AT-RISK FUNDING FOR CHARTER SCHOOLS

AGENCY: Public School Support

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PURPOSE OF HEARING: Exploring how the current handling of the at-risk index affects charter schools.

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EXPECTED OUTCOME: Better understanding of the background, purpose, and calculation of the at-risk index.

Highest Title I Eligible School Districts, FY15
Percentage of Students

Cuba	82.7%
Magdalena	74.7%
Tularosa	68.8%
Wagon Mound	66.3%
Reserve	63.9%

Source: PED

BACKGROUND INFORMATION

The public school funding formula provides school districts with additional units based on the number of "at-risk" students located in a school district's attendance area. Under current law, charter schools are assigned the at-risk index of the school district in which they are geographically located. This means that any charter school located in a school district with a relatively low at-risk index receives relatively few at-risk units, regardless of how many at-risk students the school serves. Further, charter schools that serve a relatively low number of at-risk students receive the same at-risk multiplier as charter and district schools serving more at-risk students. This brief reviews the history of the at-risk index and how the index is currently calculated for charter schools and school districts. It will also review how other states allocate funds to at-risk students.

Calculation of the Index. The at-risk index is calculated using the three-year average of three components:

- Percentage of student membership that are Title I eligible,
- Percentage of student membership that are English learners (ELs), and
- Student mobility.

Two of these components are clearly defined in statute. Title I allocations are determined pursuant to federal law and regulation. Statute requires ELs be determined using federally-defined criteria. There does not appear to be a definition of "percentage of student mobility" in statute or regulation.

Charter School Data. Charter schools do not have their own at-risk index but according to the Public Education Department (PED), charter school data on the number of ELs and student mobility are added to school district totals when calculating the district rate. Charter school data is added to totals from the district in which the charter school is geographically located.

Title I Eligibility. Title I eligibility is determined by the U.S. Department of Education (USDE) using data from the U.S. Census Bureau. Eligible students are those between ages 5 and 17 that are:

- From families below the poverty line;
- From families that are above the poverty line but are receiving benefits from the Temporary Assistance for Needy Families (TANF) program;
- In foster homes; and,
- In homes for neglected children.

Federal regulations call for state education agencies to determine the number of eligible students ages 5 through 17 served by local education agencies that are not on the Census list.

English Learners. The law requires the number of ELs in each school district be determined using criteria provided by the USDE's Office for

Highest English Language Learner School Districts, FY15
Percentage of Students

Zuni	49.8%
Wagon Mound	48.2%
Hatch	47.3%
Jemez Mountain	41.9%
Cuba	41.4%

Source: PED

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Highest Student Mobility School Districts, FY15

House	0.931
Vaughn	0.502
Quemado	0.422
Grady	0.381
Dora	0.380

Source: PED

Civil Rights (OCR). According to guidance from OCR, the most common way to identify students is to use home language surveys. These ask about the student's language background and help schools determine which students should take an English language proficiency assessment. The results of these assessments indicate if the student should be classified as an EL.

Currently, PED offers guidance on samples of home language surveys but there is currently no single screening tool used statewide, meaning the EL identification may vary by school district. PED recently indicated the department has developed a draft screening tool that will be used statewide to screen for second language influence. Stakeholder input was solicited throughout development of the new survey.

Student Mobility. Student mobility is calculated by PED using enrollment codes that are entered by school districts into the Student Teacher Accountability Reporting System (STARS). Students are given more than one code if they enroll or withdraw more than once in a school year. For example, a student receives the code "E1" when they enroll in school for the first time each year. If they enroll in another school in the same year, they receive an "E2." Students that frequently enroll in different schools, likely due to an unstable family situation, will have a higher number of enrollment codes assigned to them.

To calculate student mobility, PED adds certain enrollment codes and divides by the number of students with "E1" codes. Twenty-five enrollment codes are used to calculate student mobility.

Calculation of At-Risk Index. To calculate the index, PED takes the three-year average of each of the components and adds them together. The result is multiplied by 0.106 to get each school district's at-risk index. The index is multiplied by MEM to determine additional units.

HISTORY OF THE AT-RISK INDEX

1995-1996 Funding Formula Task Force. The at-risk component of the funding formula was added following an independent evaluation of the formula's equity in 1995 and 1996. In 1997, the Legislature adopted the at-risk index as proposed by the task force's independent consultants (Laws 1997, Chapter 40).

Density Factor. Between 1991 and 1999, when the at-risk index went into effect, school districts with more than 10 thousand students received additional units. Proponents of the density factor argued that this was necessary to compensate school districts for higher costs associated with the education of a large numbers of at-risk students.

During the public meeting of the task force, many speakers were critical of the density factor. Critics argued the density factor was not research-based and New Mexico was the only state with a density factor. Some speakers argued that the addition of the density factor

In 1996, the State Board of Education used 6 enrollment codes to calculate student mobility. Due to an increase in federal reporting requirements 31 enrollment codes are currently tracked in STARS; 25 enrollment codes are used in the current calculation.

was political and had the effect of pitting urban against rural school districts. In 1995, 10 medium-sized school districts filed suit, arguing, among other things, that the density factor violated the New Mexico Constitution. In February 1996, the judge granted a defense motion and the case was dismissed.

Consultant's Report. Despite the ruling, the independent consultant hired to evaluate the formula recommended eliminating the density factor and adding an "index of need" to direct more funding to "at-risk" students. The consulting team's review of the research showed that poverty, English language proficiency, mobility, and low standardized test scores were associated with an increased number of "at-risk" students. The team considered 20 different indicators that could be used to stand-in for these socioeconomic factors and evaluated them based on the availability of the data, level of manipulability, and incentive to improve. For example, the team rejected using standardized test scores because this would give schools a disincentive to improve performance and rejected free and reduced-fee lunch eligibility because of "excessive manipulability."

The team accepted four variables that would be used to calculate the at-risk index: Title I eligibility, percentage of limited English proficient students, the dropout rate, and student mobility. The consultants proposed these factors be analyzed using a computerized neural network to group school districts based on their relative need. In their report, the consultant argued for this more complex methodology because the variables chosen were meant to identify the *conditions* that existed in a particular school district rather than the *students* that are given services.

2000 and 2001 Proposed Amendments. Following the first recalculation of the at-risk index, there was concern from some districts that they would lose at-risk funding and have to reduce programs for at-risk students. To provide more stability to the formula, LESC recommended the index be calculated using three-year average rates. Additionally, the index would be recalculated annually. In 2000, a bill passed the Legislature but was vetoed by Governor Johnson. In his veto message, Governor Johnson stated volatility could be better addressed by removing the complex, neural network methodology or by making at-risk funding categorical. In 2001, similar legislation was passed and again vetoed by the governor.

2002 Amendment. In 2002, the Legislature again passed a bill that provided for the annual calculation of the index, based on three-averages. In addition, the bill eliminated the neural network methodology. Instead, the three-year average rates were added and multiplied by 0.0915. The bill also eliminated the dropout variable. This bill was signed by the governor.

2011 Funding Formula Study. In 2011, a joint LESC and LFC funding formula study found the calculation to be too complex and noted that not all enrollment codes were used when calculating student mobility. At the time, PED used seven of 27 codes. Since then, PED

Legislative Changes to the At-Risk Index
(22-8-23.3 NMSA 1978)
Laws 1997, Chapter 40
Laws 2002, Chapter 68
Laws 2014, Chapter 55

has increased the number of codes used to track student mobility to 25. The study also recommended the at-risk index be based on a single factor to reduce administrative time associated with calculating the index. The report recommended using free and reduced-fee lunch eligibility to calculate the index. The report also found that many other states directed more money to at-risk students and recommended increasing the at-risk multiplier to 0.15.

2014 Amendment. In 2014, the Legislature increased the multiplier for the at-risk index to 0.106, up from 0.0915, beginning in FY16. The amendment was designed to direct approximately $15 million in funds to at-risk students. Though the change did not become effective until FY16, the Legislature appropriated $15.2 million for the change in FY15. The governor vetoed the $15.2 million for FY15, resulting an appropriation of $12.6 million to cover the costs of new units generated in FY16.

SCHOOL COMPARISONS

In 1997, when the at-risk index was developed, the Charter School Act limited the number of charter schools to five, all of which were locally-chartered and were converted from existing district schools. As a result, the index was designed to address socioeconomic conditions that were present in a given geographic area. The system leaves it up to individual school districts to direct at-risk funding to individual schools.

Because current law assigns charter schools the at-risk index of the school district in which it is geographically located, charter schools that serve fundamentally different populations receive the same amount of per-student at-risk funding. The table below uses data on free lunch participation to illustrate differences in charter school populations.

National School Lunch Program, Free Lunch Participation at Selected Charter Schools and School Districts
FY15

Albuquerque		Santa Fe	
Nuestros Valores High	85.3%	**Santa Fe Public Schools**	**58.7%**
South Valley Preparatory	69.5%	Turquoise Trail	52.0%
South Valley Academy	69.1%	MASTERS Program Charter	48.7%
Christine Duncan Heritage	64.3%	Monte Del Sol Charter	48.2%
El Camino Real Academy	59.8%	NM School for the Arts	22.9%
Albuquerque Public Schools	**52.3%**		
Int'l School at Mesa del Sol	41.0%	**Las Cruces**	
Abq. School of Excellence	37.6%	New America (Las Cruces)	73.5%
Coral Community Charter	26.4%	Las Montanas	63.9%
Alice King Community	21.7%	**Las Cruces Public Schools**	**49.7%**
PAPA	12.3%	Alma D'Arte	47.2%
Corrales International	11.8%	J. Paul Taylor Academy	21.1%

Source: PED

The Community Eligibility Provision allows school districts and charter schools with a high concentration of students near the poverty line to offer free breakfasts and lunches to all students. This can increase the number of students eating school meals because families do not have to fill out an application to participate.

According to the Center on Budget and Policy Priorities, 429 schools in New Mexico operated under the Community Eligibility Provision.

Available Data for Charter Schools. Although data on the number of ELs and student mobility is collected at the school level, the Title I eligibility component of the at-risk index is based on Census data, and describe conditions within a school attendance area.

Title I Eligibility. According to federal regulations on the allocation of Title I funds, state education agencies are responsible for determining the number of eligible students in schools that are not on the Census list (34 CFR 200.72). As such, Title I eligibility data exists in STARS for each school. But according to PED, because of New Mexico's relatively high poverty rate, many of New Mexico's schools operate "school-wide programs." In these schools, eligibility would be equal to total enrollment.

National School Lunch Program. PED does provide information on the percentage of students participating in the National School Lunch Program for many charter schools. Although available for most schools, National School Lunch Program data should be treated with caution. Research has shown that many eligible high school students do not enroll in the program. Students are eligible for free lunch if their family's income is below 130 percent of the federal poverty line. Reduced-fee eligibility is set at 185 percent of the federal poverty line, but this number is not available for many schools in New Mexico that operate programs under the Community Eligibility Provision.

Direct Certification Data. Community Eligibility is determined using direct certification. Direct certification matches data from the New Mexico Human Services Department with PED enrollment data. This system uses participation in the Supplemental Nutrition Assistance Program (SNAP) and TANF to certify individual students as eligible for free lunch. Direct certification allows schools to avoid the administrative burden associated with an application process and accounts for students who did not apply for free lunch. According to PED, direct certification data is available in the STARS system. LESC staff will continue to work with PED to obtain direct certification data.

OTHER STATES

Alaska, Delaware, Idaho, and South Dakota do not fund at-risk students through their funding formulas. Kansas and Pennsylvania are transitioning to new systems. Wisconsin's program is not currently funded.

At-Risk Funding Allocations Across the Country. Policymakers in most states have recognized that low-income students require additional resources to reach their educational potential. Based on a policy analysis conducted by the Education Commission of the States (ECS), 43 states plus the District of Columbia provide additional funding for at-risk students.

Twenty-three states and the District of Columbia provide aid to at-risk students through the state's primary funding formula, which provides additional weight or dollars for each at-risk student. Categorical funding programs are created outside of the state's primary school funding formula for specific purposes or for specific student groups, such as at-risk students. Twenty states distribute additional funding to at-risk students through categorical funding programs.

Four of the 29 states (Colorado, Kentucky, Mississippi, and Virginia) use free lunch only to identify at-risk students.

Minnesota uses both free and reduced-fee eligibility, but gives more weight to free lunch eligibility.

Number of Variables Used to Calculate At-Risk Funds in New Mexico and Other States

1	31
2	1
3	5
4	4
5 or more	2

Source: ECS

Identifying At-Risk Students In Other States. States use different methods to identify at-risk students. In most states, participation in the National School Lunch Program is used to determine at-risk status. Other states use a wide variety of economic and non-economic categories for identifying at-risk students. Most states use only one variable to identify at-risk students, but a few, like New Mexico, use multiple variables. The table below summarizes the variables used by different states.

Variables Used in States' At-Risk Calculations

Factor	# of States
Free and reduced lunch	29
Academic performance	9
English language learners	6
Title I eligibility	5
Institution or foster care	3
TANF eligibility	3
SNAP eligibility	3
Poverty	3
Family history and circumstance	2
Over-aged student	2
Homelessness	2
Medicaid eligibility	2
Student mobility	2
Pregnancy	1
Free textbooks	1
Truancy	1
Sparcity	1

Source: ECS

At-Risk Charter School Funding in Other States. State allocations of at-risk funds to charter schools vary by state. Some states make specific provisions for charter schools. For example, Colorado uses National School Lunch Program eligibility to determine the number of at-risk students. Generally, charter schools in Colorado receive per-pupil funds from school districts, which are required to pass 100 percent of per-pupil revenue, minus an administrative fee. Data for both district and charter schools are combined to determine eligibility. For charter schools in districts where at-risk eligibility exceeds 40 percent, per-pupil at-risk funding is multiplied by the percentage of total students receiving free lunches at each charter school. So a charter school with a higher percentage of at-risk students than its district will receive more at-risk funding per-pupil, and a charter school with fewer at-risk students will receive less per-pupil funding.

Arizona also specifically allows charter schools to benefit from a kindergarten to third grade reading program for at-risk students. For this program, eligibility is determined by the letter grade assigned to the school by the state's accountability system or if 10 percent of third

grade students are reading "far below" grade level. Students in eligible schools receive additional weight in the funding formula.

In both the Colorado and Arizona cases, funding for at-risk students is provided based on school-level data. It may be easier to allocate charter school at-risk funds in states using criteria that are easily assigned to an individual school and more difficult in states that use Census-based measures.

States using Title I Eligibility. Four other states use Title I eligibility to identify at-risk students: Connecticut, Montana, North Carolina, and Ohio. But Connecticut funds its charter schools outside of its regular funding formula and charter schools are therefore not eligible for the at-risk program described by ECS. Montana does not currently have a charter school law.

Ohio. Ohio allocates at-risk funds to economically disadvantaged students and charter schools are eligible for economically disadvantaged funds. Students must meet one of several available criteria, including free or reduced-fee lunch, receipt of public assistance, or Title I eligibility. Title I eligibility is determined by a Title I student income form, which must be filled out by the parent or guardian.

North Carolina. In North Carolina, charter schools receive funding based on the district in which it is geographically located. Charter schools receive state funding on the same per-pupil rate and school districts must give charter schools an equal amount of per-pupil local revenue.

States using Census-based data. Three states (Nevada, New York, and Oregon) use Census-based data on poverty as an indicator.

Nevada. Nevada does not account for at-risk student in its formula, but a 2015-2017 grant program provides additional money to schools with high poverty rates. Eligibility is determined by the Nevada Department of Education.

New York. New York uses the percentage of students in poverty at the 2000 census (among other items) to determine the percentage of at-risk students in each school district. Charter school enrollment is added to school district enrollment when calculating the formula. Charter schools receive per-pupil funding from the school district in which the student is a resident.

Oregon. Similar to New Mexico, Oregon law assigns charter schools the same poverty level as the school district in which the charter school is geographically located.

CONCLUSION

On several occasions, LESC has recommended increasing the at-risk multiplier to direct more funding to at-risk students. Although the

Public School Finance Act requires school districts to report to PED on services offered to at-risk students, because of New Mexico's system of local responsibility, increasing the formula weight will not necessarily lead to more dollars being spent at schools with more at-risk students. Changing the calculation of the at-risk index to reflect the socioeconomic characteristics of individual charter schools would not face this same problem.

Consideration should also be given to what kinds of students should be included in at-risk populations. For example, virtual charter schools may currently receive funding for at-risk students. Can schools where the students are not physically present on campus provide the same level of service to at-risk students as schools that a student regularly attends?

In addition, more than 800 public school students are age 23 or older, according to data from PED. Most of these students are enrolled in a charter school. Prospective education programs can generate considerably more money from opening a charter school than they could by operating an adult basic education program. Currently, adult basic education funds about $350 per student. While both Michigan and the District of Columbia use over-age status as an indicator of a student's at-risk status, changing the way at-risk funding is allocated could have the effect of shifting money from children to adult students.

While changes to the way at-risk students in charter schools are funded may lead some charter schools to seek out additional at-risk students, two factors make formula chasing more difficult. First, the Charter Schools Act requires charter schools to admit students either on a first-come, first-served basis or through a lottery. Secondly, New Mexico currently directs a relatively small amount of funding to at-risk students. In FY16, at-risk units accounted for about 4 percent of all units, up from between 3 percent and 3.5 percent before the at-risk multiplier was increased in FY16.