

STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE

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State Capitol North, 325 Don Gaspar, Suite 200
Santa Fe, New Mexico 87501
Phone: (505) 986-4591 Fax: (505) 986-4338
<http://lesc.nmlegis.gov>

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June 27, 2011

MEMORANDUM

TO: Legislative Education Study Committee

FR: Peter B. van Moorsel

RE: WRITTEN REPORT: *RURAL ISOLATION UNITS STUDY*, (SM 70)

Introduction

Passed by the Senate during the 2011 legislative session, Senate Memorial 70, *Rural Isolation Units Study* (see Attachment 1), requests that the Legislative Education Study Committee (LESC) study:

- the law and the funding formula calculations for small school size adjustment and rural isolation units; and
- the need for a hold-harmless provision to minimize drastic fluctuations in funding for the Gallup-McKinley County Public Schools (GMCS).

According to the memorial:

- GMCS is the fifth-largest school district in terms of students, and 85 percent of its 12,000 students are Native American;
- since 1976, the GMCS has received rural isolation units in the size adjustment unit calculation of the public school funding formula, also known as the "sparsity factor";

- the sparsity factor provides additional program units for the school district based on the number of approved regular senior high schools that are not eligible for the senior high size adjustment; and
- the number of approved senior high schools in the school district not eligible for senior high units decreased from four to three in school year 2010-2011, and the school district lost approximately \$1.8 million in rural isolation units for that year.

To address the issues in the memorial, this staff report:

- provides a brief background to SM 70;
- explains the calculation of two types of size adjustment program units: senior high and rural isolation units;
- analyzes size adjustment program units in GMCS; and
- presents the findings of the LESC staff review.

Background

Sometimes referred to as the “sparsity” factor, the rural isolation factor was added as a size adjustment factor in the public school funding formula in 1976. In 1979, the multiplier in the formula used to calculate the number of rural isolation units to which a district is entitled was increased from 0.2 to 0.5.

Historically, only GMCS has qualified for rural isolation units. However, the changing structure of the school district in recent years has resulted in a reduction in the rural isolation units.

To address the reduced units, GMCS contacted the Public Education Department (PED) in letters dated April 20, 2010 and May 3, 2010 (see Attachments 2 and 3) to request that the district be “held harmless” from the reduction in units and the resulting reduction in funding.

In a letter dated May 20, 2010 (see Attachment 4), then-Secretary of Public Education Veronica C. García denied the district’s request for a waiver because “[t]he Secretary of Education only has authority to issue those waivers that are permitted by state law.” The Secretary further explained that she denied the district’s request because “there is no statutory provision available to waive a district’s eligibility for the size adjustment calculation for rural isolation units[.]”

During the 2011 Legislature, GMCS contacted LESC staff regarding the issue of rural isolation units. A staff review of the *Public School Finance Act* indicated that:

- the loss in units resulted from a decrease in the number of high schools not eligible for senior high units; and
- the Secretary of Public Education did not have the authority to hold districts harmless from a reduction in rural isolation units.

Size Adjustment Program Units

The *Public School Finance Act* provides for several mechanisms that generate additional program units based on school district or school size. The study requested in SM 70 addresses two of these mechanisms: Senior High Units and Rural Isolation Units.

Senior High Units

Current statute provides that an approved public high school with a MEM of less than 400 is eligible for additional program units. The number of additional program units to which a school district is entitled is calculated as the greater of:

$$UNITS = \left(\frac{200 - MEM}{200} \right) * 2.0 * MEM$$

or

$$UNITS = \left(\frac{400 - MEM}{400} \right) * 1.6 * MEM$$

Figure 1, *Generation of Senior High Units by MEM*, depicts these formulae, showing that:

- where MEM ranges from 0 to 66.5, the formula based on a MEM of 200 generates more units for the district; and
- where MEM is greater than 66.5, the formula based on a MEM of 400 generates more units for the district.

Rural Isolation Units

Current law also provides that “a school district with over 10,000 MEM with a ratio of MEM to senior high schools less than 4,000:1 is eligible for additional program units based on the number of approved regular senior high schools that are not eligible for senior high units[.]”

The number of additional program units to which an eligible school district is entitled under this subsection is the number of units computed in the following manner:

$$UNITS = \left[4000 - \left(\frac{MEM}{\# \text{ of High Schools}} \right) \right] * 0.5$$

Figure 2, *Generation of Rural Isolation Units by MEM and Number of High Schools*, depicts this formula, and indicates that:

- holding MEM constant, a decrease in the number of high schools reduces the number of isolation units that are generated; and
- holding the number of high schools constant, an increase in MEM reduces the number of isolation units that are generated.

Size Adjustment Program Units in Gallup-McKinley County Schools

As explained above, the *Public School Finance Act* provides that the number of rural isolation units generated by a school district is based on the number of approved *regular senior high schools that are not eligible for senior high units*. This means that once a high school becomes eligible for senior high units, it is no longer considered in the calculation of rural isolation units.

From school year 2009-2010 to school year 2011-2012, the number of GMCS high schools not eligible for senior high units has decreased from four to two. This reduction created two effects:

- a decrease in the number of rural isolation units, from 501.0 to zero; and
- an increase in the number of senior high units, from 452.03 to 632.35.

Because the generation of rural isolation units and senior high units is related, both of these types of units should be viewed together when determining their effect on program cost. For GMCS, the table below shows a five-year history of GMCS' number of high schools, rural isolation units, senior high units, unit value, and the program cost attributable to those units.

School Year	Total # of High Schools	# of HS Eligible for Size Units	# of HS NOT Eligible for Size Units	Isolation Units	HS Size Units	Total Isolation & Size Units	Unit Value	Program Cost
2007-2008	8	4	4	459.94	474.71	934.65	\$3,674.26	\$3,434,137.92
2008-2009	8	4	4	488.81	484.64	973.45	\$3,871.79	\$3,768,992.04
2009-2010	8	4	4	501.0	452.03	953.03	\$3,792.65	\$3,614,494.06
2010-2011	8	5	3	29.2	522.16	551.37	\$3,712.17	\$2,046,772.99
2011-2012	8	6	2	0.00	632.35	632.35	\$3,585.97	\$2,267,580.96

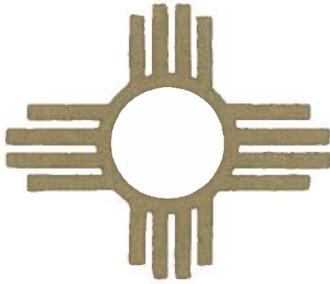
As the table indicates:

- the number of isolation units did indeed decrease to zero as a result of the reduction in high schools not eligible for senior high units;
- however, the reduction in units is partially offset by an increase in the number of senior high units; and
- the net change in isolation and senior high units between school year 2009-2010 and school year 2011-2012 is a decrease of 320.68 units.

The change in rural isolation and senior high units is also depicted graphically in Figure 3, *Gallup-McKinley County Schools: Comparison of Senior High and Rural Isolation Units: FY 08 - FY 12*.

Findings of the LESC Staff Review

After studying the issues raised by SM 70 and the provisions in the *Public School Finance Act*, the LESC staff finds that current law already includes a mechanism to minimize fluctuations in funding such as those that GMCS has experienced. That is, any decrease in funding that results from a reduction in the number of rural isolation units is partially offset by an increase in the number of senior high units generated within the district.



The Legislature
of the
State of New Mexico

50th Legislature, 1st Session

LAWS 2011

CHAPTER _____

SENATE MEMORIAL 70

Introduced by

- SENATOR LYNDAL M. LOVEJOY
- SENATOR GEORGE K. MUÑOZ
- SENATOR CYNTHIA NAVA
- SENATOR JOHN PINTO



1 A MEMORIAL

2 REQUESTING THE LEGISLATIVE EDUCATION STUDY COMMITTEE TO STUDY
3 THE PROVISIONS OF LAW GOVERNING THE RURAL ISOLATION UNITS
4 PROVIDED THROUGH THE PUBLIC SCHOOL FUNDING FORMULA.

5
6 WHEREAS, the Gallup-McKinley county school district is
7 one of the largest of New Mexico's school districts,
8 sprawling across the Navajo Nation one hundred fifty miles
9 long and ninety miles wide; and

10 WHEREAS, the school district is only the fifth-largest
11 school district in terms of students, and eighty-five percent
12 of its twelve thousand students are Native American; and

13 WHEREAS, since 1976, the Gallup-McKinley county school
14 district has received rural isolation units in the size
15 adjustment unit calculation of the public school funding
16 formula, also known as the "sparsity factor"; and

17 WHEREAS, the sparsity factor provides additional program
18 units for the school district based on the number of approved
19 regular senior high schools that are not eligible for small
20 school size adjustment; and

21 WHEREAS, the number of approved senior high schools in
22 the school district not eligible for senior high size units
23 decreased from four to three in the 2010-2011 school year,
24 and the school district lost one million eight hundred
25 twenty-nine thousand one hundred sixteen dollars (\$1,829,116)

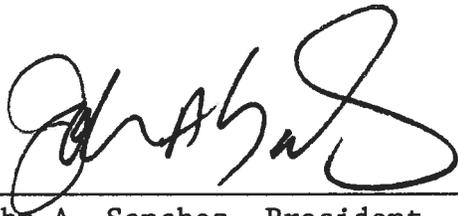
1 in rural isolation units for that year, which drastic loss of
2 revenue, on top of the unit value reduction shared by all
3 school districts, will likely mean severe budget cuts in
4 school year 2011 that will go deep into classrooms and
5 frustrate efforts to improve student achievement;

6 NOW, THEREFORE, BE IT RESOLVED BY THE SENATE OF THE
7 STATE OF NEW MEXICO that the legislative education study
8 committee be requested to study the law and the funding
9 formula calculations for small school size adjustment and
10 rural isolation units and the need for a hold-harmless
11 provision to minimize such drastic fluctuations in funding
12 for the Gallup-McKinley county school district; and

13 BE IT FURTHER RESOLVED that the committee report its
14 findings and recommendations to the appropriate interim
15 legislative committee by December 1, 2011; and

16 BE IT FURTHER RESOLVED THAT copies of this memorial be
17 transmitted to the director of the legislative education study
18 committee, the public education department and the
19 Gallup-McKinley county school district. _____

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24
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John A. Sanchez, President
Senate



Lenore M. Naranjo, Chief Clerk
Senate

GALLUP-McKINLEY COUNTY PUBLIC SCHOOLS

RAYMOND ARSENAULT
SUPERINTENDENT

JOHN SAMFORD
Asst. Supt of Business Services

THERESA MARIANO
Asst. Supt. of Personnel Services



MAX PEREZ
Acting Asst. Supt. of Learning Services

LEONARD HASKIE
Asst. Supt. of Support Services

"GROWING STUDENTS TO BE PRODUCTIVE CITIZENS IN A MULTI-CULTURAL SOCIETY"

April 20, 2010

Dr. Veronica C. Garcia
Secretary of Education

Re: Hold Harmless Gallup-McKinley County Schools
Rural Isolation Units

Secretary Garcia:

The Gallup-McKinley County School District requests that it be "held-harmless" for the size adjustment unit calculation for Rural Isolation Units in the 2009-2010 State Equalization Guarantee computation that provides funding for the 2010-2011 school year.

This calculation is described in NMSA 22-8-23.C. (attached) and applies specifically and only to one district in the state, the Gallup-McKinley County School District. This part of the original equalization formula was designed to fairly fund districts that had a significant number of rural high schools separated by vast distances; in effect providing funding to one district administering what would have previously been several separate, small districts.

Gallup has received this funding since 1976 and has continued to foster the spirit of providing educational services to high school students within a reasonable traveling distance from where students reside by opening high schools in the district; the most recent being Tse Yi Gai High School in the 2005-2006 school year, located 103 miles from district offices in Gallup and 44 miles from Crownpoint High School where students formerly attended. Gradual declines in population in rural McKinley County coupled with the attempt to establish high schools to serve isolated populations has resulted in missing the Rural Isolation Size Adjustment by only 22 students!

The request to be "held-harmless" is based upon the huge decrease in funding to the District based upon a decrease of 22 students at only one high school. If not "held-harmless", the District would face a funding loss of \$1,829,116 as a result of a mere decrease in 22 students at Crownpoint High School. This drastic loss, coupled with the Unit Value reduction shared by all districts, and Gallup's declining enrollment of 172 students from the prior year, would predict cuts that would go deep into classrooms and frustrate efforts to improve student achievement.

April 20, 2010
Gallup-McKinley County School District #1
Rural Isolation Factor Appeal

Dr. Garcia, as illustrated by the circumstances, the Rural Isolation factor in the State Equalization Formula is dedicated to a district such as ours. Our District will face the decreased 2010-2011 Unit Value with other districts; however, we also face the compounding factor of decreased enrollment of 172 students!

As is in your authority to permit a "Hold-Harmless" of the Gallup Schools, we would request that the District would be allowed to use the Rural Isolation factor of 501.0 Units that was used in the 2009-2010 State Equalization Formula.

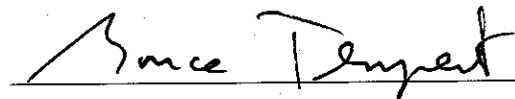
By permitting this "Hold-Harmless" of the Rural Isolation, the District will be spared the drastic budgetary hardships that a third significant reduction would impose. As you are aware, the Gallup-McKinley County School District is the only district in the state to receive this Rural Isolation factor, thus no other district would suffer a loss by holding-harmless our District for the 2010-2011 year.

Your determination of this appeal is needed urgently to complete the budgetary process in an expedient manner. Please contact me at your earliest opportunity if there are questions. We look forward to your favorable determination of this request.

Sincerely,



Ray Arsenault
Superintendent



Dr. Bruce Tempest, President, Board of Education

_____ Mr. Chee Smith Jr., Vice President, Board of Education

_____ Mr. Joe Menini, Secretary, Board of Education

_____ Mrs. Annie Descheny, Member

_____ Mrs. Genevieve Jackson, Member

XC: McKinley County Legislative Contingent
Mr. Don Moya, Deputy Secretary, NM PED
Mr. Steve Burrell, Director, SBFA Bureau, NMPED

GALLUP-McKINLEY COUNTY PUBLIC SCHOOLS

RAYMOND ARSENAULT
SUPERINTENDENT

JOHN SAMFORD
Asst. Supt of Business Services

THERESA MARIANO
Asst. Supt. of Personnel Services



MAX PEREZ
Acting Asst. Supt. of Learning Services

LEONARD HASKIE
Asst. Supt. of Support Services

“GROWING STUDENTS TO BE PRODUCTIVE CITIZENS IN A MULTI-CULTURAL SOCIETY”

May 3, 2010

Dr. Veronica C. Garcia
Secretary of Education

Re: Hold Harmless Gallup-McKinley County Schools
Additional Facts for Rural Isolation Units

Secretary Garcia:

Since our original letter of April 20 requesting that the District be “held-harmless” for the size adjustment unit calculation in the 2010-2011 State Equalization Guarantee, we are awaiting your determination at this time. Your deliberations are of utmost importance to the 12,000 students, 2,200 employees and citizens of McKinley County for the District’s effective progress in serving the needs within our communities.

In addition to our letter of April 20 requesting the “hold-harmless” of the Rural Isolation units to **preserve \$1,829,116.00** that could be lost to the District due to a mere decrease of 22 students at Crownpoint High School, two additional precedents exist for “hold-harmless” within the State Equalization Guarantee.

Historically, “At-Risk” Program Units (22-8-23.3) were “held-harmless” for all districts receiving these units; this was done in order to minimize the fluctuations of funding to allow district’s to develop programs to serve these “at-risk” students. Also, currently the “Elementary physical education” Program Units (22-8-23.7) are being “held-harmless” within the State Equalization Guarantee formula; the membership for all districts providing this program service has not changed for the past three years, thus “holding-harmless” the units funded to each district. Thus, the precedent for “hold-harmless” of a factor is well established.

Dr. Garcia, you are urged to consider the original request, which again is only applicable to the Gallup-McKinley County School District, along with this additional information demonstrating that “hold-harmless” exists currently in other situations. As our budget must be developed at this time, your urgency in this determination is requested.

Sincerely,

Ray Arsenault
Superintendent

XC: Board of Education
McKinley County Legislative Delegation



ATTACHMENT 4

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
300 DON GASPAR
SANTA FE, NEW MEXICO 87501-2786
Telephone (505) 827-6688
www.ped.state.nm.us

DR. VERONICA C. GARCÍA
SECRETARY OF EDUCATION

BILL RICHARDSON
Governor

May 20, 2010

Mr. Ray Arsenault
Superintendent
P.O. Box 1318
Gallup, New Mexico 87305

Dear Superintendent Arsenault:

I am in receipt of your letter dated April 20, 2010, requesting that your district be "held-harmless" for the size adjustment calculation for rural isolation units in the 2010-2011 State Equalization Guarantee computation for the Gallup-McKinley School District.

I have had my legal staff research state statute [Sec. 22-8-23(C) NMSA 1978] and other portions of the Public School Code regarding this calculation as well as my general authority to grant waivers. According to my legal staff, the Secretary of Education only has authority to issue those waivers that are permitted by state law. Because there is no statutory provision available to waive a district's eligibility for the size adjustment calculation for rural isolation units, I must deny your request to be "held harmless".

If you have any questions regarding this matter, please do not hesitate to contact Pamela Bowker, Deputy Director for School Budget at (505) 827-4708.

Truly,

A handwritten signature in cursive script that reads "Veronica C. Garcia".

Veronica C. García, Ed.D.
Secretary of Education

VCG/sb

cc: ✓ Don Moya, Deputy Cabinet Secretary, Finance and Operations
✓ Steve Burrell, Director, School Budget and Finance Analysis Bureau
Pamela Bowker, Deputy Director, School Budget and Finance Analysis Bureau
Habib Chaudhry, Budget Analyst, School Budget and Finance Analysis Bureau