

State of New Mexico
LEGISLATIVE EDUCATION STUDY COMMITTEE

REPRESENTATIVES

Rick Miera, Vice Chair
Joni Marie Gutierrez
Dianne Miller Hamilton
Mimi Stewart
Thomas E. Swisstack
W. C. "Dub" Williams

ADVISORY

Ray Begaye
William "Ed" Boykin
Kandy Cordova
Roberto J. Gonzales
Jimmie C. Hall
John A. Heaton
Harriet I. Ruiz
Sheryl M. Williams Stapleton
Richard D. Vigil
Teresa A. Zanetti

State Capitol North, 325 Don Gaspar, Suite 200
Santa Fe, New Mexico 87501
PH: (505) 986-4591 FAX: (505) 986-4338
<http://legis.state.nm.us/lcs/lesc/lescdefault.asp>



SENATORS

Cynthia Nava, Chair
Gay G. Kernan
Mary Kay Papen
William E. Sharer

ADVISORY

Vernon D. Asbill
Mark Boitano
Carlos R. Cisneros
Dianna J. Duran
Mary Jane M. Garcia
John Pinto
Leonard Tsosie

D. Pauline Rindone, Ph.D., Director
Frances R. Maestas, Deputy Director

December 12, 2006

MEMORANDUM

TO: Legislative Education Study Committee

FR: Frances R. Maestas

RE: STAFF BRIEF: FUNDING FORMULA STUDY TASK FORCE: PROGRESS REPORT

At least since 2001, the Legislative Education Study Committee (LESC) has heard concerns about a number of issues related to the Public School Funding Formula, including the:

- alignment of the Training and Experience (T&E) Index with the three-tiered licensure system for teachers;
- recognition of instructional support providers through the T&E Index or an alternate mechanism in the formula; and
- fiscal difficulties faced by school districts with a membership of 200 or less.

Appropriations to fund a study of the Public School Funding Formula in 2001, 2003, 2004, and 2005 were vetoed. However, in 2005 the LESL endorsed legislation that was enacted to create a Funding Formula Study Task Force and in 2006 to extend the term of the task force through December 2007. Also in 2006, the Legislature appropriated \$500,000 for an independent study of the funding formula.

The 2006 Interim Workplan of the LESL includes a report outlining the progress of the public school Funding Formula Study Task Force during the 2006 interim. The American Institutes for Research (AIR), the independent contractor selected by the task force to conduct a study of the current Public School Funding Formula, will also provide a report on its activities.

Issues:

- As specified in current law, the study of the current Public School Funding Formula is a three-year process that will culminate in December 2007 when the final recommendations of the task force are presented to the Legislature and the Governor for consideration in the 2008 legislative session.
- The 2006 work plan of the Funding Formula Study Task Force (see Attachment 1) outlines the composition of the task force and the interim focus of the task force, namely selecting a contractor to conduct a study of the funding formula.
- In August 2006, the task force selected AIR, headquartered in Palo Alto, California, to conduct an independent study of the funding formula. According to AIR research team (see Attachment 2), the goals of the study are to:
 - obtain public input on defining the goals, priorities and issues in public school finance;
 - determine what it will cost to provide an adequate education for all New Mexican students;
 - examine and potentially modify the current funding formula to distribute necessary resources; and
 - assess available revenue sources to fund any necessary changes.
- To accomplish these goals, AIR research team indicates that the study will be conducted in four phases:
 - **Phase 1, Public Input on Definition of an Adequate Education:** Currently in progress, AIR is examining the existing definition of educational ‘adequacy’ as implied by state law and soliciting input through a series of surveys of key constituencies (including principals, superintendents, teachers, parents, business officials, and community members) and in open town hall meetings being held statewide.

AIR reports that the public feedback is to be synthesized into a goals statement for New Mexico public schools and presented to AIR-selected panels of highly qualified and recognized educators. These panels will be asked to develop instructional program designs to achieve the New Mexico goals and priorities and to specify the resources and services necessary to deliver those programs to students statewide.

- **Phase 2, Costing Out Educational Adequacy:** The second phase of the study will focus on determining the costs of ensuring that all students have access to the programs and resources necessary to achieve the goals and priorities established in Phase 1 of the project.

According to AIR, the cost analysis is to consider:

- *Need* – pupil needs such as poverty, English language skills, disabilities, exceptionalities, vocational interests, and mobility;
- *Scale* – the scale of school and district operations; and
- *Price* – variations in the cost of comparable resources (such as teachers and other school personnel) across different regions of the state.

- **Phase 3, Evaluating the Current Funding Formula and Developing Modifications:** Using the costing-out results from Phase 2 as the foundation for recommending changes or modifications to the current methodology for funding public schools, Phase 3 tasks also include a comparative analysis of current versus adequate expenditures and their effect on student outcomes.
- **Phase 4, Analysis of Existing and Potential Revenue Sources:** In the final phase of the study, the AIR research team will evaluate current revenue streams and identify potential sources of revenue that could be used to provide the necessary funding to support an adequate education across all school districts.

Background:

- In 2005, LESC-endorsed legislation was enacted to create the public school Funding Formula Study Task Force, through December 15, 2006, to initiate a comprehensive study of the New Mexico Public School Funding Formula. Since the \$200,000 appropriated by the Legislature to support this study was vetoed, the Legislative Council approved and supported the initial phase of the study, which focused on understanding the historical development and policy decisions of the current Public School Funding Formula.
- Among its provisions, the law charged the task force with approving a request for proposals and selecting a contractor to conduct a study of the Public School Funding Formula to include:
 - the expectations of the public and statutory requirements for New Mexico’s public education system;
 - the costs of those expectations and requirements;
 - an examination of the T&E Index and its alignment with the three-tiered licensure system for teachers;
 - the problems particular to small schools and small school districts; and
 - any other factors that might affect the equity and efficacy of the Public School Funding Formula as a whole.
- In 2006, legislation endorsed by the LESC was enacted to extend the term of the Funding Formula Study Task Force until December 2007, and \$500,000 was appropriated to the Legislative Council to pay costs associated with the task force and the study, including contracting with an individual or individuals selected by the task force to conduct a formula study. The task force is required to make recommendations to the Legislature and the Governor by December 15, 2007.

Public School Funding Formula

- Enacted by the New Mexico Legislature in 1974, the state’s current Public School Funding Formula was designed to distribute operational funds to local school districts in an objective manner, based upon the educational needs of individual students and the costs of the programs designed to meet those needs.

- The original program cost differentials were based upon nationwide research and data regarding the relative costs of various school programs, as well as experience in New Mexico public school system.
- The objectives of the formula are (1) to equalize educational opportunity statewide (by crediting certain local and federal support and then distributing state support in an objective manner), and (2) to retain local autonomy in actual use of funds by making the distribution noncategorical, thus allowing districts to address needs at the local level.
- The formula is divided into three basic parts:
 - (1) Educational program units that reflect the different costs of identified instructional programs;
 - (2) Training and Experience units that attempt to distribute additional funds so that districts may hire and retain more highly educated and more experienced instructional personnel; and
 - (3) Size adjustment units that recognize local school and district needs, economies of scale, marginal cost and other increases for growth in enrollment from one year to the next, and adjustments for the creation of new districts.
- The last comprehensive study of the Public School Funding Formula was completed in 1996. Prior to the study, school districts had expressed concern about a number of issues, including:
 - waivers given by the education department to certain districts in regard to the way in which the district's were calculating their T&E indexes,
 - the perceived unfairness of the density factor;
 - the level of funding for special education, and
 - the apparent inequity in the availability of capital outlay resources.
- In response, in 1995, the Legislature in conjunction with the former State Board of Education and the Office of the Governor created a Public School Funding Formula Task Force to study these issues in the context of the entire Public School Funding Formula. The task force, which met throughout the late summer and fall of 1995, selected a consultant in January 1996. The consultant completed his report in November 1996, and the task force made its recommendations to the 1997 Legislature.
- The resulting legislation, which was enacted and signed into law:
 - replaced the density factor with the at-risk index;
 - amended the special education cost differentials for related services; and
 - eliminated the T&E waivers.
- In another study conducted during the 2003 interim, the directors of the 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 consultant's final 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.

- In the 2004 interim, the Public Education Department, in cooperation with the LESC, formed the Training and Experience Work Group to:
 - study the implications of the three-tiered licensure system on the T&E Index;
 - examine the possible inclusion of instructional support providers in a new, aligned index; and
 - develop recommendations for the 2005 legislative session.
- The first recommendation made by the work group was for a comprehensive study of the Public School Funding Formula.
- Also in 2004, several small school district superintendents presented the House Education Committee with a proposal to establish a separate formula for incremental supplemental funding for districts with an enrollment of 200 or less. As a result, during the 2004 interim, the LESC convened the Small School District Work Group to identify problems common to the state's small school districts and to make recommendations regarding potential solutions for possible consideration by the LESC.
- The major problem identified by the Small School District Work Group is that the current Public School Funding Formula does not generate sufficient operational funds for small districts, resulting in staff and program reductions and in salary schedules that are lower than those in other districts. In order to develop long-term solutions to ensure sufficient and equitable funding not just for small school districts but for all public schools, the Small School District Work Group recommended a comprehensive study of the Public School Funding Formula.
- Several attempts were made by the Legislature to appropriate funds and begin an analysis of the Public School Funding Formula; however, appropriations to fund a Public School Funding Formula study were vetoed in 2001, 2003, 2004, and 2005.

Presenters:

For this presentation, Ms. Jonelle Maison, Contract Manager, LCS, and Dr. Jay G. Chambers, Managing Director, AIR, will discuss the 2006 interim activities of the Public School Funding Formula Study Task Force and AIR in conducting the study of the current Public School Funding Formula.

Questions the committee may wish to consider:

1. How is an adequate education defined in other states?
2. Of those states that have defined an adequate education, how many of them fund their public schools based on the definition?
3. How will the costing-out phase of the study determine costs for every school and for every school district in the New Mexico?
4. How can student outcomes be linked to school funding and expenditures?
5. In what phase of the study will the contractor address the problems particular to small schools and small school districts and examine the T&E Index and its alignment with the three-tiered licensure system for teachers?

**Approved
2006 Work Plan and Budget
of the
Funding Formula Study Task Force**

The funding formula study task force was created pursuant to Laws 2005, Chapter 49. The function of the task force is to approve the request for proposals for a contractor to study the public school funding formula and to select the contractor.

The task force is composed of the following legislative members:

Rep. Mimi Stewart, co-chairwoman	Rep. Brian K. Moore
Sen. Vernon D. Asbill	Sen. Cynthia Nava
Rep. Roberto "Bobby" J. Gonzales	Sen. James G. Taylor

Public members are:

Mr. Dick Pool, co-chairman	Mr. Randy Manning
Mr. Robert Archuleta	Ms. Lilliemae Ortiz
Mr. Charles Bowyer	Mr. Dennis Roch
Dr. V. Sue Cleveland	Ms. Karen White
Mr. Jack Jenkins	

Advisory legislative members are:

Sen. Ben D. Altamirano	Sen. Linda M. Lopez
Sen. Mark Boitano	Rep. Terry T. Marquardt
Rep. William "Ed" Boykin	Rep. Rick Miera
Sen. Pete Campos	Sen. Mary Kay Papen
Rep. Gail Chasey	Sen. Bernadette M. Sanchez
Rep. Joni M. Gutierrez	Rep. Richard D. Vigil
Rep. Jimmie C. Hall	Rep. Teresa A. Zanetti
Sen. Gay G. Kernan	

Advisory public members are:

Mr. James M. Phipps
Mr. Manuel F. Valdez

Staff for the task force is provided by the legislative council service, legislative education study committee, legislative finance committee, public education department and office of education accountability.

As specified in the law, the funding formula study is a three-year process that will culminate in final recommendations to the second session of the forty-eighth legislature. Last year, the task force educated itself on the formula and took testimony, particularly from school districts, on problems and issues concerning public school funding in New Mexico. This interim, the task force will issue a request for proposals (RFP) for the planned study of the funding formula, will evaluate the proposals and will select a contractor to perform the study.

The task force will finalize the RFP at its May 24 meeting, and the RFP will be issued on or about May 26; the closing date is June 26, 2006. The co-chairs of the task force named an evaluation panel that will meet June 28-30 to select finalists for task force consideration. At its July 24-26 meeting, the task force will hear presentations from finalists and will select the winning bidder. The co-chairs and the legislative council service director will then negotiate the contract with that bidder. As part of the study, the task force will name a panel of outside experts to review the work of the contractor.

The task force plans a truncated meeting schedule this interim while the contractor conducts the first phase of the study, including the surveys and interviews required in the RFP. The RFP requires the contractor to meet with focus groups around the state, and task force members will attend meetings in their areas. The task force requests legislative approval to pay per diem and mileage for members attending focus group meetings. The task force asks the legislative council to approve three additional meetings during the interim, between selection of the contractor and the end-of-interim report in December, in case the task force needs to meet with the contractor.



INDEPENDENT COMPREHENSIVE STUDY OF NEW MEXICO PUBLIC SCHOOL FUNDING

NM FUNDING FORMULA



ABOUT THE STUDY - AIR Research Team Biographies

About the Study | Methodology

Dr. Jay G. Chambers | Dr. Jesse Levin | Dr. Karen DeMoss | Ms. Danielle DeLancey | Ms. Karen Manship | Ms. Maria Segarra

Dr. Jay G. Chambers, Principal Investigator

Dr. Jay G. Chambers is a Senior Research Fellow and is the Managing Director of the *Education Finance Business Development* group in the Education Program at American Institutes for Research (AIR). Dr. Chambers holds an appointment as a consulting professor in the Stanford University School of Education and served as the President of the American Education Finance Association in 2002/2003. During 2002, Dr. Chambers was appointed by President Bush to serve on the President's Commission on Excellence in Special Education to help formulate recommendations for reauthorization of the Individuals with Disabilities Education Act (DEA).

Dr. Chambers is a nationally recognized expert in school finance and education cost analysis. Over the past 30 years, he has directed and been involved in many national-, state-, and local studies related to programmatic and resource costs in education, and has published numerous articles in professional journals and books on this subject. His research and writing has covered virtually every major educational or related service program from early intervention to vocational education for children from birth through secondary education. He has also written and conducted projects working directly with local school districts, state departments of education, and the National Center for Education Statistics (NCES) to improve the quality of fiscal and cost information for school decision making.

Prior to joining AIR, Dr. Chambers was president of the Associates for Education Finance and Planning (AEFP, Inc.) in California, from 1981-90. From 1978-85, he served as the Associate Director of the Institute for Research on Educational Finance and Governance (IFG) located at Stanford University. He has also been a faculty member at the Universities of Rochester (1975-78) and Chicago (1973-75). Dr. Chambers has been a consultant to state legislatures and served as an expert witness on issues related to school finance.

Dr. Chambers earned his Ph.D. in economics from Stanford University in 1975 where he specialized in economics of education, labor economics, urban economics, and applied microeconomics.

Dr. Jesse Levin, Project Director

Dr. Jesse D. Levin is a Senior Research Scientist for the Education Program at the American Institutes for Research (AIR). At AIR he has been involved in a number of projects investigating educational finance and adequacy. Currently, Dr. Levin serves as Project Director on two projects: "Improving Achievement for Low-Income Students: What Makes a Difference?", an investigation into the educational practices of California elementary schools that serve low socio-economic status student populations; and "The Cost of Comprehensive High School Reform", a study that intends to obtain accurate cost of successfully implementing and maintaining selected mainstream comprehensive high school reform models. Prior to that, Levin was the Deputy Project Director and Principal Analyst the *New York Adequacy Study*, whose objective was to define and cost out the resources necessary to provide an adequate education for students enrolled in New York public schools. In addition, he recently served as the Principal Analyst for the expenditure analysis component of the *National Early Intervention Longitudinal Study (NEILS)*, which examined the expenditures for, and potential benefits of, early intervention service provided to children under the *Individuals with Disabilities Education Act (IDEA)*.

Prior to joining AIR, Dr. Levin served as an Economic Researcher for the Institute for Research of Schooling, Labor Market and Economic Development (SCHOLAR) in the Netherlands, a priority program of the Dutch National Science Foundation. There he conducted research in the economics of education and labor economics including performing major countrywide studies of the efficacy of class size reduction, the differences in the effectiveness of Catholic versus public schooling, and measuring the rate of return to Dutch education. These research results were widely discussed across the Dutch media. In addition, published versions of his research have appeared as articles in peer-reviewed journals, books and magazines. In addition, he has presented extensively at international conferences and workshops. Aside from his research activities at AIR he has also served as a referee for *Economics of Education Review*. Dr. Levin received his Ph.D from the University of Amsterdam and the Tinbergen Institute in 2002 where he specialized in the economics of education, labor economics and applied microeconomics/econometrics.

Dr. Karen DeMoss, Public Engagement Consultant

Karen DeMoss is Assistant Professor in the Educational Leadership Program at the University of New Mexico. Her research interests lie in school reform and educational policy, with a particular emphasis on equitable and adequate provision of education. She earned her Ph.D. from the University of Chicago, where she also worked for 7 years at the Consortium on Chicago School Research as Productivity Researcher on school improvement and reform. She has worked on a variety of research projects on school reform, from arts initiatives to charter schools to systemic efforts including the Annenberg project in Chicago. Currently she is working on a programmatic reform effort for leadership preparation in urban schools through the College of Education's partnership with Albuquerque Public Schools and on a book on preventive application of legal principles in schools. She is co-editor of the 2004 American Education Finance Association Yearbook, *Money, Politics, and Law: Intersections and Conflicts in the Provision of Educational Opportunity*, co-author of *Effective Partnering for School Change: Improving Early Childhood Education in Urban Classrooms*, and author of several articles and reports on change initiatives in schools. Her dissertation, *Political Dispositions and Educational Finance Equity: An Analysis of Court Decisions Across the United States* was co-awarded the 2002 American Educational Research Association (AERA) Division L Policy and Politics Dissertation Award.

Ms. Danielle DeLancey, Project Manager

Ms. DeLancey, a Research Associate at AIR, earned her master's degree in International Education Policy from Harvard University's Graduate School of Education with extensive course work in statistical analysis and economics. Prior and during her masters, Danielle was actively involved in the classroom through education outreach, curriculum development, assessment of bilingual students and as a middle-grades teacher in North Carolina through the Teach for America program.

Recently, Ms. DeLancey has worked on a range of research and evaluation projects including the examination of efficiency and adequacy in California schools, the monitoring and evaluation of the federal Reading First program and examining the effects of Proposition 227 on English Language learners in California. Currently, she is the Project Manager for the *Independent Comprehensive Study of New Mexico Public School Funding*.

Ms. Karen Manship, Research Analyst

Ms. Karen Manship, a Research Analyst at AIR, has conducted cost analyses for a number of projects during her time at AIR, including the Packard Foundation Preschool for All Technical Assistance project, Preschool Technical Assistance for Sonoma County, and the National Longitudinal Study of No Child Left Behind, Targeting and Resource Allocation Component (TRAC). Before joining AIR, she was an Analyst for the School Finance Redesign Project at the University of Washington, a multi-university project funded by the Bill and Melinda Gates Foundation. In that role, she was responsible for developing an instrument to collect inputs for a preK-12 cost model to be used in two states. Prior, she served as a Statistician at the U.S. Department of Education's National Center for Education Statistics, where she was responsible for longitudinal survey design and data analysis for the Early Childhood Longitudinal Studies program. Ms. Manship received her Master's degree in Urban Affairs and Public Policy from the University of Delaware.

Ms. Maria Segarra, Research Assistant

Ms. Maria Segarra, a Research Assistant at AIR, earned her Bachelor's Degree in Psychology from the University of California, Santa Cruz (UCSC), graduating with Highest Department Honors. In her junior and senior year in college, she conducted a study of stress and satisfaction among graduate students at UCSC under the supervision of her faculty mentor. The Dean of Graduate Studies is planning to rely on her study as the basis for a series of biannual surveys about the well being of graduate students at UCSC. She is currently working on a number of education research projects at AIR, including an exploratory study on the resource allocation practices of schools implementing Comprehensive High School Reform models and the evaluation of adequacy and efficiency in New Mexico public schools.