | 0%    |

|   |             |             |        |      |     |      |
|---|-------------|-------------|--------|------|-----|------|
| SOUTHWEST PRIMARY LEARNING CENTER (APS)   | \$813       | \$667       | -\$146 | -18% | \$0 | 0%   |
| SOUTHWEST SECONDARY LEARNING CENTER (APS) | \$2,194     | \$1,838     | -\$357 | -16% | \$0 | 0%   |
| TAOS ACADEMY ST. CHARTER (TAOS)           | \$1,333     | \$784       | -\$549 | -41% | \$0 | 0%   |
| TAOS INTEGRATED SCHOOL OF ARTS ST. (TAOS) | \$963       | \$668       | -\$295 | -31% | \$0 | 0%   |
| TIERRA ADENTRO ST. CHARTER (APS)          | \$1,587     | \$1,098     | -\$489 | -31% | \$0 | 0%   |
| THE GREAT (APS)                           | \$1,093     | \$802       | -\$291 | -27% | \$0 | 0%   |
| VILLAGE ACADEMY ST. CHARTER (BERNALILLO)  | \$508       | \$287       | -\$221 | -43% | \$0 | 0%   |
| STATEWIDE                                 | \$2,277,026 | \$2,277,026 | -      | -    | \$0 | 0.0% |

**Total Hold Harmless:  
\$48,412**



## APPENDIX C: SAMPLE PERFORMANCE BASED BUDGETING DOCUMENT

### \_\_\_\_\_ School District FYXX Performance Dashboard

|   | FYXX - Actual                         | FYXX- Actual | FYXX- Actual | FYXX- Budgeted |
|---|---------------------------------------|--------------|--------------|----------------|
|   | <b>Revenue</b>                        |              |              |                |
| Cash Balance  |                                       |              |              |                |
| SEG   |                                       |              |              |                |
| Local   |                                       |              |              |                |
| Other   |                                       |              |              |                |
| Total Operation Fund Revenue                                      |                                       |              |              |                |
|   | <b>Expenditures &amp; Performance</b> |              |              |                |
| <b>Instruction</b>  |                                       |              |              |                |
| <i>Percent Proficient in Reading (All)</i>                        |                                       |              |              |                |
| <i>Percent Proficient in Math (All)</i>                           |                                       |              |              |                |
| <i>Percent Proficient in Science (All)</i>                        |                                       |              |              |                |
| <i>Percent Proficient in Reading (At-Risk)</i>                    |                                       |              |              |                |
| <i>Percent Proficient in Math (At-Risk)</i>                       |                                       |              |              |                |
| <i>Percent Proficient in Science (At-Risk)</i>                    |                                       |              |              |                |
| <i>Percent Proficient in Reading (ELL)</i>                        |                                       |              |              |                |
| <i>Percent Proficient in Math (ELL)</i>                           |                                       |              |              |                |
| <i>Percent Proficient in Science (ELL)</i>                        |                                       |              |              |                |
| <i>Percent Proficient in Reading (SPED)</i>                       |                                       |              |              |                |
| <i>Percent Proficient in Math (SPED)</i>                          |                                       |              |              |                |
| <i>Percent Proficient in Science (SPED)</i>                       |                                       |              |              |                |
| <i>(Possible Short Cycle Measures)</i>                            |                                       |              |              |                |
| <i>4-Year Graduation Rate</i>                                     |                                       |              |              |                |
| <i>Average AP Score</i>   |                                       |              |              |                |
| <i>Average Dual Credit GPA</i>                                    |                                       |              |              |                |
| <i>Percent of Graduates Needing Remediation</i>                   |                                       |              |              |                |
| <b>Student Support</b>  |                                       |              |              |                |
| <i>Percent Enrolled in Special Education</i>                      |                                       |              |              |                |
| <i>Percent of SPED Students Requiring Related Services</i>        |                                       |              |              |                |
| <i>Percent of Students Successfully Exiting Special Education</i> |                                       |              |              |                |
| <i>Truancy Rate</i>   |                                       |              |              |                |

|   |  |  |  |  |
|---|--|--|--|--|
| <i>Percent of H.S. Students Taking College Entrance Exams (ACT/SAT)</i> |  |  |  |  |
| <i>In-State College Going Rate</i>                                      |  |  |  |  |
| <b>Instructional Support</b>  |  |  |  |  |
| <i>Number of Library Titles</i>   |  |  |  |  |
| <b>General Administration</b>   |  |  |  |  |
| <i>School Board Member Training Hours</i>                               |  |  |  |  |
| <i>Number of Board Member Requests</i>                                  |  |  |  |  |
| <i>Administrative Staff Turnover Rate</i>                               |  |  |  |  |
| <i>Percent of Schools Rated A or B</i>                                  |  |  |  |  |
| <b>School Administration</b>  |  |  |  |  |
| <i>Parent Satisfaction</i>  |  |  |  |  |
| <i>Parent Involvement</i>   |  |  |  |  |
| <i>Student Attendance Rate</i>  |  |  |  |  |
| <i>Principal/Asst Principal Turnover Rate</i>                           |  |  |  |  |
| <i>Teacher Turnover Rate</i>  |  |  |  |  |
| <b>Central Services</b>   |  |  |  |  |
| <i>Number of Audit Findings</i>   |  |  |  |  |
| <i>Number of Repeat Audit Findings</i>                                  |  |  |  |  |
| <i>Teacher Vacancy Rate</i>   |  |  |  |  |
| <i>Percent of Grievances Resolved</i>                                   |  |  |  |  |
| <i>Target Cash Reserves as Percent of Operating Budget</i>              |  |  |  |  |
| <b>Operations &amp; Maintenance</b>                                     |  |  |  |  |
| <i>Maintenance Cost/Square Foot</i>                                     |  |  |  |  |
| <i>Utility Cost/Square Foot</i>   |  |  |  |  |
| <i>Preventative Maintenance Completion Rate</i>                         |  |  |  |  |
| <i>Workorder Backlog</i>  |  |  |  |  |
| <i>Custodial Services Satisfaction Rate</i>                             |  |  |  |  |
| <b>Total Operational Fund Budget</b>                                    |  |  |  |  |

## APPENDIX D: DATA-BASED FINDINGS

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***Las Cruces Public Schools (LCPS) operates and manages its own state reporting processing system, which led to several years of inaccurately counting and reporting special education students.*** Between FY07 and FY12, Las Cruces Public Schools (LCPS) used a Student Information System that only handled general student data and could not form finished state reporting files that included other types of required information. Until FY11, LCPS processed district data by manually managing several databases which drove an undesirable level of complexity in processing data for the state. As a result, special education (Sped) students were undercounted and reported for several years because Sped student data was dropped at several points in the data chain.

In FY11, LCPS hired a new programmer, and developed a more automated mechanism for generating state files. That new process recovered much of the previously dropped data, and LCPS estimates the remaining undercount to be down to around the 5% level for FY12. The district steadily improved its processes, and by school year FY13 LCPS will have replaced all of the systems involved in the original problems.

***Despite data transmission difficulties, PED expresses full confidence in both the quality and accuracy of the data contained in the STARS database.*** In a memo to LFC staff, the PED expressed full confidence in the process it uses to work with districts to scrub data to ensure accuracy prior to the data being moved into STARS.

## APPENDIX E: OBJECTIVES AND METHODOLOGY

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### EVALUATION OBJECTIVES

The joint evaluation assesses the state's funding formula for school districts and charter schools (public schools), including the quality and availability of data used to justify funding and how the Public Education Department (PED) administers and oversees the funding formula. Specific public schools were identified for case study, including on-site review of how funding formula units are claimed.

The objectives and associated questions outlined below were applied to the following specific components of the funding formula:

- 3 and 4 year old DD eligibility
- Special education eligibility and ancillary staff units
- Charter school growth units
- Bilingual units
- Size adjustment units
- At-risk units
- T&E index
- Student membership

**Objective 1: Allocation.** Assess how the funding formula distributes resources among public schools, whether it is aligned with state policy goals, and promotes efficient and effective education services.

**Objective 2: Administration.** Review data quality and administration of the funding formula by PED, including the collection, validation, input and timing of the availability of formula data for budgeting.

**Objective 3: Accountability.** Assess PED oversight of public schools to ensure proper administration, data quality and allocation of resources in a fair, accurate and equitable manner.

### EVALUATION PROCEDURES

#### Planning and Data Gathering Procedures:

- Reviewed and analyzed applicable state statutes, federal regulations, Public Education Department (PED) regulations, and district policies and procedures;
- Reviewed guidance and memos produced by PED that support administration of the funding formula;
- Reviewed relevant literature, previous task force, LFC, and LESC reports on the New Mexico funding formula;
- Reviewed key significant findings and recommendations made in the AIR 2008 funding formula study;

- Reviewed and analyzed funding formulas used in other states;
- Interviewed PED management, program, and financial staff;
- Conducted site visits to 9 districts and 4 charters inclusive of interviews of key staff and data collection;
- Reviewed program documents and data provided during field visits conducted at selected schools;
- Analyzed funding formula using final funded and preliminary runs;
- Analyzed T&E data using district/charter data and data supplied by PED;
- Reviewed PED audit findings;

**Evaluation Team.**

LFC

Charles Sallee, Deputy Director  
 Matthew Pahl, Lead Program Evaluator  
 Jon Courtney, Program Evaluator  
 Rachel Gudgel, Senior Fiscal Analyst

LESC

Craig Johnson, Lead Program Evaluator  
 Travis Dulany, Research Analyst  
 Eilani Gerstner, Senior Fiscal Analyst  
 Pam Herman, Senior Research Analyst

**Exit Conferences.** The contents of this report were discussed with PED on November 8<sup>th</sup>, 2011.

**Report Distribution.** This report is intended for the information of the Office of the Governor; the Public Education Department; the Office of the State Auditor; the Legislative Education Study Committee; and the Legislative Finance Committee. This restriction is not intended to limit distribution of this report, which is a matter of public record.

## APPENDIX F: GLOSSARY OF TERMS

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**American Institute of Research (AIR):** A not-for-profit research organization commissioned to conduct the 2008 study of the New Mexico public school funding formula.

**Cost differential factor:** The numerical expression of the ratio of the cost of a particular segment of a particular school program to the cost of the basic program.

**English Language Learner (ELL):** A student whose first or heritage language is not English and who is unable to read, write, speak or understand English at a level comparable to grade level English proficient peers and native English speakers.

**Instructional Staff:** The personnel assigned to the instructional program of the school district, excluding principals, substitute teachers, instructional aides, secretaries and clerks.

**Instructional Support Provider:** A person who is employed to support the instructional program of a school district, including educational assistant, school counselor, social worker, school nurse, speech-language pathologist, psychologist, physical therapist, occupational therapist, recreational therapist, marriage and family therapist, interpreter for the deaf and diagnostician.

**Membership (MEM):** The total enrolment of qualified students on the current roll of a class or school on a specified day.

**Primary Home Language Other than English (PHLOTE):** A student whose first or heritage language is a language other than English.

**State Equalization Guarantee (SEG):** The amount of money distributed to each school district to ensure that its operating revenue, including its local and federal revenues as defined in statute, is at least equal to the school district's program cost. For state-chartered charter schools, the SEG distribution is the difference between the state-chartered school's program cost and the two percent withheld by the department for administrative services.

**Student and teacher accountability reporting system (STARS):** The data reporting system directed by the Public Education Department.