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August 25, 2014

MEMORANDUM

TO: Legislative Education Study Committee

FR: Ian Kleats

RE: **ALIGNING THE TRAINING AND EXPERIENCE INDEX WITH THE THREE TIERED LICENSURE SYSTEM, THE INDEX OF STAFF QUALIFICATIONS, AND ALTERNATIVE COMPENSATION SYSTEMS**

INTRODUCTION

A major component of the education reform legislation enacted by the 2003 Legislature was the three-tiered licensure and evaluation system for teachers. The current Public School Funding Formula includes a Training and Experience (T&E) Index, which predates those 2003 reforms and is based on years of service and academic degrees rather than licensure level.

During the 2003 interim, the directors of the Legislative Education Study Committee (LESC), the Legislative Finance Committee (LFC), and the Legislative Council Service (LCS), under the direction of the legislative leadership, jointly funded a study of the relationship between the three-tiered licensure system and the T&E Index. Although the final study report included a recommendation to replace the current index with one more closely aligned with the new licensure system, problems determining the potential effect of the proposed change on the distribution of funds to individual districts resulted in a decision by both the LESC and the LFC to postpone action until additional evaluations could be made.

After several vetoed appropriations to fund a study of the public school funding formula, in 2005, the LESC endorsed legislation that was enacted to create a Funding Formula Study Task

Force. In 2006 the Legislature extended the term of the task force through December 2007 and appropriated dollars for an independent study of the funding formula.

In order to carry out its charge, in August 2006, the task force selected AIR, headquartered in Palo Alto, California, to conduct an independent study of the funding formula. Based on the tasks identified in the request for proposals (RFP) and other discussions, the contractor provided several recommendations, including potential changes to the T&E Index that would align the index to three-tier licensure, and an estimate of the cost of implementing those recommendations to the task force.

Although a discussion draft of a bill incorporating the AIR recommendations was adopted by the task force and then endorsed by the LESC prior to the 2008 legislative session, the bill did not pass. Subsequent attempts to pass similar legislation were unsuccessful as well, and the T&E Index in current law remains unaligned with the licensure system.

This staff report includes:

- a description of the T&E index;
- 10-year history and trends of the T&E index;
- previously-proposed alternatives to the T&E index;
- economic considerations relating to the T&E index; and
- background.

This staff report also includes the following attachments:

- **Attachment 1, State Equalization Guarantee Computation**;
- **Attachment 2, Training and Experience Index by School District by School Year**;
- **Attachment 3, 2008 AIR Report – Proposed Instructional Staff Quality Index**.

DESCRIPTION OF THE T&E INDEX

In 1974, when the Legislature enacted the public school funding formula, the T&E Index was included as a mechanism to encourage districts to hire and retain teachers at a time when many districts had high staff turnover due, at least in part, to increasing salary costs.

Current law provides that only instructional personnel are to be considered in the calculation of a school district's Training and Experience (T&E) Index. In determining which employees are instructional staff, school districts are directed to count only those assigned to the district's instructional program; by law, principals, substitute teachers, instructional aides, secretaries, and clerks are to be excluded. In practice, the following categories of personnel are defined as instructional staff: teachers in grades 1-12, early childhood education, special education, and preschool; coordinators/subject matter specialists; library/media specialists; guidance counselors, registered nurses; diagnosticians; speech therapists; occupational therapists; physical therapists; psychologists; audiologists; interpreters; orientation and mobility specialists, and social workers.

The statute also specifies that in calculating its T&E Index:

- A school district must use the October payroll to determine the number of instructional staff. (If a school district has more than one payroll in October, it may choose the one it will use.)

- A school district may only use the number of years of experience that it allows for salary increment purposes on its salary schedule.

- A school district may only use the academic degree and additional semester credit hours that it allows for salary increment purposes on its salary schedule.

The following matrix, which contains cost differential factors based on academic credentials and years of experience, also is contained in statute:

Table 1. Statutory T&E Factors

Academic Classification	Years of Experience				
	0 – 2	3 – 5	6 – 8	9 – 15	Over 15
Bachelor's degree or less	0.75	0.90	1.00	1.05	1.05
Bachelor's degree plus 15 credit hours	0.80	0.95	1.00	1.10	1.15
Master's degree or Bachelor's degree plus 45 credit hours	0.85	1.00	1.05	1.15	1.20
Master's degree plus 15 credit hours	0.90	1.05	1.15	1.30	1.35
Post-master's degree or master's degree plus 45 credit hours	1.00	1.15	1.30	1.40	1.50

To use the matrix, a district places each full-time equivalent (FTE) in a cell, based on that individual's level of academic training and years of instructional experience. Once determined, the numbers in each cell are multiplied by the cell value (cost differential). Finally, the sum of the 25 products is divided by the total number of FTE instructional personnel to obtain a single index for the district.

Pursuant to law, the Public Education Department developed the *Manual of Procedures for the Calculation of the Training and Experience Index* which school districts must use as a procedural guide. School districts are given some autonomy in how they place eligible personnel in the matrix. Depending upon local desires and expectations, different districts may recognize different numbers of years of out-of-district and/or out-of-state instructional experience in determining salaries. They may also choose to limit the type of academic hours that they will count as hours earned after a bachelor's degree. In the past, local board policy has been the determining factor. Whatever the local decision in regard to years of experience or academic credentials, there must be a salary differential that corresponds to an individual's placement on the matrix.

Included in the T&E statute are two additional directives:

- Although .95 is the lowest cost differential, 1.00 is designated as the lowest possible T&E Index.

- 1.12 is designated as the T&E Index to be used by a newly created school district.

The T&E Index is used as a multiplier in the Public School Funding Formula. All of the units generated by students in the various grade levels, by students receiving special education services, by students in bilingual and fine arts programs, and by special education ancillary staff are added together and then multiplied by the T&E Index to produce adjusted program units. **Attachment 1** provides a graphic illustration of the use of the T&E Index.

It is important to note that, in its function as a cost allocation multiplier, the T&E Index is benchmarked to a value of 1.0. Based on the table above, a value of 1.0 corresponds to instructional staff with the following characteristics:

- holding a bachelor's degree or no degree, with 6-8 years of experience;
- holding a master's degree, with 3-5 years of experience; and
- holding a post-master's degree, with 0-2 years of experience.

The T&E matrix implies that instructional staff exceeding those qualifications will be more costly than the base cost of the program to which they are attached, while staff with fewer qualifications would be less costly.

10-YEAR HISTORY AND TRENDS OF THE T&E INDEX

A 10-year history of the T&E index by school district has been included as **Attachment 2, Training and Experience Index by School District**. The final two columns of that attachment show the 10-year average of the T&E index from the 2005-2006 to 2014-2015 school years and the percentage difference of the 2014-2015 T&E index from that 10-year average.

Although the statewide average T&E index for 2014-2015 of 1.088 is 1.05 percent lower than its 10-year average of 1.100, **Attachment 2** illustrates that some school districts' T&E index increased relative to their 10-year average while others' decreased.

For funding the 2014-2015 school year:

- positive deviations from the 10-year average of the T&E index were experienced by:

    - House (+5.48%);
    - Hondo (+4.80%);
    - Jemez Mountain (+4.31%); and
    - Wagon Mound (+3.30%);

- negative deviations from the 10-year average of the T&E index were experienced by:

- Grady (-9.97%);
- Central Consolidated (-7.72%);
- Jemez Valley (-6.44%);
- Reserve (-6.14%); and
- Jal (-5.95%).

It is important to note that a decrease in statewide average T&E index could be mitigated by a corresponding potential increase to the unit value. That is to say, when there are fewer units in aggregate, a constant level of funding could support a larger unit value.

Based on PED data:

- units not adjusted by the T&E index have historically accounted for about 8 to 10 percent of the program cost;
- units that are multiplied by the T&E index prior to adjustment have historically accounted for about 80 to 84 percent of program cost; and
- application of the T&E index has historically accounted for about 8 to 12 percent of program cost.

It is important to understand that program cost attributable to the application of the T&E index does not reflect the full cost of staff. Instead, the T&E index is a method to account for the average variation of staffing costs based on the characteristics of employed staff relative to some baseline. In other words, the percentage of program cost attributable to the T&E multiplier does not meaningfully describe the correlation and variation between revenue generated through the funding formula and staffing costs.

PREVIOUSLY-PROPOSED ALTERNATIVES TO THE T&E INDEX

The Legislature has funded two independent studies, which considered potential revisions to the T&E index, including:

- in 2003, the LESC contracted with Augenblick, Palaich and Associates, Inc. (APA), to study the relationship between the Training and Experience (T&E) Index in the public school funding formula and the implementation of the three-tiered licensure system for teachers; and
- in 2008, the legislative Funding Formula Study Task Force received a report it had commissioned from the American Institutes for Research (AIR) titled “An Independent Comprehensive Study of the New Mexico Public School Funding Formula,” which suggested the replacement of the T&E index with an Index of Staff Qualifications (ISQ) among its other findings and recommendations.

2008 AIR Funding Formula Study

The 2008 AIR report presented results of a 16-month study aimed at determining the cost of a sufficient education for all public school students in New Mexico. At the time of its release, the

report suggested that state support for public schools should increase by 14.5 percent or $334.7 million in 2007-2008 dollars to achieve sufficiency[1].

In addition to this finding, the AIR report made recommendations for simplifying the funding formula to maintain equitability once a sufficient level of funding were available, including a proposed alternative to the T&E Index. It is important to note that these recommended funding formula changes were contingent on the availability of funding to reach sufficient levels. Moreover, AIR's proposed replacement for the T&E Index, the Index of Staff Qualifications (ISQ), must be understood through the context of an entirely-revised funding formula.

The new public school funding formula proposed by AIR begins by calculating the base per-student cost, which is defined by AIR as the sufficient per-student cost for the average-sized district with average shares of K-5, 6-8, and 9-12 enrollment and no additional student needs. The original base per-student cost used by AIR in determining the necessary statewide level of sufficiency was derived from the models developed by the Professional Judgment Panels and the Project Advisory Panel conducted by AIR.

Once the base per-student cost has been determined, it is then multiplied by a series of cost factors to arrive at the per-student cost that is sufficient for the needs of a particular school district or charter school. It "is based on a comprehensive instructional program that includes the cost of core academic programs, career-technical education, gifted programs, bilingual-multicultural programs, arts and music, health and physical education and special education and appropriate staff."

The AIR study proposed two formulas used to calculate sufficient per-student cost, one for school districts and one for charter schools. The two formulas differ only with regard to scale; that is, the charter school formula recognizes that a single charter school does not have the complexity of a school district.

To determine total program cost for each school district and charter school, the sufficient per-student program cost is multiplied by the district's or charter school's total enrollment. For other than growth districts, total enrollment is the average of the prior year's December and February enrollments. For a growth district (a district that has a higher current year than prior year October enrollment), total enrollment is the higher of the current year October enrollment or the average of the prior year December and February enrollments.

The cost factors used to determine the sufficient per-student cost for a school district or charter school are:

- poverty, which is measured by the percentage of qualified students in a school who qualified for free or reduced-price lunch as of September 30 of the prior school year;
- English language learners, which is measured by the percentage of qualified students designated as English language learners based on a department-approved English language proficiency assessment;

[1] In January 2009, AIR provided an updated estimate of the additional cost to fund sufficiency of $345.3 million in 2008-2009 dollars. The Legislature has not received an updated figure since that time.

- special education, which, for school districts, is measured by 16 percent of the number of qualified students; and which, for charter schools, is measured by the actual percentage of qualified students who are required by the federal IDEA to have an individualized education program for the delivery of special education, including developmentally disabled three- and four-year-old qualified students; and
- mobility.

Other factors used in the calculation are:

- the percent of the district's or charter school's students enrolled in grades 6-8;
- the percent of the district's or charter school's students enrolled in grades 9-12; and
- the weighted ISQ.

In outline form, the new public school funding formula proposed by AIR may be represented as follows:

Sufficient Per-Student Cost = Base Per-Student Cost
× Poverty Adjustment
× English Learner Adjustment
× Special Education Adjustment
× Mobility Adjustment
× Share 6-8 Enrollment Adjustment
× Share 9-12 Enrollment Adjustment
× Enrollment (Size) Adjustment
× Weighted Index of Staff Qualifications

Total Program Cost = Sufficient Per-Student Cost × Total District Enrollment

AIR Recommendations for the T&E Index

Under this proposed formula, the current Training and Experience (T&E) matrix and index calculation would be replaced with the Index of Staff Qualifications (ISQ). The ISQ incorporates two separate matrixes, one that reflects the three-tiered licensure system for teachers (**Attachment 3, Matrix A**), and one that is a recalibrated version of the current T&E for other instructional staff who are not a part of the three-tiered system (**Attachment 3, Matrix B**).

On the surface, the T&E and the ISQ appear similar: both are calculated in basically the same manner and both default to 1.0 if the actual calculation is less than 1.0. However, the differences are significant:

- First, the default "1.0" does not represent the same thing. With regard to the T&E, 1.0 represents the base level of funding, indicating an instructional staff with approximately a master's degree and 3-5 years of experience. However, the value of 1.0 in the new ISQ corresponds to the average compensation levels at the time with the average educator in New Mexico having had approximately 11 years of experience and a master's degree,

around which the AIR research team calibrated the ISQ. As a result, an ISQ of 1.0 corresponds to a T&E Index of approximately 1.15.

- Second, although both indices are used as multipliers, the T&E Index is used as a multiplier on program units, which are not directly tied to personnel costs. In contrast, the ISQ is directly tied to personnel costs because it is weighted in proportion to the percentage of its budget that is expended for the salaries and benefits attributable to the individuals included in the calculation of the ISQ before being used to adjust projected sufficient per-pupil cost.

AIR recommended that the state retain its salary differential for National Board-certified teachers, but that the state makes the funding categorical rather than part of the funding formula. Categorical funding is not included in the SEG distribution but must be separately appropriated by the Legislature on a yearly basis for the specific purpose intended.

2003 T&E Index Study by APA

In spring 2003, following the enactment of the state's current three-tiered licensure system, the legislative leadership requested the directors of the LESC, the LFC, and the LCS to examine their respective budgets to determine if funds could be found to support a study of the T&E Index. Subsequently, the LESC, the LFC, and the Legislative Council approved the study, and staff of the respective committees selected APA as the contractor and worked with the APA consultants throughout the duration of the study.

In June 2003, APA began a three-part study to determine the relationship between the T&E Index in the Public School Funding Formula and the implementation of the three-tiered licensure system for teachers established by the Laws of 2003. In Phase One, the contractor proposed three alternative ways of calculating the index. In Phase Two, the contractor amended the alternatives based on input from different interest groups, including legislators, practitioners, and individuals from other state agencies, and simulated the effects of each approach in regard to funding. In Phase Three, the contractor held regional meetings in Albuquerque, Farmington, Las Cruces, Portales, and Santa Fe to provide area legislators, practicing educators, and the public at large with the opportunity to provide input regarding the proposed alternatives and the simulations.

In December 2003, Dr. John Augenblick and Mr. Robert Palaich, APA, presented their final oral report to the LESC, during which Dr. Augenblick suggested that a pilot period during which the current T&E calculation would remain in effect would allow the state to test one or more of the proposed alternatives using real-time data. Although Dr. Augenblick did not recommend a specific alternative during his presentation to the committee, the final written report from the firm, which was received in January 2004, recommends an approach that includes the following:

- added adjustments for certification by the National Board for Professional Teaching Standards, the mentoring of Level I teachers, and other qualifications;
- recognition of higher salaries for teachers who are in Level II for more than nine years; and
- recognition of increased credentials.

According to the report, the resulting matrix "is a way to focus the accumulation of credit hours in a way that focuses teachers on knowledge and skills that are associated with student learning. The credentials that should be recognized in this scheme include the following: teachers certified in two or more subject areas; and teachers with specialist certifications in reading, math and potentially science."

Table 10: APA's Recommended HQEI Approach

	Professional Licensure Level							
	Level I		**Level II**			**Level III**		
	1st year within level	2-3 years within level	1-2 years within level	3-6 years within level	7-9 years within level	1-2 years within level	3-6 years within level	7-9 years within level
Bachelor's degree	1.00	1.10	1.20	1.30	1.40			
Master's degree			+.10	+.10	+.10			
Renewal of Level II license			+.15	+.15	+.15			
Master's degree or NBPTS certification						1.70	1.80	1.90
Other duties (mentoring)				+.10	+.10	+.10	+.10	+.10

The recommended High Quality Educator Index (HQEI) includes only teachers because the three-tiered licensure system established by the Laws of 2003 includes only teachers. In contrast, the current T&E Index includes all instructional staff, including not only classroom teachers but also subject matter coordinators, guidance counselors, social workers, registered nurses, diagnosticians, speech therapists, occupational therapists, physical therapists, psychologists, audiologists, interpreters, and orientation and mobility specialists.

At the December 2003 LESC meeting, Dr. Sue Cleveland, Superintendent, Rio Rancho Public Schools, and Mr. Louis D. Martinez, Superintendent, Las Cruces Public Schools, told the committee that on behalf of the 65 superintendents who had attended the last New Mexico School Superintendents Association (NMSSA) meeting, they would like to request the committee to delay any decision on a substitute for the T&E Index for at least a year. Noting that data provided by 14 school districts indicated that a much larger number of teachers would qualify for Level III status by July 1, 2004, than had been assumed by APA, they expressed the following concerns:

- A change in the way the T&E Index is calculated would create winners and losers; therefore, losers should be held harmless for some period of time yet to be determined.
- The inclusion of only teachers in the proposed HQEI Index might create a division between teachers and other instructional staff, such as diagnosticians, occupational therapists, and physical therapists, currently included in the calculation of the T&E Index.
- The decision not to include other instructional staff in the calculation might make it harder for districts to employ such staff, forcing the districts to hire private contractors.
- The work that APA had done on developing the alternatives to the T&E Index had created great interest among teachers to move to Level III prior to July 1, 2004, as allowed by PED regulation. As a consequence, the cost of funding the minimum salaries established in statute could be much higher than originally projected.

After the presentation by the superintendents and concurrence by Dr. Augenblick that additional consideration was needed, the LESC voted unanimously to delay a decision on recommending a replacement for the current T&E Index until the 2004 interim session, during which time the issue would be studied further. At this same meeting, Mr. Ron Segura, LFC staff, told the LESC that the LFC had also decided to postpone making a recommendation.

It should be noted that the APA study was released over ten years ago, and although the data upon which its findings were based were current at the time, the findings may no longer reflect current relationships between the licensure levels, the T&E Index, and actual staffing costs. An updated study of the APA proposals with the most recent data may be required before their further consideration.

ECONOMIC CONSIDERATIONS

In contemplating reform of the funding formula that changes the structure of cost allocation for the recruitment and retention of instructional staff, the Legislature may wish to consider the economic implications of potentially aligning the T&E index to three-tiered licensure or other performance measures. Specifically, the committee may wish to consider:

- economic incentives for advancement between licensure levels; and
- efficiency wages.

Economic Incentives for Advancement between Licensure Levels

Data comparing degree attainment, years of experience, and licensure level to salary costs for instructional staff as analyzed by previous studies of the T&E index show a relatively strong correlation between those variables and salary across the advancement from Level I to Level II licensure. However, this relationship does not appear to hold when comparing Level II to Level III instructional staff.

One explanation for this relationship could be that an educator has a firm, five-year period under which to advance to the Level II license, without which the educator may no longer practice in

the profession. Meanwhile, there appears to be a diminishing incentive for advancement from Level II to Level III and no disincentive for not advancing.

Assuming a compound annual growth rate of 3.0 percent reflecting an inflationary adjustment to the minimum salary as defined by statute, Table 2, below, illustrates the economic incentive to an educator for advancing from a Level II to a Level III license:

Table 2. Economic Incentive of Advancing from Level II to Level III License		
Years After Obtaining Licensure	**Salary**	**Benefit of Advancing to Level III**
0	$40,000	25%
1	$41,200	21%
2	$42,436	18%
3	$43,709	14%
4	$45,020	11%
5	$46,371	8%
6	$47,762	5%
7	$49,195	2%
8	$50,671	0%

In light of the diminishing incentive to advance from Level II to Level III, differential costs for instructional staff may be more accurately reflected through a model accounting primarily for years of experience and degree attainment. It is important to note that, although incorporating licensure levels into the T&E index, proposals previously considered by the LESC continued to use metrics for experience and degree attainment.

On the other hand, tying the T&E index more strongly to licensure level may incentivize school district and charter school administrators to actively promote advancement by its personnel. However, using the funding formula as a mechanism to encourage a specific policy in such a manner might hinder the local control of school boards while diluting the formula's ability to act as a cost allocation methodology.

Efficiency Wages

Efficiency wages are a concept from labor economics based on the hypothesis that paying higher-than-market wages to employees could ultimately increase productivity or decrease costs associated with turnover. Several theories of how efficiency wages may be beneficial include:

- Avoiding shirking:

- The employer may pay an efficiency wage in order to create or increase the cost of job loss to its employee, which gives a sting to the threat of firing for performing below the employee's capabilities.

- Minimizing turnover:

  - By paying above-market wages, the employee's motivation to leave the profession and look for a job elsewhere will be reduced. It is often expensive to train replacement workers and classroom continuity may suffer; and

- Selection:

  - If job performance depends on workers' ability and potential workers differ in abilities, schools with higher wages will attract more able instructional personnel.

Based on an efficiency wage model, the Legislature might consider T&E multipliers exceeding the actual market cost of instructional positions as an incentive for school districts to pay higher wages to its employees in order to reap some of those benefits.

Through the lens of performance-based or competitive compensation for educators, the Legislature might consider whether and where such policies might contradict foundations of labor economics through the efficiency wage model. For example, if it is difficult to consistently measure the quality of an educator's production, sophisticated compensation models may result in inefficiencies rather than benefits related to employee effort, turnover, the applicant selection pool, and morale.

BACKGROUND

- In his doctoral dissertation (*In Search of Equitable Training and Experience Cost Recognition: An Investigation of the T & E Index in the New Mexico Public School Funding Formula*), Dr. James Patrick Garcia lists the following as rationales for including a T&E factor in the New Mexico public school funding formula:

  - To recognize highly trained and experienced staff.
  - To offset additional salary costs incurred when such staff are hired.
  - To correct funding inequities generated prior to the institution of the funding formula by the "staffing formula" used from 1969 to 1974 (Chapter 180, Laws of 1969). The staffing formula codified how many teachers a district of a specific size could be expected to hire, and district funding was supplemented accordingly.
  - To stabilize the teaching staff in poor districts by encouraging districts to retain highly trained and experienced individuals.

- When the 1974 Legislature enacted the public school funding formula, the T&E Index was included as a mechanism to encourage districts to hire and retain teachers at a time when many districts had high staff turnover due, at least in part, to increasing salary costs. Because the determination of the number of years recognized for salary purposes was left up to each

local school board, however, a teacher with five years of prior experience might have three of those years counted in one district but all five counted in another. Local boards could change policy on a yearly basis, thus the pressure put upon the appropriation process could vary significantly from year to year. To bring stability to the process, the 1980 General Appropriation Act required school districts to use the prior year T&E Index to calculate program cost. The 1981 Legislature enacted legislation that made the change permanent.

- The 2001 Legislature passed comprehensive reform legislation that included an appropriation of $120,000 to fund "an independent study of the impact of the new professional educator licensing and salary system on the instructional staff training and experience index in the state equalization guarantee distribution and the educational retirement system." The legislation had been endorsed by the LESC and recommended by the Education Initiatives and Accountability Task Force (EIATF), the 64 members of which had been appointed jointly by the President Pro Tempore of the Senate, the Speaker of the House, and the Executive. The legislation was vetoed.

- During the 2001 and 2002 interims, the LESC Ad Hoc Subcommittee for Education Reform was charged with maintaining the momentum of the EIATF and to make subsequent recommendations to the LESC for education reform legislation in both the 2002 and 2003 legislative sessions. Among the recommendations made by the LESC Ad Hoc Subcommittee and endorsed by the LESC was that funds be appropriated to the LESC "to contract for an independent study of the effect of the three-tiered licensure system on the Training and Experience Index …."

- In 2003, the Legislature passed an omnibus public school reform bill based on the recommendations of the LESC Ad Hoc Subcommittee for Education Reform and endorsed by the LESC. The resulting statute includes a professional licensure system (three-tiered licensure) for teachers, to be phased in over a five-year period, based on competencies rather than longevity and the accumulation of academic credit hours. As a consequence, the Legislature appropriated $300,000 for a study of the public school funding formula, including the effect of the new licensure system on the T&E Index as recommended by the LESC Ad Hoc Subcommittee; however, the appropriation was vetoed.

- In spring 2003, the legislative leadership requested the directors of the LESC, the Legislative Finance Committee (LFC), and the Legislative Council Service (LCS) to examine their respective budgets to determine if funds could be found to support a study of the T&E Index. Subsequently, the LESC, the LFC, and the Legislative Council approved the study, and staff of the respective committees selected the contractors and worked with them throughout the duration of the study.

- After several vetoed appropriations to fund a study of the public school funding formula, in 2005, the LESC endorsed legislation that was enacted to create a Funding Formula Study Task Force. In 2006 the Legislature extended the term of the task force through December 2007 and appropriated dollars for an independent study of the funding formula.

- In order to carry out its charge, in August 2006, the task force selected AIR, headquartered in Palo Alto, California, to conduct an independent study of the funding formula. Based on the tasks identified in the request for proposals (RFP) and other discussions, the contractor provided several recommendations and an estimate of the cost of implementing those recommendations to the task force. On January 7, 2008, the task force adopted a discussion draft of a bill that incorporated those recommendations. The LESC endorsed the task force recommendations on January 14, 2008.

- House Bill 241 (2008), *Public School Funding Formula Changes*, proposed that the state move from a formula based on multiple program factors to a formula with fewer factors that are based on indicators of student need, including the percentage of students who are eligible for free and reduced-fee lunch and the percentage of students classified as English language learners. Although the bill was amended several times during the session, it did not pass.

- For the 2008 interim, all 89 school districts and 14 charter schools were invited to work with the LESC to examine the potential impact on school district programs and student achievement of the public school funding formula proposed in HB 241 (2008).

- In January 2009, AIR, the contractor for the funding formula study, provided an updated estimate of the additional cost of funding marginal sufficiency and the first year of the three-year hold harmless provision for school districts and charter schools that may see their program cost reduced. This estimated additional cost is $345.3 million.

- As a result of its work during the 2008 interim, the LESC endorsed HB 331 (2009), which failed to pass. The bill's provisions would have amended and repealed existing sections of and added new sections to the *Public School Code* to provide for the implementation of a new funding formula for public schools in FY 11 that:

    - incorporated four measures of student need – poverty, English language learners, special education, and mobility;
    - recognized costs associated with school district size and school size;
    - replaced the T&E index with the Index of Staff Qualifications; and
    - was based on the concept of educational sufficiency in that it enables schools and districts to provide a comprehensive instructional program designed to meet the needs of all students.

CHART 9

FUNDING FORMULA (CURRENT): FACTORS (STATE EQUALIZATION GUARANTEE)

State Equalization Guarantee Computation

Program Units

Grade Level/Program Membership		Times	Cost Differential = Units
Kindergarten & 3- and 4-Year-Old DD	FTE MEM	×	1.44
Grade 1	MEM	×	1.20
Grades 2-3	MEM	×	1.18
Grades 4-6	MEM	×	1.045
Grades 7-12	MEM	×	1.25
Special Education			
Related Services (Ancillary)	FTE STAFF	×	25.00
A/B Level Service	MEM	×	0.70
C Level Service	MEM	×	1.00
D Level Service	MEM	×	2.00
3- and 4-Year-Old DD Program	MEM	×	2.00
Bilingual Education	FTE MEM	×	0.50
Fine Arts Education	FTE MEM	×	0.05
Elementary Physical Education	FTE MEM	×	0.06

SUM OF UNITS

= TOTAL PROGRAM UNITS

Adjusted Program Units

T&E INDEX MULTIPLIER → Times Value from 1.000 – 1.500

= ADJUSTED PROGRAM UNITS

Plus

Add-on Units

D-Level Nonprofit Training Center Special Education Units
Size (Elementary/Junior High; Senior High; District; Rural Isolation) Units
New District Adjustment Units
At-Risk Units
Enrollment Growth Units
National Board for Professional Teaching Standards Units
Charter School Activities Units
Home School Student Activities Units

= TOTAL UNITS

Plus Save Harmless Units

= TOTAL STATEWIDE UNITS

Total Statewide Units × Unit Value = Program Cost

– 75% Noncategorical Revenue Credits
– Utility Conservation Program Contract Payments
– 90% of the Certified Amount (*Energy Efficiency and Renewable Energy Bonding Act)*

= STATE EQUALIZATION GUARANTEE

NOTE: In 2013, legislation was enacted to create a new section of the *Public School Finance Act* to allow home-schooled students to enroll in classes at public schools. The legislation provides for the calculation and distribution of program units beginning with school year 2014-2015. The language, however, does not specify whether the new units are to be multiplied by the T&E Index.

ATTACHMENT 2

Training and Experience Index by School District by School Year

DISTRICT/CHARTER	2005 - 2006	2006 - 2007	2007 - 2008	2008 - 2009	2009 - 2010	2010 - 2011	2011 - 2012	2012 - 2013	2013 - 2014	2014 - 2015	10-yr. Avg.	%Difference ('14-'15 vs. Avg.)
ALAMOGORDO	1.117	1.099	1.095	1.098	1.094	1.091	1.091	1.095	1.090	1.079	1.095	(1.45%)
ALBUQUERQUE	1.091	1.120	1.107	1.088	1.087	1.088	1.092	1.092	1.088	1.081	1.093	(1.13%)
ANIMAS	1.316	1.280	1.300	1.268	1.255	1.249	1.264	1.283	1.212	1.214	1.264	(3.96%)
ARTESIA	1.173	1.170	1.159	1.143	1.160	1.153	1.154	1.157	1.138	1.126	1.153	(2.37%)
AZTEC	1.111	1.103	1.097	1.104	1.104	1.113	1.112	1.104	1.086	1.086	1.102	(1.45%)
BELEN	1.063	1.081	1.056	1.070	1.076	1.089	1.096	1.091	1.090	1.091	1.080	0.99%
BERNALILLO	1.168	1.154	1.167	1.144	1.133	1.122	1.118	1.107	1.120	1.109	1.134	(2.22%)
BLOOMFIELD	1.107	1.102	1.111	1.099	1.105	1.104	1.097	1.108	1.090	1.077	1.100	(2.09%)
CAPITAN	1.119	1.109	1.122	1.144	1.150	1.181	1.158	1.134	1.145	1.157	1.142	1.32%
CARLSBAD	1.269	1.282	1.288	1.272	1.274	1.275	1.256	1.261	1.256	1.236	1.267	(2.44%)
CARRIZOZO	1.190	1.171	1.187	1.201	1.212	1.178	1.143	1.180	1.144	1.145	1.175	(2.56%)
CENTRAL CONS.	1.139	1.134	1.140	1.134	1.121	1.125	1.144	1.134	1.130	1.037	1.124	(7.72%)
CHAMA VALLEY	1.151	1.117	1.164	1.161	1.163	1.192	1.117	1.096	1.087	1.121	1.137	(1.40%)
CIMARRON	1.189	1.191	1.172	1.177	1.117	1.102	1.167	1.158	1.110	1.097	1.148	(4.44%)
CLAYTON	1.149	1.129	1.128	1.107	1.129	1.132	1.175	1.115	1.100	1.100	1.126	(2.34%)
CLOUDCROFT	1.154	1.162	1.170	1.182	1.179	1.155	1.140	1.160	1.130	1.142	1.157	(1.33%)
CLOVIS	1.087	1.077	1.077	1.074	1.070	1.071	1.076	1.083	1.071	1.055	1.074	(1.78%)
COBRE CONS.	1.174	1.155	1.184	1.193	1.169	1.164	1.169	1.159	1.164	1.157	1.169	(1.01%)
CORONA	1.051	1.092	1.088	1.115	1.058	1.078	1.102	1.125	1.114	1.122	1.095	2.51%
CUBA	1.119	1.099	1.100	1.122	1.138	1.145	1.134	1.112	1.159	1.131	1.126	0.45%
DEMING	1.080	1.082	1.088	1.081	1.082	1.082	1.100	1.084	1.082	1.086	1.085	0.12%
DES MOINES	1.152	1.122	1.053	1.080	1.064	1.038	1.084	1.046	1.050	1.000	1.069	(6.45%)
DEXTER	1.070	1.082	1.058	1.052	1.067	1.086	1.086	1.067	1.060	1.088	1.072	1.53%
DORA	1.242	1.201	1.238	1.255	1.178	1.159	1.147	1.152	1.156	1.176	1.190	(1.21%)
DULCE	1.046	1.051	1.063	1.066	1.111	1.155	1.110	1.126	1.090	1.123	1.094	2.64%
ELIDA	1.070	1.110	1.116	1.079	1.062	1.092	1.122	1.136	1.095	1.067	1.095	(2.55%)
ESPAÑOLA	1.104	1.098	1.097	1.091	1.100	1.103	1.122	1.105	1.114	1.108	1.104	0.34%
ESTANCIA	1.085	1.114	1.117	1.107	1.104	1.095	1.084	1.107	1.110	1.102	1.103	(0.05%)

Source: PED Funded Run Data

Training and Experience Index by School District by School Year

DISTRICT/CHARTER	2005 - 2006	2006 - 2007	2007 - 2008	2008 - 2009	2009 - 2010	2010 - 2011	2011 - 2012	2012 - 2013	2013 - 2014	2014 - 2015	10-yr. Avg.	%Difference ('14-'15 vs. Avg.)
EUNICE	1.055	1.063	1.045	1.084	1.073	1.067	1.078	1.084	1.091	1.090	1.073	1.58%
FARMINGTON	1.100	1.103	1.093	1.096	1.090	1.096	1.098	1.090	1.085	1.083	1.093	(0.95%)
FLOYD	1.054	1.073	1.050	1.111	1.092	1.117	1.150	1.150	1.160	1.181	1.114	6.03%
FT. SUMNER	1.197	1.203	1.219	1.232	1.234	1.233	1.214	1.257	1.217	1.209	1.222	(1.02%)
GADSDEN	1.061	1.062	1.066	1.070	1.066	1.078	1.091	1.094	1.077	1.070	1.074	(0.33%)
GALLUP	1.050	1.060	1.064	1.078	1.077	1.078	1.074	1.083	1.087	1.089	1.074	1.40%
GRADY	1.090	1.097	1.117	1.137	1.144	1.212	1.156	1.151	1.114	1.011	1.123	(9.97%)
GRANTS	1.168	1.154	1.158	1.141	1.140	1.148	1.139	1.137	1.130	1.134	1.145	(0.95%)
HAGERMAN	1.059	1.098	1.061	1.031	1.041	1.063	1.073	1.038	1.016	1.091	1.057	3.21%
HATCH	1.149	1.150	1.134	1.130	1.106	1.040	1.055	1.067	1.046	1.047	1.092	(4.16%)
HOBBS	1.080	1.091	1.085	1.095	1.090	1.099	1.106	1.108	1.095	1.079	1.093	(1.26%)
HONDO	1.092	1.105	1.052	1.090	1.116	1.133	1.107	1.119	1.163	1.168	1.115	4.80%
HOUSE	1.032	1.066	1.080	1.068	1.125	1.130	1.090	1.147	1.142	1.165	1.105	5.48%
JAL	1.167	1.162	1.153	1.168	1.177	1.151	1.130	1.127	1.120	1.075	1.143	(5.95%)
JEMEZ MOUNTAIN	1.084	1.064	1.080	1.095	1.041	1.043	1.069	1.114	1.079	1.126	1.080	4.31%
JEMEZ VALLEY	1.138	1.099	1.069	1.084	1.071	1.119	1.149	1.101	1.101	1.025	1.096	(6.44%)
LAKE ARTHUR	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.00%
LAS CRUCES	1.076	1.079	1.076	1.082	1.087	1.087	1.096	1.099	1.086	1.084	1.085	(0.11%)
LAS VEGAS CITY	1.139	1.138	1.146	1.116	1.145	1.176	1.157	1.130	1.118	1.122	1.139	(1.47%)
LOGAN	1.226	1.233	1.229	1.217	1.181	1.152	1.170	1.162	1.165	1.151	1.189	(3.16%)
LORDSBURG	1.068	1.100	1.121	1.136	1.125	1.110	1.133	1.070	1.027	1.041	1.093	(4.77%)
LOS ALAMOS	1.172	1.165	1.162	1.158	1.152	1.153	1.145	1.152	1.130	1.131	1.152	(1.82%)
LOS LUNAS	1.114	1.117	1.109	1.101	1.098	1.096	1.117	1.106	1.106	1.090	1.105	(1.39%)
LOVING	1.161	1.167	1.171	1.161	1.149	1.127	1.149	1.152	1.090	1.071	1.140	(6.04%)
LOVINGTON	1.111	1.110	1.091	1.093	1.088	1.094	1.112	1.119	1.124	1.115	1.106	0.84%
MAGDALENA	1.136	1.162	1.104	1.089	1.086	1.092	1.102	1.113	1.096	1.109	1.109	0.01%
MAXWELL	1.185	1.195	1.187	1.163	1.094	1.095	1.137	1.136	1.104	1.128	1.142	(1.26%)
MELROSE	1.152	1.160	1.149	1.178	1.163	1.154	1.121	1.105	1.074	1.024	1.128	(9.22%)

Source: PED Funded Run Data

Training and Experience Index by School District by School Year

DISTRICT/CHARTER	2005 - 2006	2006 - 2007	2007 - 2008	2008 - 2009	2009 - 2010	2010 - 2011	2011 - 2012	2012 - 2013	2013 - 2014	2014 - 2015	10-yr. Avg.	%Difference ('14-'15 vs. Avg.)
MESA VISTA	1.130	1.132	1.138	1.082	1.101	1.095	1.083	1.118	1.101	1.132	1.111	1.87%
MORA	1.154	1.161	1.117	1.120	1.163	1.147	1.146	1.125	1.124	1.117	1.137	(1.79%)
MORIARTY	1.105	1.102	1.097	1.102	1.110	1.102	1.098	1.095	1.094	1.098	1.100	(0.21%)
MOSQUERO	1.048	1.039	1.079	1.118	1.086	1.120	1.095	1.056	1.063	1.063	1.077	(1.27%)
MOUNTAINAIR	1.133	1.151	1.079	1.104	1.139	1.148	1.157	1.133	1.133	1.111	1.129	(1.58%)
PECOS	1.136	1.146	1.137	1.096	1.132	1.174	1.115	1.119	1.099	1.085	1.124	(3.46%)
PEÑASCO	1.179	1.174	1.194	1.169	1.182	1.165	1.184	1.178	1.229	1.147	1.180	(2.80%)
POJOAQUE	1.074	1.131	1.080	1.119	1.098	1.097	1.127	1.124	1.113	1.102	1.107	(0.41%)
PORTALES	1.077	1.078	1.074	1.093	1.089	1.093	1.086	1.086	1.095	1.085	1.086	(0.06%)
QUEMADO	1.085	1.061	1.074	1.058	1.114	1.142	1.136	1.112	1.119	1.047	1.095	(4.37%)
QUESTA	1.182	1.151	1.130	1.113	1.101	1.123	1.124	1.096	1.057	1.087	1.116	(2.63%)
RATON	1.112	1.113	1.123	1.141	1.125	1.098	1.091	1.108	1.108	1.112	1.113	(0.10%)
RESERVE	1.174	1.119	1.122	1.168	1.173	1.170	1.171	1.183	1.137	1.079	1.150	(6.14%)
RIO RANCHO	1.070	1.065	1.061	1.062	1.069	1.089	1.100	1.096	1.086	1.085	1.078	0.62%
ROSWELL	1.086	1.098	1.096	1.089	1.085	1.081	1.077	1.069	1.062	1.049	1.079	(2.80%)
ROY	1.105	1.091	1.074	1.074	1.097	1.171	1.140	1.101	1.112	1.120	1.109	1.04%
RUIDOSO	1.206	1.214	1.212	1.196	1.188	1.164	1.162	1.151	1.138	1.120	1.175	(4.69%)
SAN JON	1.224	1.229	1.269	1.268	1.253	1.266	1.262	1.281	1.304	1.237	1.259	(1.77%)
SANTA FE	1.071	1.075	1.071	1.085	1.087	1.078	1.079	1.085	1.085	1.087	1.080	0.62%
SANTA ROSA	1.146	1.135	1.122	1.110	1.094	1.104	1.059	1.059	1.049	1.061	1.094	(3.01%)
SILVER CITY CONS.	1.211	1.199	1.215	1.213	1.207	1.207	1.182	1.198	1.180	1.159	1.197	(3.18%)
SOCORRO	1.047	1.044	1.052	1.054	1.050	1.081	1.085	1.086	1.063	1.090	1.065	2.33%
SPRINGER	1.023	1.045	1.041	1.065	1.069	1.078	1.096	1.100	1.100	1.080	1.070	0.96%
TAOS	1.114	1.090	1.108	1.096	1.085	1.087	1.087	1.098	1.090	1.084	1.094	(0.91%)
TATUM	1.271	1.300	1.307	1.265	1.247	1.292	1.307	1.281	1.255	1.273	1.280	(0.53%)
TEXICO	1.203	1.219	1.259	1.239	1.225	1.230	1.246	1.259	1.251	1.259	1.239	1.61%
TRUTH OR CONSEQ.	1.089	1.095	1.100	1.081	1.084	1.059	1.089	1.086	1.083	1.078	1.084	(0.59%)
TUCUMCARI	1.100	1.108	1.120	1.133	1.116	1.103	1.071	1.082	1.129	1.137	1.110	2.44%

Source: PED Funded Run Data

Training and Experience Index by School District by School Year

DISTRICT/CHARTER	2005 - 2006	2006 - 2007	2007 - 2008	2008 - 2009	2009 - 2010	2010 - 2011	2011 - 2012	2012 - 2013	2013 - 2014	2014 - 2015	10-yr. Avg.	%Difference ('14-'15 vs. Avg.)
TULAROSA	1.191	1.163	1.166	1.160	1.147	1.160	1.184	1.165	1.145	1.138	1.162	(2.06%)
VAUGHN	1.106	1.125	1.115	1.096	1.147	1.078	1.123	1.126	1.073	1.117	1.111	0.58%
WAGON MOUND	1.097	1.063	1.086	1.149	1.166	1.201	1.221	1.224	1.201	1.199	1.161	3.30%
WEST LAS VEGAS	1.118	1.124	1.128	1.129	1.130	1.127	1.112	1.129	1.131	1.144	1.127	1.49%
ZUNI	1.107	1.097	1.104	1.105	1.090	1.111	1.107	1.080	1.080	1.071	1.095	(2.21%)
STATEWIDE	1.100	1.109	1.104	1.099	1.098	1.100	1.102	1.101	1.095	1.088	1.100	(1.05%)

Source: PED Funded Run Data

ATTACHMENT 3

2008 AIR Report - Proposed Instructional Staff Quality Index

Matrix of Staff Qualifications A - Teachers

Academic Classification	Years of Experience, by Licensure Level									
	Level I			Level II				Level III		
	0 - 1	2 - 3	4-5	4-6	7-8	9-15	Over 15	7-8	9-15	Over 15
Bachelor's degree	0.64	0.67	0.71	0.76	0.82	0.93	1.04	0.90	1.02	1.17
Master's degree or National Board Certified	0.68	0.72	0.76	0.81	0.88	1.00	1.11	0.96	1.09	1.25
Master's degree plus 45 credit hours or post-master's degree	0.71	0.75	0.79	0.85	0.92	1.05	1.16	1.01	1.14	1.31

Matrix of Staff Qualifications B - Other Instructional Staff

Academic Classification	Years of Experience				
	0-2	3-5	6-8	9-15	Over 15
Bachelor's degree or less	0.65	0.78	0.87	0.91	0.91
Bachelor's degree plus 15 credit hours	0.70	0.83	0.87	0.96	1.00
Bachelor's degree plus 45 credit hours of master's degree	0.74	0.87	0.91	1.00	1.04
Master's degree plus 15 credit hours	0.78	0.91	1.00	1.13	1.17
Master's degree plus 45 credit hours or post-master's degree	0.87	1.00	1.13	1.22	1.30