



**Report
to
The LEGISLATIVE FINANCE COMMITTEE**



Public Education Department
Southern School Districts Evaluation
January 17, 2011

Report # 11-03

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State of New Mexico
LEGISLATIVE FINANCE COMMITTEE

325 Don Gaspar, Suite 101 • Santa Fe, NM 87501
Phone: (505) 986-4550 • Fax: (505) 986-4545

David Abbey
Director

Senator John Arthur Smith
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January 17, 2011

Ms. Hanna Skandera, Secretary
Public Education Department
Jerry Apodaca Education Building
300 Don Gaspar
Santa Fe, NM 87501

Dear Ms. Skandera:

On behalf of the Legislative Finance Committee (Committee), I am pleased to transmit the *Southern School Districts Evaluation*. The evaluation review team assessed governance, resource allocation, and student performance in Deming, Gadsden, and Hatch. The report will be presented to the Committee on January 17, 2011. Exit conferences were conducted with each district as well as the Public Education Department to discuss the contents of the report. The Committee would like a plan to address the recommendations within this report within 30 days from the date of the hearing.

I believe this report addresses issues the Committee asked us to review and hope New Mexico's public schools benefit from our efforts. We very much appreciate the cooperation and assistance we received from your staff.

Sincerely,

David Abbey, Director

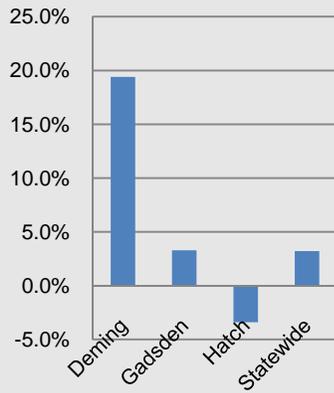
cc: Representative Luciano "Lucky" Varela, Chairman, LFC
Senator John Arthur Smith, Vice-Chairman, LFC
Ms. Harvielee Moore, Superintendent, Deming Public School District
Dr. Cynthia Nava, Superintendent, Gadsden Independent School District
Dr. Anna Lisa Banegas-Peña, Superintendent, Hatch Valley Public Schools

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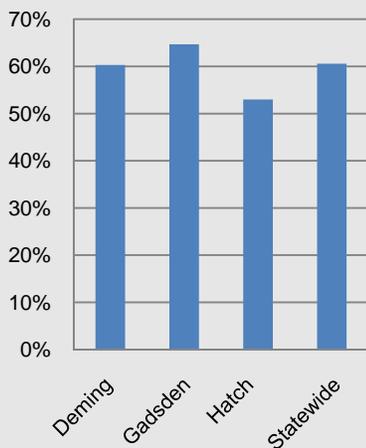
Percent Change in Revenue from FY09 to FY10



Source: PED

From 1974 to the present, the Legislature has amended New Mexico's formula approximately 80 times to modernize the allocation of educational resources.

FY10 Percent of Combined Operational Funds Spent on Instruction



Source: PED

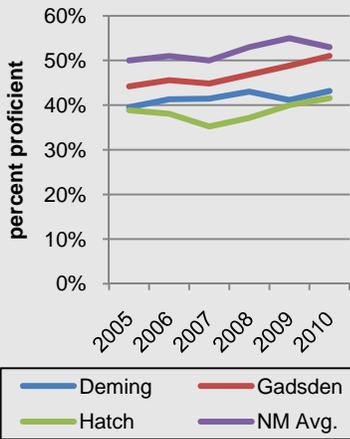
Public education is a core state responsibility that at \$2.3 billion accounts for 45 percent of all state spending. Despite revenue shortfalls, in FY11 the Legislature minimized reductions to public school support and, with the addition of federal stimulus dollars, most districts' overall funding remained level. The Legislative Finance Committee is continuing the practice of evaluating the operations of selected school districts to identify best practices and ensure efficient and effective use of public resources.

Overall, Deming Public Schools (Deming), Gadsden Independent School District (Gadsden), and Hatch Valley Public Schools (Hatch) provide varied examples of success in their operations, finances, and most importantly, student performance. Most students in these districts start school behind their peers and do not catch up; well over half are not proficient in either reading or math. Deming, a model of stable leadership and fiscal restraint, has seen little change in student achievement. Gadsden has managed to improve student performance amidst financial distress and leadership change. Hatch has struggled with high-level turnover and dwindling resources, and, as a result, student achievement has suffered significant setbacks.

These three districts serve high concentrations of students in poverty and English language learners yet generate some of the lowest per student funding levels from the state's formula. Funding formulas reflect public policy goals and establish incentive structures to meet them. New Mexico's school funding formula has served the state well and has been amended over 80 times. The formula, however, does not efficiently steer resources to the incremental costs for serving at-risk students. It also contains adjustments subject to local decision-making, or gaming, that result in fewer resources for everyone else and inefficient district operations. A focused effort is needed to update the formula, including studying the possibility of implementing the new formula recommended in 2008 with existing resources.

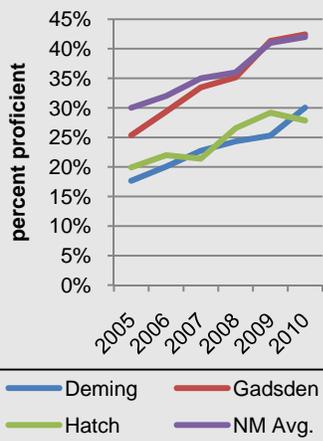
Effective use of resources, coupled with a culture of high expectations for students and data-driven leadership are critical to improved performance. Growth in scaled scores over time on New Mexico's standards based assessment (SBA) is a reliable and valid indicator of student performance. While districts do not currently receive this information in an easy-to-use format, along with short-cycle assessments, this information could be used to determine the impact of programs, schools, and teachers over time.

SBA Reading Proficiency Rates



Source: PED

SBA Math Proficiency Rates



Source: PED

The state spends more money to subsidize inefficiently sized districts and charter schools than on at-risk students.

Finally, current fiscal challenges present a similar opportunity for districts to use this performance data to strategically align budgeting decisions to outcomes.

KEY FINDINGS

Revisions to the existing funding formula could more effectively distribute resources to students with the greatest academic needs.

From 1974 to the present, the Legislature has amended New Mexico’s formula approximately 80 times to modernize the allocation of educational resources. Absent new discretionary revenue, revising the existing formula may prove the most viable option.

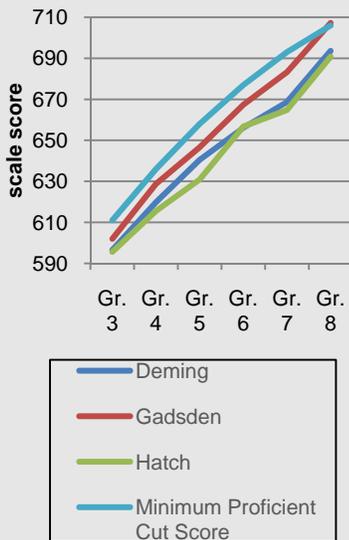
Deming, Gadsden and Hatch generate some of the lowest per student funding amounts from the state’s funding formula, but serve some of New Mexico’s most disadvantaged students. In FY10, of the state’s 89 school districts, Hatch’s at-risk index ranked fourth highest in the state, Gadsden’s ranked fifth, and Deming’s ranked 21st. Conversely, Hatch’s program cost per student ranked 72nd, Gadsden’s ranked 79th, and Deming’s ranked 85th.

The at-risk index does not fully cover the additional costs of educating this population of students. Studies recognizing the additional costs necessary to serve at-risk students vary in the amount of those estimates. A Kansas cost study (2006) found at-risk students requiring 48 percent more funding per student than non-at-risk students, while New Mexico’s Funding Formula Study’s incremental costs ranged from 9 to 27 percent. Even including federal Title I funds with the funds generated through the state’s at-risk index, Deming, Gadsden, and Hatch fall short of these ranges when compared to peer districts.

The formula overfunds districts with a high teacher training and experience (T&E) index, resulting in millions of discretionary resources for districts with fewer at-risk students. Districts with a higher T&E index have higher average teacher salaries, but additional T&E funds exceed the added cost of staff with more experience and education and pay for a larger share of district instructional salaries. For example, Deming’s FY10 T&E score of 1.082 generated \$2.6 million in T&E revenue, accounting for 17 percent of its instructional salaries. Carlsbad had a T&E index of 1.274, receiving \$9.8 million in T&E revenue, covering 44 percent of its budgeted instructional salary costs and allowing more formula funding to be allocated to other expenditures.

Inefficiencies in the small school and district size adjustments and funding for special education ancillary staff could be reduced to redistribute money. Statewide the special education enrollment per

**SBA Math All Students
Cohort Analysis
2005-2010**



Source: LFC Analysis, PED

In FY10, Santa Teresa Elementary School in Gadsden received national recognition as a Blue Ribbon School.

In FY11, Gadsden reconstituted its school with the highest percentage of level two and three teachers.

Deming has consistently demonstrated fiscally sound management practices.

related services staff has declined from 36 in FY06 to 33 in FY11. Had caseloads been kept at 36, the state could have saved \$14.3 million in formula funding. Some districts generate up to 44 percent of their units through size adjustments. The state spends more money to subsidize inefficiently sized districts and charter schools (\$95 million) than on at-risk students (\$78 million). Revisiting the purpose and classification of small school and district size adjustments could result in a redistribution of funds across New Mexico school districts.

Student performance data could be better used to make instructional and financial decisions. While individual schools have shown progress in student growth, the state’s technical assistance framework for improvement is limited. Research-based leadership strategies, such as setting high expectations, using data to inform instructional decisions, and efficiently allocating resources, should be clearly articulated and supported at all levels.

The state has vast amounts of multi-year student performance data, but in its current form, it is not easily-accessible to districts. The New Mexico standards based assessment scaled scores are a valid and reliable indicator of student progress that districts could use to measure the effectiveness of programs, teachers, and schools. Rather than receiving this information in an easy-to-use format from PED, some districts have purchased additional software to help with this analysis.

Based on LFC’s analysis of a cohort of 550 students over six years, each district’s third graders’ average scores start lower than the state’s minimum proficiency score and struggle to close the gap by the eighth grade. Only students in Gadsden made enough catch-up growth; overall, based on their percentage of economically disadvantaged students, Gadsden is outperforming its peers, while Hatch and Deming are underperforming theirs.

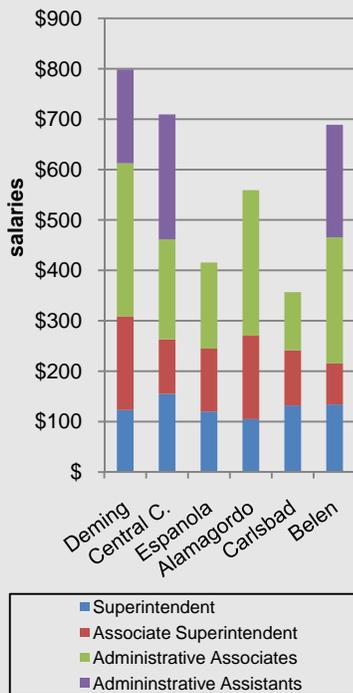
The lack of a relationship between licensure levels and student performance emphasizes the difference between “highly qualified” and “highly effective” teachers. While the proficiency rates of students within individual teacher’s classrooms vary, schools’ overall performance is not directly related to teacher licensure level.

Given limited revenues, districts and the state need improved budgetary oversight and controls. Despite declines in the state equalization guarantee and other state and local funding sources, overall school funding increased for FY10 because of non-recurring stimulus fund revenue. Significant increases in federal funding spurred an overall revenue increase in Gadsden and amplified already increasing revenue for Deming. The increase in federal funding in Hatch resulted in a 3 percent decline of total revenue, despite a 20 percent decline in other general fund and other special revenue.

Between FY09 and FY11, Gadsden accounted for 46 percent of the statewide reduction in instructional spending.

PED should hold districts accountable for ensuring that the maximum percentage of funds are directed to classrooms. In FY10, Deming, for example, outspent its peers on its central office while also outspending its peers on instruction. Gadsden has trimmed its administrative expenses but it has also reduced its instructional spending. From FY09 to FY11, Gadsden decreased its operational spending on instruction by 5 percent, or \$3.6 million, accounting for 46 percent of the state’s instructional spending reduction of \$7.9 million.

**Central Office Salaries
Deming Peer Group
FY10**
(in thousands)



Source: LFC Analysis and PED

**NM School Board
Association Training
Hours**

District	FY08	FY09	FY10
Deming	83	71	75
Gadsden	114	114	80
Hatch	31	19	15

Source: NMSBA

The quality of a local board directly impacts its ability to strategically align fiscal and human resources. For these districts, boards that regularly participate in training and professional development are generally more effective at maintaining their governance responsibilities. The type and quality of financial information received by boards is generally improving, but needs to meet minimum standards statewide.

Executive turnover, particularly for small- to medium-sized districts, impacts financial stability and the sustainability of improvement initiatives. Consolidation of central office functions across districts could result in cost savings, reduce transition challenges, and address concerns with statewide capacity.

KEY RECOMMENDATIONS

Legislature

Amend the funding formula as follows:

- adjust the at-risk factor to reallocate funds to districts with greater student needs;
- recalibrate the T&E index formula to more accurately compensate districts’ incremental instructional costs;
- cap the number of ancillary service providers multiplied by the cost differential in the funding formula in accordance with PED caseload maximum guidelines;
- no longer multiply ancillary service units by the T&E index; and
- revise the purpose and classification of small school and district size adjustments and under what circumstances the additional units are warranted.

Revisit implementing the new funding formula recommended in 2008 using existing resources.

Amend the Public School Code and the General Appropriations Act to require all public school districts’ and charter schools’ purchase card programs to conform to rules issued by PED and the program authorized by the Department of Finance and Administration.

Require PED to issue rules establishing minimum financial information superintendents regularly provide boards.

Public Education Department

Require districts to compare past year expenditures with peer districts to identify anomalies in their expenditures and inform budget decisions.

Develop administrative rules to standardize requirements for district purchase cards.

Make longitudinal SBA data available to districts through STARS report templates.

Establish an “unrestricted cash” object code at the currently allowable cash balance percentages.

Develop a research-based, standardized superintendent evaluation process similar to that currently in place for school principals.

Develop rules establishing minimum financial information superintendents should regularly provide boards.

Increase its role as a clearinghouse of effective practices and provider of technical assistance.

Districts

Boards should regularly review comprehensive financial information and student performance data to develop budgets.

Make use of a variety of student performance data to assess the effectiveness of programs, schools, and teachers.

Adopt purchase card policies and procedures aligned with state rules.

Board members should comply with minimum training requirements.

BACKGROUND INFORMATION

Public education is a core state responsibility that accounts for 45 percent of all state spending in FY11. Since FY04, the Legislature has increased spending on public education nearly \$454 million, or 24 percent, from \$1.9 billion to \$2.3 billion. During this same time, the unit value has increased 33 percent from \$3.0 thousand to \$3.7 thousand, offsetting flat or declining enrollments in many districts. Despite significant revenue shortfalls in FY11, the Legislature maintained its commitment to public education by minimizing funding reductions to the state equalization guarantee (SEG), including using \$24 million in federal American Recovery and Reinvestment Act (ARRA) funds. In addition to these stimulus funds, districts have been awarded approximately \$270 million in other non-recurring federal funds that can be expended in some instances up to FY13. School districts also receive approximately \$300 million annually from the federal government for educational services for low-income families, children with disabilities, and other special populations.

New Mexico has 89 autonomous local school districts, which, by statute, have considerable “local control” over governance of education, administration and programming, and resource allocation decisions. Districts also must meet extensive accountability measures for student outcomes. The SEG or funding formula typically accounts for more than 90 percent of school districts’ operational revenue. The SEG is enrollment-driven with several adjustments, including factors for special education students and English language learners (ELL). Relative to state averages, the selected districts generate low adjustment units in areas such as small school units and teachers’ training and experience, but, instead, rely more heavily on adjustments for bilingual and at-risk students.

Given that local school districts receive such a large portion of the state budget as well as local funds, state capital outlay, and federal funds, the Legislative Finance Committee is continuing the practice of evaluating the operations of selected school districts to identify best practices and ensure efficient and effective use of public resources. To date, the committee has evaluated Albuquerque, Rio Rancho, Aztec, Bloomfield, Bernalillo, Las Vegas, and West Las Vegas school districts.

SELECTION OF SCHOOL DISTRICTS

Based on LFC member requests to continue evaluations in the southern part of the state, Gadsden, Deming, and Hatch Valley school districts were selected for their diversity in membership (MEM) size (1,387 in Hatch, 5,413 in Deming, and 13,814 in Gadsden); percentage of ELL, migrant, and at-risk students; financial risk; and geographical proximity. For each district, a peer group of similar districts was created for comparison. **Appendix A** describes how these peer groups were determined.

Deming Public School District
Harvielee Moore, Superintendent

Deming Public Schools (Deming) consists of six elementary schools, two middle schools, and one high school. In FY09 and FY10 no Deming schools made adequate yearly progress (AYP); one elementary school's designation is progressing. Deming's FY09 graduation rate of 74 percent exceeded the state average of 66 percent.

FY10 Student Demographics

Total Enrollment: 5,311	Number	Percent	Statewide
Caucasian	841	16%	29%
Hispanic	4,393	83%	56%
Native American	12	0%	10%
Black	43	1%	3%
Economically Disadvantaged ¹	4,351	82%	66%
English Language Learners	1,725	32%	23%
Special Education w/ Gifted	701	13%	13%

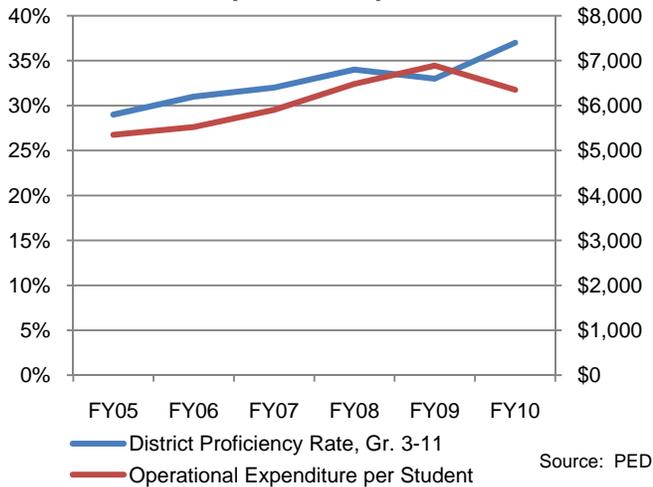
1. Free and Reduced Lunch Eligible

Source: PED

FY10 Combined Operational Expenditures			
Function	Amount	% Total	Peer Group Avg. (%)
Instruction	\$21,749	60%	59%
Student Support	\$3,346	9%	10%
Instructional Support	\$819	2%	3%
General Administration	\$1,185	3%	2%
School Administration	\$2,306	6%	6%
Central Services	\$1,459	4%	4%
Opt./Maintenance	\$5,158	14%	15%
Student Transportation	\$6	0%	0%
Other	\$57	0%	2%
Total	\$36,085	100%	100%

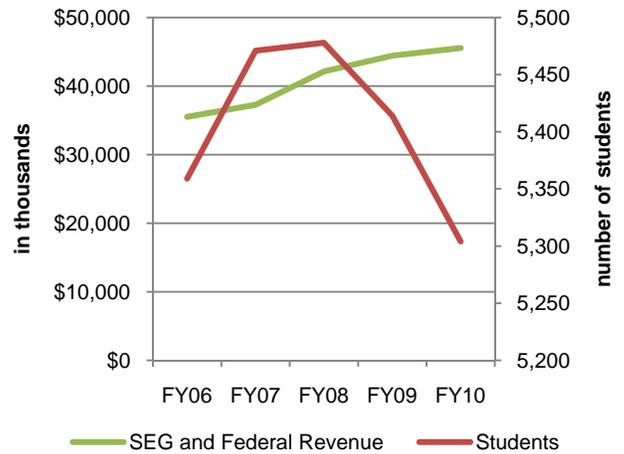
Source: PED

Combined Math and Reading Proficiency and Expenditures per Student



Source: PED

Average Enrollment and Revenue



Source: PED

Gadsden Independent School District

Cynthia Nava, Superintendent

Gadsden Independent School District (Gadsden) consists of 15 elementary schools, three middle schools, and three high schools. In FY10, three elementary schools made AYP, while all other schools in the district did not. Gadsden's FY09 graduation rate was 69 percent compared with the state average of 66 percent.

FY10 Student Demographics

Total Enrollment: 13,902	Number	Percent	Statewide
Caucasian	450	3%	29%
Hispanic	13,405	96%	56%
Native American	7	<1%	10%
Black	21	<1%	3%
Economically Disadvantaged ¹	12,818	92%	66%
English Language Learners	6,494	47%	23%
Special Education w/ Gifted	1,933	13%	13%

1. Free and Reduced Lunch Eligible

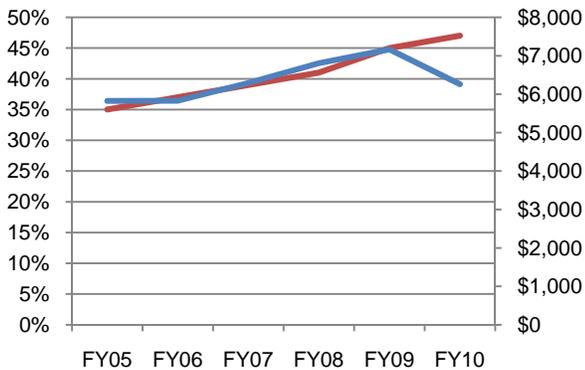
Source: PED

FY10 Combined Operational Expenditures

Function	Amount	% Total	Peer Group Avg. (%)
Instruction	\$61,375	65%	65%
Student Support	\$9,377	10%	10%
Instructional Support	\$3,940	4%	3%
General Administration	\$1,175	1%	1%
School Administration	\$5,882	6%	6%
Central Services	\$1,953	2%	3%
Opt./Maintenance	\$10,990	12%	12%
Student Transportation	\$94	0%	0%
Other	\$70	0%	1%
Total	\$94,857	100%	100%

Source: PED

Combined Math and Reading Proficiency and Expenditures per Student

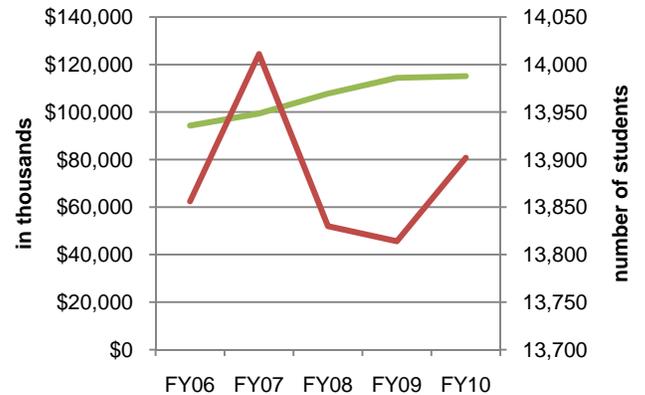


— District Proficiency Rate, Gr. 3-11

— Operational Expenditure per Student

Source: PED

Average Enrollment and Revenue



— SEG and Federal Revenue — Students

Source: PED

Hatch Valley Public Schools
 Anna Lisa Banegas-Peña, Superintendent

Hatch Valley Public Schools (Hatch) consists of three elementary schools, one middle school, and one high school. In FY10, one elementary school made AYP, while all other schools did not. Hatch's FY09 graduation rate was 67 percent compared with the state average of 66 percent.

FY10 Student Demographics

Total Enrollment: 1,368	Number	Percent	Statewide
Caucasian	117	9%	29%
Hispanic	1,246	91%	56%
Native American	3	0%	10%
Black	2	0%	3%
Economically Disadvantaged ¹	1,352	99%	66%
English Language Learners	682	50%	23%
Special Education w/ Gifted	176	13%	13%

1. Free and Reduced Lunch Eligible

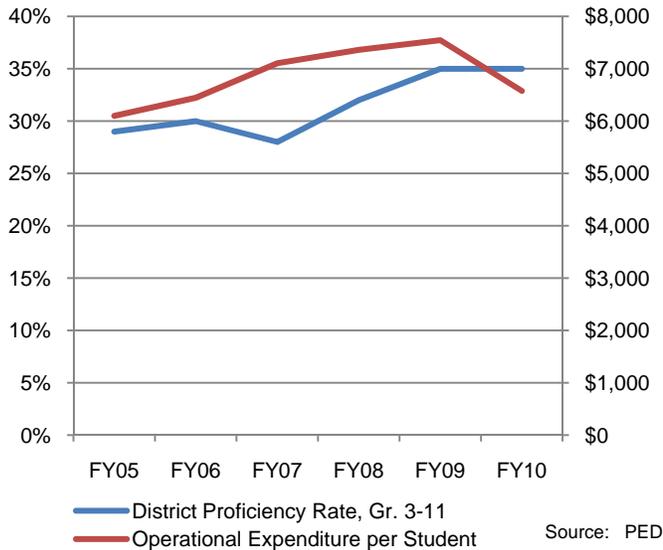
Source: PED

FY10 Combined Operational Expenditures

Function	Amount	% Total	Peer Group Avg. (%)
Instruction	\$5,353	53%	61%
Student Support	\$1,010	10%	9%
Instructional Support	\$661	7%	2%
General Administration	\$378	4%	4%
School Administration	\$633	6%	7%
Central Services	\$312	3%	4%
Opt./Maintenance	\$1,724	17%	13%
Student Transportation	\$34	0%	0%
Other	\$0	0%	0%
Total	\$10,104	100%	100%

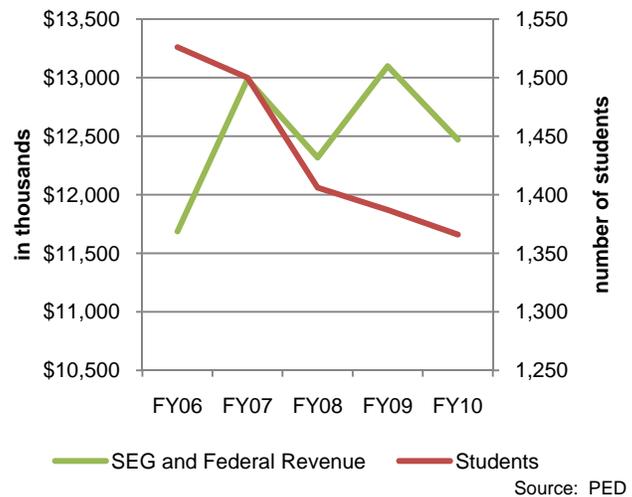
Source: PED

Combined Math and Reading Proficiency and Expenditures per Student



Source: PED

Average Enrollment and Revenue



Source: PED

PROJECT INFORMATION

Evaluation Objectives.

- **Governance.** Assess oversight of school district and use of governance and management best practices.
- **Spending.** Review the use of funding and cost-effectiveness of resource allocation decisions, including human resources.
- **Student Outcomes.** Review student academic performance and the extent to which policy, spending, or personnel changes affected to student outcomes.

Scope and Methodology.

- Reviewed and analyzed applicable statutes, Public Education Department (PED) regulations, and district policies and procedures;
- Attended district leadership and school board meetings and interviewed school board members;
- Analyzed funding formula using district budget and enrollment data;
- Interviewed central office administrators, school administrators, teachers and other staff;
- Reviewed program documents and data provided during field visits conducted at selected high schools;
- Analyzed related-services ancillary staff for special education and student enrollment data;
- Reviewed available fiscal and program data from districts, Public Schools Facilities Authority (PSFA), and PED including comparisons to peer districts for FY05 to FY11;
- Analyzed teacher qualifications and experience data; and
- Analyzed adequate yearly progress (AYP) and student performance results including comparisons with peer districts for FY05 to FY10.

Authority for Evaluation. LFC is authorized under the provisions of Section 2-5-3 NMSA 1978 to examine laws governing the finances and operations of departments, agencies, and institutions of New Mexico and all of its political subdivisions, the effects of laws on the proper functioning of these governmental units, and the policies and costs. LFC is also authorized to make recommendations for change to the Legislature. In furtherance of its statutory responsibility, LFC may conduct inquiries into specific transactions affecting the operating policies and cost of governmental units and their compliance with state laws.

Evaluation Team.

Michael Weinberg, Lead Program Evaluator

Brenda Fresquez, Program Evaluator

Matthew Pahl, Program Evaluator

Exit Conferences. The contents of this report were discussed with school district and Public Education Department officials as follows: Deming, January 4, 2011; Gadsden, January 6, 2011; Hatch Valley, January 5, 2011; and the Public Education Department, January 6, 2011.

Report Distribution. This report is intended for the information of the Office of the Governor, the Public Education Department, Deming Public School District, Gadsden Independent School District, Hatch Valley Public Schools, Office of the State Auditor, and the Legislative Finance Committee. This restriction is not intended to limit distribution of this report, which is a matter of public record.



Charles Sallee
Deputy Director for Program Evaluation

FINDINGS AND RECOMMENDATIONS

NEW MEXICO’S SCHOOL FUNDING FORMULA PUTS DISTRICTS WITH LARGE “AT-RISK” STUDENT POPULATIONS AT A FUNDING DISADVANTAGE.

The Legislature has regularly updated the funding formula to modernize the allocation of educational resources, including for at-risk students. From 1974 to the present, New Mexico’s formula has been amended approximately 80 times. The at-risk factor, for example, was added in 1997 and amended in 2002. Similarly, the calculation process for the instructional staff training and experience index, small adjustment units, and special education units have been revised numerous times. Some examples of the funding formula changes are shown in Table 1. In addition, the recent New Mexico school funding formula task force recommendations recognized the need to modernize funding distribution formula to better account for, and allocate additional resources to, at-risk student populations.

Table 1. Summary of Selected Funding Formula Changes, 1974 – 2010

Formula Area	Year	Change
At-risk units	1997	At-risk factor introduced based on Title I-eligible students, limited English proficient students, mobility rates, and dropout rates
	2002	Calculation changed to three-year average recalculated each year
Training and Experience Index	1981	Calculation rate based on prior year’s staffing
	1993, 1994, 1995, 1996	Categorical appropriations for additional distribution
	1993	Districts with T&E less than 1.0 held harmless
Size Adjustment Units	1976	Added rural isolation factor for districts with over 10,000 average daily membership
	1979	Increased multiplier in rule isolation factor from 0.2 to 0.5
	1993	Amended statute to allow early childhood centers to generate size adjustment program units
Special Education Units	1976	Decreased the special education D level differential from 3.8. to 3.5
	1997	Amended special education factors to count all students at grade level and three and four year old developmentally disabled students at kindergarten membership

Source: LESC

Other states, such as Kansas, have also updated their funding structures based on cost studies. In a 2006 evaluation, Kansas considered the fiscal inputs necessary to achieve its student performance goals and reviewed research around the relationship between spending and student performance, particularly regarding students in need of special services. This study’s conclusions about increased costs potentially inform New Mexico’s approach to refining its at-risk index.

Absent new discretionary revenue, amending the existing formula may prove a more viable option to efficiently allocate resources. In 2008, a New Mexico task force recommended a new, simplified funding formula and also called for \$325 million in additional funds. Under that formula, costs per pupil would include a base cost with multipliers for poverty, English language learner (ELL) status, special education, mobility, and enrollment. Given the state’s revenue constraints, however, the legislature should focus on addressing inefficiencies within the existing formula.

Deming, Gadsden and Hatch generate some of the lowest per student funding amounts from the state’s funding formula but serve some of New Mexico’s most disadvantaged students. In FY10, of 89 districts, Hatch’s at-risk index ranked fourth highest in the state, Gadsden’s ranked fifth, and Deming’s ranked 21st. This index is calculated based on a district’s number of students in poverty, their

mobility rates, and their status as English language learners. These same districts, conversely, have some of the lowest per-student program costs: Hatch ranked 72nd, Gadsden ranked 79th, and Deming ranked 85th out of 89 districts.

Table 2. FY10 Formula Funding per Student and At-Risk Index Scores Deming Peer Group

District	Program Cost per Student	At-Risk Index
Deming	\$5,926	0.085
Carlsbad	\$7,300	0.043
Central Cons.	\$4,220	0.089
Espanola	\$6,714	0.077
Alamogordo	\$5,926	0.045
Belen	\$6,246	0.050

Source: PED

Table 3. FY10 Formula Funding per Student and At-Risk Index Scores Hatch Peer Group

District	Program Cost per Student	At-risk Index
Hatch	\$6,496	0.111
Cobre Cons.	\$9,296	0.073
Dexter	\$7,011	0.059
Raton	\$7,264	0.051
T or C	\$6,854	0.074
Tucumcari	\$7,306	0.067

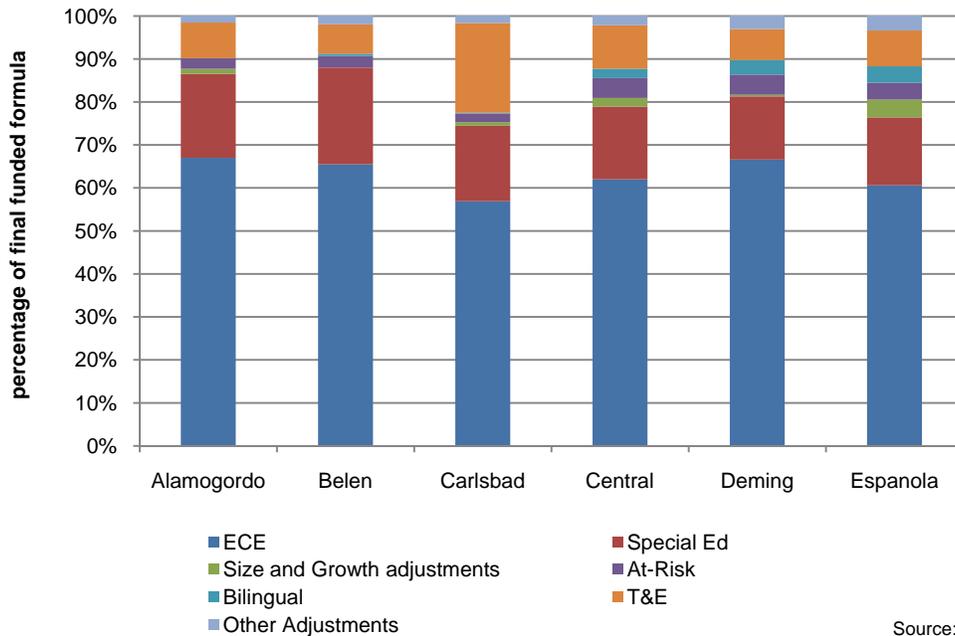
Source: PED

Statewide, in FY11 districts are projected to generate \$74 million through the at-risk index and \$196 million through the training and experience (T&E) index, 3 percent and 8 percent of formula funding, respectively. The number of at-risk units declined statewide by 11 percent between FY06 and FY11, from 22,233 to 19,861. T&E units increased 2 percent from the same time period, from 51,856 to 52,823.

Deming and Hatch obtain a larger percentage of their state equalization guarantee (SEG) funding from K-12 and Early Childhood Education (ECE), missing out on other multipliers in the funding formula. Deming receives 67 percent of its total SEG allotments from K-12 and ECE units, while its peer group averages 62 percent. Hatch receives 64 percent of its total SEG allotments from the two categories, while its peer group averages 55 percent.

In FY11, the at-risk index generated almost \$1.7 million, about 5 percent of Deming's total formula funding, up from \$1.5 million in FY06. By comparison, Deming generated \$2.5 million in T&E index funding, or about 7 percent of total formula funding. T&E funding has increased 22 percent, largely due to increased number of units and unit value.

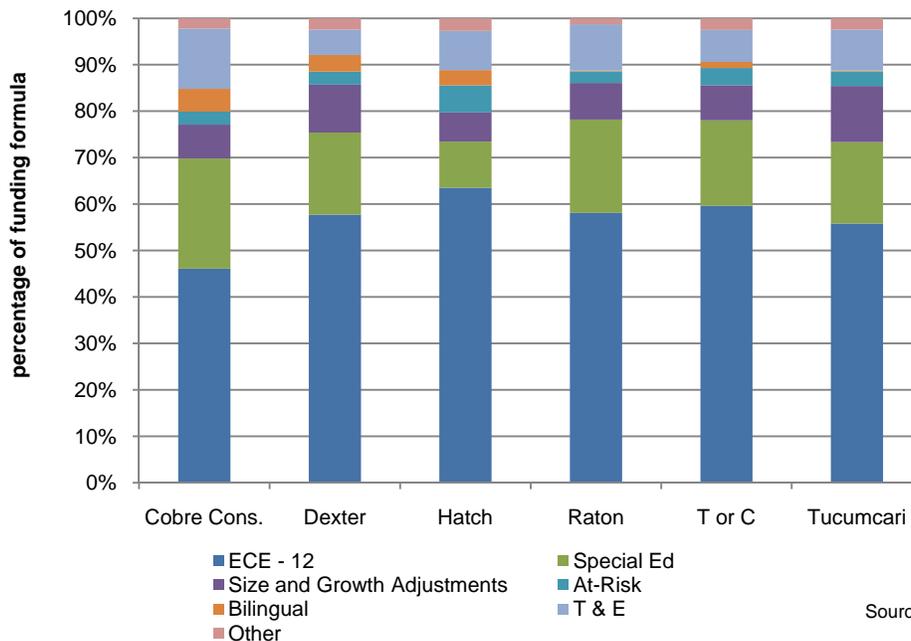
**Graph 1. Funding Formula Distribution by Funding Component
FY10 - Deming Peer Group**



Source: PED

In FY10, Hatch’s at-risk index generated \$575 thousand, nearly 6 percent of their total formula funding. Unlike Deming, Hatch’s at-risk revenue has declined \$61 thousand or about 10 percent since FY06. Hatch’s T&E index accounted for 8 percent of revenue in FY10. Additional revenues from the T&E index have declined since FY06 by \$393 thousand, or about 32 percent.

**Graph 2. Funding Formula Distribution by Funding Categories
FY 10 - Hatch Peer Group**

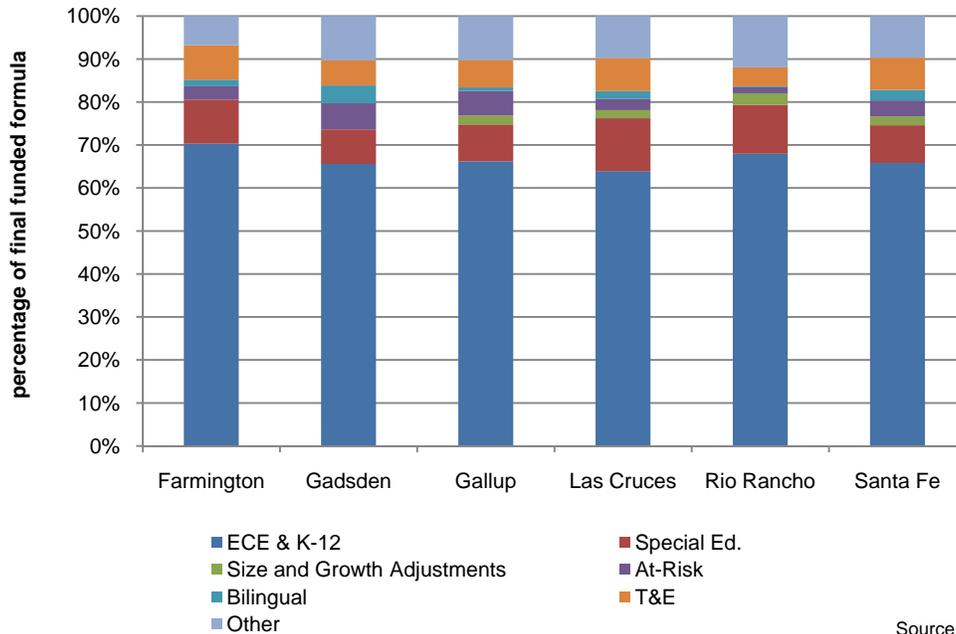


Source: PED

Gadsden receives a small amount of its SEG from the T&E index and no funding from growth and size adjustments. In many years, Gadsden generates more funding through at-risk units than the T&E index. The district generally receives more of its revenue from other adjustments such as at-risk and bilingual units than any other district in its peer group. In FY11, Gadsden generated about \$5.4 million in formula funding from at-risk units. At-risk units increased about four percent between FY05 and FY09, but then dropped by 6 percent through FY11.

The district receives six percent, \$6.5 million, of its SEG units from T&E, compared to its peer average of 7 percent. Gadsden received no units or funding from size or growth adjustments in FY10.

**Graph 3. Funding Formula Distribution by Funding Component
FY10 - Gadsden Peer Group**



Source: PED

Research has shown that educating at-risk students requires additional resources, although more funding does not guarantee student achievement. Studies recognizing the additional costs necessary to serve at-risk students vary in the estimates of those costs.

A January 2006 cost study analysis completed by the state of Kansas, for example, found the base funding level per at-risk student is over \$7 thousand, 48 percent higher than non-risk students. This number represents a base level and does not include additional funds for many other common categories such as student transportation and special education. A second study, conducted by the Public Policy Institute of California (2007), found that at-risk students still fell short of proficiency when per student funding was doubled. The study concluded that adding 25 percent to 50 percent more funding for at-risk students would increase student performance, but academic performance was less predictable beyond this amount.

Both studies noted additional funding would be used for programs proven to impact at-risk student achievement such as lengthening the school day or school year, purchasing English language learner-specific materials, providing reading and math coaches and specialized instructors, and providing high-quality professional development.

The Comprehensive Study of New Mexico Public School Funding also created panels to project funding levels for schools with large populations of English language learners (ELL) and students living in poverty. The panels' estimates were generally much lower than the aforementioned studies, with projected incremental costs for at-risk groups ranging from 9 percent to 27 percent. The lower projected incremental costs were due to an inflated base cost and limited additional services for at-risk students, causing smaller incremental costs. For example, one panel's base cost included five additional instructional days, which increased teacher salary costs by nearly 10 percent. The base cost also included a full-time ELL teacher at every school, regardless of need. The projections for at-risk populations limited the amount of additional services for at-risk students and did not include some recommendations by the study's evaluators. The cost projection does not direct funds toward an extended school year, summer programs, higher teacher pay, or additional training—all policies and programs the study recommended. Because of these factors, the estimates from the study might need to be revisited to reassess incremental costs associated with at-risk students.

Federal Title I funds supplement state funds aimed at at-risk students, but the combined funds might not be enough to fully cover the incremental costs to serve the state's at-risk student population. Title I provides federal supplemental funds for districts based on the percentage of students qualifying for the free and reduced lunch program. Compared with the units generated from grades one-12 (the base funding formula), at-risk units and Title I add an additional 26 percent to 31 percent of revenue for the districts. Peer districts with lower at-risk indexes also receive increments beyond their base funding, reducing the net at-risk funding increase for Deming, Gadsden, and Hatch to approximately 20 percent.

Table 4. FY10 At-Risk and Title I Revenue Per Student

School District	Base Formula Funding	Revenue Generated by At-Risk Units	Title I Revenue (Budgeted)	Total At-Risk and Title I Increase
Deming	\$4,099	\$320	\$933	31%
Gadsden	\$4,063	\$421	\$618	26%
Hatch	\$4,019	\$417	\$771	30%

Source: PED

Table 5. FY10 At-Risk and Title I Revenue for Peer Groups with Low At-Risk Populations

Peer District	Base Formula Funding	Revenue Generated by At-Risk Units	Title I Revenue (Budgeted)	Total At-Risk and Title I Increase
Carlsbad	\$4,616	\$165	\$296	10%
Rio Rancho	\$4,420	\$92	\$67	4%
Raton	\$4,662	\$196	\$261	10%

Source: PED

Introducing categorical grants to support effective programs for at-risk populations or recalibrating the funding formula could better allocate resources to needs.

Districts with lower at-risk indexes benefit from funding formula multipliers that are allocated inefficiently. In 2008's proposed formula, money was moved from such inefficient multipliers toward districts with high at-risk populations. There are opportunities in the current formula to similarly reallocate funds. Statewide, for example, districts with lower numbers of at-risk students have higher training and experience indexes.

The formula overfunds districts with a high teacher training and experience (T&E) index, resulting in millions in discretionary revenue for districts with fewer at-risk students. The T&E index is designed to compensate for the higher costs of more experienced and educated instructional staff. A district with a higher T&E index has higher average teacher salaries, but additional T&E funds exceed the added cost of the more experienced staff and subsidize other district costs.

For example, Deming’s FY10 T&E score of 1.082 generated \$2.6 million in T&E revenue, accounting for 17 percent of its instructional salaries. Carlsbad, a peer district, had a T&E index of 1.274, receiving \$9.8 million in T&E revenue. Carlsbad’s T&E revenue covered 44 percent of its budgeted instructional salary costs in FY10, allowing more formula funding to be allocated to other expenditures.

**Table 6. FY10 Training and Experience Revenue
Deming Peer Group**

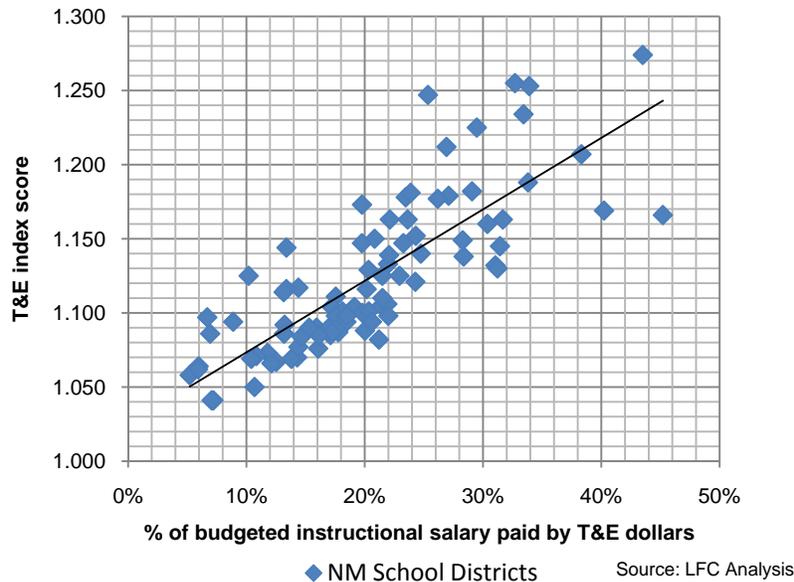
District	Index	Students	T&E Revenue (in thousands)	T&E as Percent of Salary
Belen	1.076	4,649	\$2,225	16%
Deming	1.082	5,172	\$2,554	17%
Alamogordo	1.094	6,102	\$3,457	17%
Espanola	1.100	4,265	\$2,667	21%
Central Consolidated	1.121	6,340	\$4,726	21%
Carlsbad	1.274	5,832	\$9,770	44%

Source: PED

Carlsbad was able to use its discretionary funds to enhance support services, spending \$1.7 million on instructional support in FY10; Deming and the rest of the peer group spent less than \$970 thousand.

Statewide (**Appendix B**), districts with a T&E index of 1.1 or less received funds to pay for an average of 18 percent of instructional salaries while those with a T&E index of higher than 1.2 received funds to pay for an average of 29 percent of instructional salaries.

Graph 4. T&E Index and Percent of Budgeted Teacher Salaries Paid by T&E Dollars - FY10



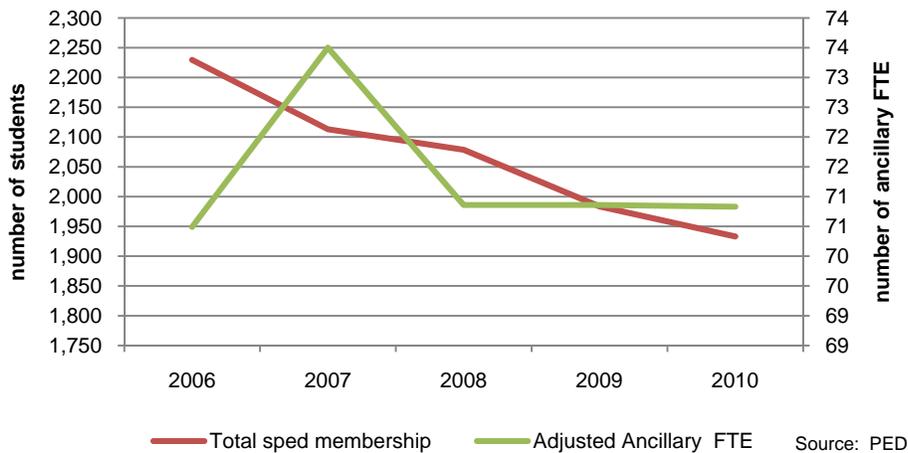
Smaller related services full-time equivalent (FTE) caseloads cost the state an estimated \$14.3 million in FY11 formula funding. Previous LFC evaluations have noted increasing ancillary service

providers (i.e. therapists) alongside decreasing numbers of students eligible for special education services and a lack of guidance around appropriate staffing levels. In addition, the current formula multiplies units generated for related services FTE (non-teachers) by the teacher training and experience index (T&E), diluting the unit value by over \$17 million. LFC has previously identified this funding flaw in budget recommendations.

Statewide the special education enrollment per related services teacher has declined from 36 in FY06 to 33 in FY11. Had caseloads been kept at 36, the state could have saved \$14.3 million in formula funding.

Minor changes in the ratio of special education students to ancillary service providers effect revenue, even when the numbers trend in the same direction. In Gadsden, for example, while both the number of students qualifying for special education services and number of ancillary service providers has declined, overall caseloads have dropped from 32 students per FTE to 27 students per FTE, “costing” the funding formula an extra \$967 thousand in FY11.

**Graph 5. Special Ed Membership to Ancillary Staff
Gadsden**



While Deming's special education population increased 13 percent between FY06 and FY11, the district's related service average caseload dropped from 38 in FY07 to 28 in FY11 because of the addition of 10 staff members. If caseloads were maintained at 38 students per teacher in FY11, Deming would have generated \$875 thousand less.

The funding formula subsidizes inefficiencies in the education system through size adjustments.

As noted in previous LFC evaluations, many districts generate significant revenue because of small schools. While the statewide average is 3 percent, some districts, such as House and Roy, each generate 44 percent of their units through small school size adjustments; on average, charter schools earn 24 percent of their units through small school size adjustments.

Each district in this evaluation generates less revenue through small school size adjustments than its peer group averages. Gadsden receives no small school size adjustments, compared with Gallup, which earned \$2.2 million in FY10.

Similarly, Deming earned \$131 thousand, while Central Consolidated earned \$943 thousand. Finally, one percent, or \$109 thousand of Hatch's SEG came from its small school size adjustment, compared with \$578, or seven percent, for Tucumcari.

In FY10, districts and charter schools generated almost \$95 million from size adjustments, or about 21 percent more in formula funds than from the at-risk factor. Seventy-two districts generated district size adjustments, totaling almost \$19 million. The formula steers millions to districts that are not extremely small and some of which are located in close proximity to each other. For example, six districts in close proximity (Aztec/Bloomfield, Cobre/Silver City, and Las Vegas/West Las Vegas) generated over \$2.7 million in combined district size funding. By comparison, Roy and Mosquero generated a combined \$53 thousand. The state steers millions more in subsidies, \$14 million in FY10, to many of these same districts in the form of emergency supplemental funds. West Las Vegas received over \$1.7 million in supplemental funding between FY07 and FY10. During the same time period Lake Arthur received \$2.7 million, while its slightly larger neighboring district, Hagerman received none. Some districts have received emergency supplemental funding for a decade (Corona, Hondo, Mosquero) and in some cases, like Roy and Mosquero, the amount almost doubles formula funding. In FY10, Hatch generated almost \$512 thousand in district size funding, almost as much as its \$575 thousand in at-risk funding. Deming and Gadsden do not qualify for district size funding.

Revisiting the purpose and classification of small school and district size adjustments may result in a redistribution of funds across New Mexico school districts.

Recommendations

The Legislature should consider amending the funding formula as follows:

- adjust the at-risk factor to reallocate funds to districts with greater student needs;
- recalibrate the T&E index formula to more accurately compensate districts' incremental instructional costs;
- cap the number of ancillary service providers multiplied by the cost differential in the funding formula in accordance with PED caseload maximum guidelines;
- no longer multiply ancillary service units by the T&E index; and
- revise the purpose and classification of small school size and district size adjustments and under what circumstances the additional units are warranted.

The Legislature could also revisit implementing the new funding formula recommended in 2008 using existing resources. This approach would likely necessitate making adjustments to the base cost models for the prototype schools used by the formula, such as five additional instructional days for all students regardless of need and no recognized incremental costs for serving, in some cases, 40 percent more English language learners in high poverty schools. Further evaluation of switching various components of the new and old formula could also be explored, such as replacing the T&E with an Index of Staff Qualifications.

Some of these recommendations and more specific proposals have been reviewed during the 2010 interim among various study groups and committees. However, a focused effort on this topic, including the Executive, during the 2011 interim may help build broader consensus on updating the distributional formula to public schools to ensure resources are more efficiently allocated to need.

DECLINING ENROLLMENT, DECREASING SEG, AND ENDING STIMULUS FUNDS HIGHLIGHT THE IMPORTANCE OF STRATEGIC BUDGETING AND OVERSIGHT.

Despite declines in the state equalization guarantee and other state and local funding sources, overall school funding increased for FY10 because of non-recurring stimulus fund revenue.

Between FY09 and FY10, the state equalization guarantee (SEG), the largest source of revenue for New Mexico school districts, declined or remained stagnant for these districts and their peers. Potential declines in operational revenues, however, were offset by significant, one-time federal revenues. Gadsden and Hatch realized revenue declines for state and local revenue (other special revenue) and the remainder of their general fund aside from operational revenue. Table 7 summarizes changes in operational, other general fund, and special revenues for each district.

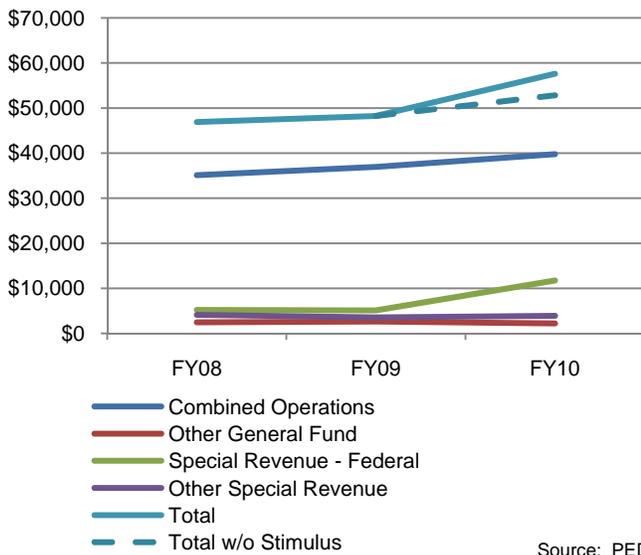
Table 7. Change in Revenue Between FY09 and FY10

District	Fund	% Change	\$ Change (in thousands)
Deming	Combined Operational (State/ Federal SEG)	7.6%	\$2,823
	Other General Fund (Transportation/Teacherage/Inst. Materials)	(16.9%)	(\$448)
	Special Federal Revenue	130.5%	\$6,648
	Other Special Revenue	9.4%	\$336
	Total		\$9,359
Gadsden	Combined Operational (State/Federal SEG)	(0.7%)	(\$693)
	Other General Fund (Transportation/Teacherage/Inst. Materials)	(11.6%)	(\$851)
	Special Federal Revenue	53.9%	\$8,099
	Other Special Revenue	(12.1%)	(\$2,006)
	Total		\$4,549
Hatch	Combined Operational (State/Federal SEG)	(1%)	(\$71)
	Other General Fund (Transportation/Teacherage/Inst. Materials)	(22.0%)	(\$219)
	Special Federal Revenue	3%	\$69
	Other Special Revenue	(21.0%)	(\$295)
	Total		(\$516)

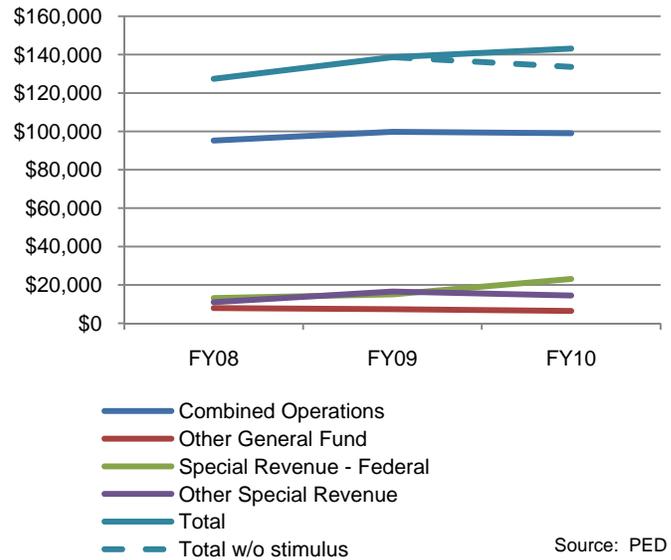
Source: PED

Significant increases in federal funding spurred a 3 percent revenue increase in Gadsden and a 19 percent increase for Deming. The increase in federal funding in Hatch resulted in a 3 percent decline of total revenue, although other general funding and other special revenue declined 20 percent. Because 76 percent of the one-time federal stimulus funds awarded to school districts must be used by September 2011, districts can expect to have fewer resources in FY12. The remainder of the one-time funds must be spent by September 2012.

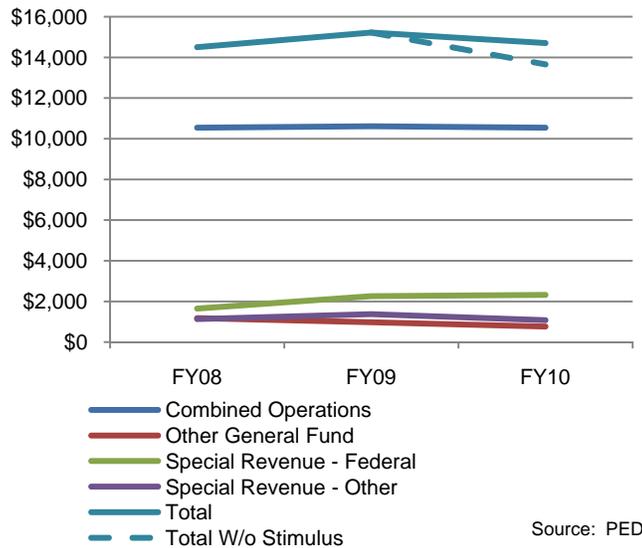
Graph 6. Deming Revenue by Fund
(in thousands)



Graph 7. Gadsden Revenue by Fund
(in thousands)



Graph 8. Hatch Revenue by Fund
(in thousands)



A decreasing unit value, combined with declining enrollment and fewer units awarded under the funding formula have resulted in less SEG revenue, the largest single revenue source for the districts. Enrollment in Gadsden has remained flat since FY06, hovering around 13,800. Formula funding increased 17 percent between FY06 and FY11, from \$81 million to \$95 million; statewide, much of this funding was necessary to meet increased salary costs under the state's three-tiered licensure system. Funding peaked during FY09 at almost \$99 million, but has declined by 4 percent due to the decreasing unit value.

Deming's enrollment declined 4 percent, from 5,358 in FY06 to 5,138 in FY11. Formula funding increased 17 percent during the same time period, from \$30 million to \$35 million. Funding peaked in FY09 at \$37 million.

Hatch's total enrollment decreased 13 percent between FY05 and FY10, from 1,525 to 1,354. Funding for the FY06 to FY11 period decreased 6 percent, from \$10 million to \$9 million after peaking in FY07 at \$11 million. Hatch must make structural spending changes to adapt to significant trends in how it generates formula funding. For example, bilingual enrollment has decreased 61 percent from 983 in FY05 to 379 in FY10. Similarly, its at-risk index has decreased 12 percent and its T&E index has decreased 9 percent.

Under New Mexico's funding formula, smaller enrollment also reduces membership-based revenue streams such as kindergarten to 12th grade enrollment and early childhood education (ECE) formula units. Hatch lost 6 percent of its program units from FY08 to FY10 while Gadsden's and Deming's also decreased slightly.

These membership decreases are compounded by a 2 percent decrease in the unit value from FY09 to FY10. The district's declining enrollment and unit allocations will likely result in reduced SEG funds in FY12.

Districts are not generally prepared to absorb reductions in funding. With minimal cash balances, Hatch and Gadsden might struggle to absorb the financial impact of declining revenues. Deming, in contrast, has developed tools and procedures for projecting current year expenses based on prior-year data and is better-positioned for possible reductions.

Some district spending patterns unnecessarily divert funds from classrooms. New Mexico school districts control their budgets, reflecting their communities' unique needs. Districts, however, are not currently required to compare their use of resources against other districts of similar size and student demographics. Without such a review against their peers, school districts' budgetary decisions may tend toward waste, inefficiency, or excessive spending in non-instructional areas. By comparing expenditures against established benchmarks or peer groups, districts can potentially identify opportunities for savings and increase the percentage of funds allocated directly to student outcomes.

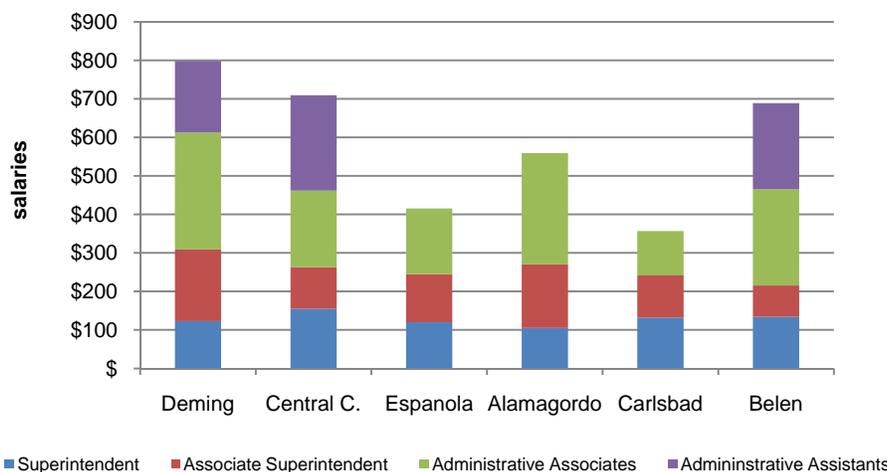
In FY10, Deming spent more on instruction than other districts, but also spent more on its central office. In FY10, Deming spent 1.2 percent more of its operational funds on instruction than its peer group. In the same year, the district also spent 1.7 percent more of its operational funds on general services and general administration costs than its peers. Deming’s general administration and central services expenditures totaled 7 percent of its operational costs and used \$295 thousand more of Deming’s operational funds than its peer group average. Deming also employed the most full-time equivalent (FTE) employees in general administration positions of its peers as shown in Table 8.

**Table 8. FY10 General Administration and Central Services
Cost per FTE in Deming Peer Group**
(in thousands)

		Deming	Central Consolidated	Espanola	Alamogordo	Carlsbad	Belen
Superintendent	# of FTE	1	1	1	1	1	1
	\$/FTE	\$123	\$155	\$120	\$105	\$132	\$134
Assoc. Superintendent	# of FTE	2	1	1.33	2	1	2
	\$/FTE	\$93	\$108	\$94	\$83	\$109	\$41
Admin. Associates	# of FTE	3	2	3.5	4	1	3.1
	\$/FTE	\$101	\$99	\$49	\$72	\$115	\$81
Admin. Assistants	# of FTE	2.5	1.5	0	0	0	4
	\$/FTE	\$74	\$165	\$0	\$0	\$0	\$56
Total FTE		8.5	5.5	5.83	7	3	10.1
Total Cost of FTE		\$798	\$709	\$415	\$559	\$357	\$689

Source: PED

**Graph 9. Total Salary Costs Central Office Employees
Deming Peer Group FY10**
(in thousands)

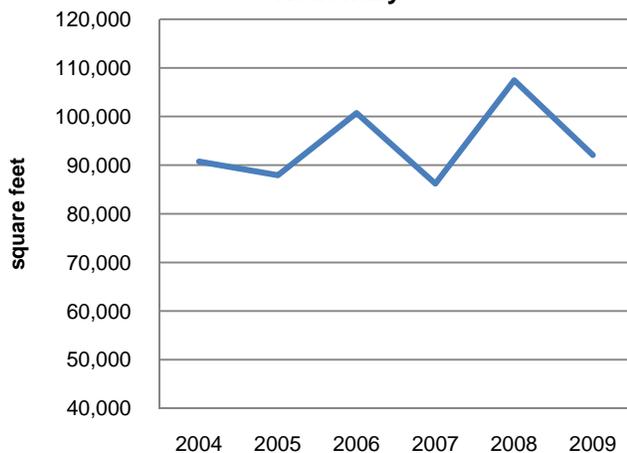


Source: LFC Analysis and PED

Gadsden has trimmed its administrative expenses but it has also reduced its instructional spending. From FY09 to FY11, Gadsden decreased its operational spending on instruction by 5 percent, or \$3.6 million, accounting for 46 percent of the state’s instructional spending reduction of \$7.9 million. Gadsden also lowered its general administration and central services expenses by \$361 thousand from FY09 to FY11. **Appendix C** shows operational spending statewide and for Deming, Gadsden, and Hatch.

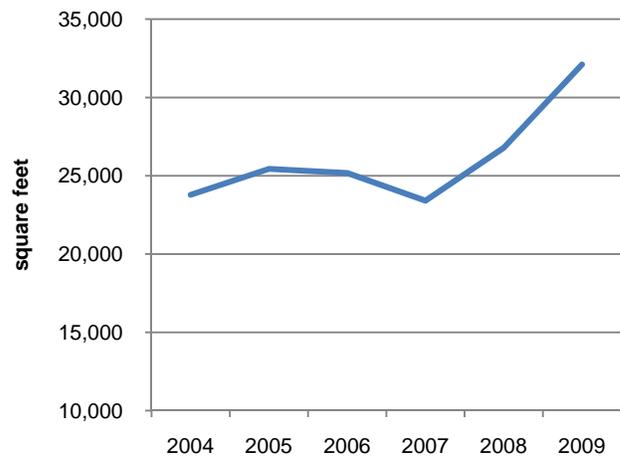
Hatch has professionalized its maintenance work plan but needs better staffing standards from the Public Schools Facilities Authority (PSFA). Hatch has created a maintenance plan that includes job descriptions, guidance for employees, and staffing levels based on national averages provided by American School and University (ASU), one criteria used by PSFA. The plan includes the district’s facilities maintenance program and preventive maintenance plan as well as guidance on how to properly complete common tasks. Hatch’s maintenance staffing levels were aligned with ASU’s 2006 study, but according to a more recent 2009 ASU study, the district’s maintenance department is overstaffed. The ASU criteria PSFA and Hatch use to determine maintenance and custodian staffing levels has varied significantly over time. For example, the median square footage maintained by maintenance employees increased 25 percent between 2007 and 2008 and declined 14 percent in 2009. Fluctuations such as these make it unrealistic for districts to make custodian and maintenance personnel decisions from the ASU data.

Graph 10. Median Square Feet Maintained by Maintenance Employees Nationally



Source: ASU

Graph 11. Median Square Feet Maintained by Custodians Nationally



Source: ASU

Deming has consistently demonstrated fiscally sound management practices. The district’s financial audits have been on time and unqualified for the past five years. Identified as a low-risk district, Deming has not applied for any supplemental emergency funds during the past 10 years.

Problems with internal controls in Gadsden resulted in the need for an internal transfer of \$3.9 million, though in response the district appears to have instituted sound fiscal management practices. Since 2005, Gadsden has consistently turned in late audits with repeat findings, substantial material weaknesses, significant deficiencies, and control deficiencies. Gadsden recently became current with its audits, completing four within a 20 month span. The timing of these audits did not allow the district to correct deficiencies between the first three audits.

Untimely quarterly financial reporting resulted in temporary restrictions to the district. Based on late quarterly financial report in FY07, overdue audits, concerns with Gadsden financial staff turnover, lack of cash controls within the district, and late budget submissions, PED required Gadsden to submit financial reports monthly rather than quarterly and to develop a detailed financial action plan. Gadsden has complied with these reporting requirements.

Financial mismanagement under the previous administration, including lack of reconciliations within funds, resulted in a \$3.9 million operating deficit. Gadsden became aware of its poor cash position in September 2008, anticipating a \$3.9 million budget shortfall. Gadsden received \$3.9 million from the Public School Capital Outlay Committee (PSCOC) for previously unreimbursed costs for construction of Chaparral High School. These reimbursements of expenditures from bond proceeds were transferred into the operational fund, an arrangement PED's legal staff determined did not violate New Mexico's Constitution.

At the same time, in response to PED, the district implemented a financial action plan to address the cash shortfall in the operational fund. All cash reconciliations were completed and the finance department developed a cash position monitoring process. As of June 2010, Gadsden used operational funds, including \$3 million in state emergency supplemental funding, to complete repayment of the \$3.9 million transfer.

Historical financial struggles have impacted Gadsden's current operating margins, resulting in requests for supplemental emergency funds and impacting Gadsden's bond rating. In FY09, Gadsden received \$486 thousand in supplemental emergency operational funds. For FY10, Gadsden applied for \$5 million in supplemental emergency operational funds. Justification for these funds included lower cash balances after reconciliations dating back to FY05, declining enrollment, costs of opening elementary schools and a high school, and the three-tiered teacher pay mandates. PED allocated \$3 million.

In February 2010, Gadsden applied for the maximum allowable amount of \$500 thousand in "extraordinary financial shortfall" General Appropriation Act funding. That request outlined Gadsden's 2008-09 cost-reduction plans: implementing an energy-management program; using central office employees as substitutes; limiting travel, professional development, use of district vehicles, and cell phone usage; eliminating non-emergency overtime; requiring superintendent's approval of all operational budgets; and imposing hiring moratoriums. In spite of these measures as well as class consolidation for FY10, the district requested the funds to maintain the district's music program, elementary counselors, transportation for after-school programs, transportation for athletic programs, and support staff at a new elementary school.

In May 2010, Gadsden budgeted \$1.5 million in supplemental emergency operational funds for FY11. The requested funding would help avoid the same cuts to the district's music program, elementary counselors, transportation to after school programs, transportation for athletic programs, and support staff at a new elementary school.

Because of its delayed submission of audit reports as well as the decline in cash balances, Moody's dropped Gadsden's bond rating to Baa2, affecting its ability to issue general obligation bonds for capital outlay needs. That bond rating may soon be recalibrated to Baa1.

Though Hatch's financial audits have been on time and unqualified for the past five years, the district's financial management has room for improvement. Past audits have identified Hatch as a low-risk district, although in 2009 the district was found to have approximately 40 percent of sampled purchase orders not approved or issued after the invoice date.

The district was also cited for its use of restricted revenues from its debt services fund to its general fund. The transfer was repaid during the same fiscal year, but districts operating with minimal cash balances are susceptible to similar payroll challenges.

In the last five years, Hatch has requested emergency funds three times. To meet its operational expenses, Hatch received \$74 thousand in FY07, \$50 thousand in FY09, and budgeted \$250 thousand in FY11.

Hatch purchased two Ford Explorers for the village of Hatch. The district contracted with the village to provide security services for FY10 and FY11, with an annual budget not to exceed \$200 thousand the first year and \$150 thousand the second year. Costs include payroll, vehicles, equipment, and training for two police officers. If the agreement is terminated at the end of June 2011, all equipment, including the two vehicles, will become property of the village.

The village has yet to submit a budget to the district for FY11 and has not provided adequate documentation to support invoices. In FY10 Hatch paid the village \$106 thousand; although the village has provided some timesheets for the officers with various invoices, it has not provided payroll documentation to support billed amounts for salary and benefits. In FY10, the district purchased two Ford Explorers for \$20 thousand each without a manufacture or dealer invoice; at the request of LFC, the village provided documentation showing the vehicles were purchased under a General Services Department price agreement.

Other districts with similar demographics reported hiring in-house security and working with or contracting with surrounding municipalities to provide law enforcement services for \$25 thousand per year.

Hatch's contracting process for ancillary services could be improved. In FY10, the district paid \$235 thousand to Aprendámos Intervention Team (Aprendámos) for ancillary services. The bids received, however, were inconsistent with the requirements of the invitation to bid (ITB), making it difficult to evaluate the two bids. In addition, the contract awarded to Aprendámos for FY10 did not include a not-to-exceed amount, an estimated budgeted amount, or level of effort (hours) for the services. Based on the number of years Aprendámos has provided these services to Hatch, this could be considered a sole source contract.

For FY11, Hatch renewed the Aprendámos agreement, specifying the number of days, estimated costs, and a not-to-exceed amount of \$111 thousand. Hatch also issued Aprendámos two additional contracts for \$8 thousand and \$33 thousand and contracted with Bilingual Multicultural Services, Inc. for \$52 thousand. These four contracts, totaling \$204 thousand, are more specific and save the district \$31 thousand compared with FY10.

Though no major spending irregularities were identified, districts' purchase card programs need improvement to minimize financial exposure and unnecessary risk. Purchase cards provide efficiency and savings but are also higher-risk because they allow the same individual to order, pay for, and receive goods and services. Past LFC reports have recommended that districts be required to adopt purchase card policies and procedures consistent with those outlined by the Department of Finance and Administration (DFA) for all state agencies.

Gadsden credit card limits may be higher than necessary. In FY10, Gadsden had 40 Bank of America cards with credit limits ranging from \$5 thousand to \$50 thousand and \$265 thousand in total transactions. One site, Chaparral Middle School, has two cards assigned, one with a \$10 thousand limit and the other with a \$5 thousand limit. Chaparral did not spend more than \$300 using the card with the \$10 thousand limit and no more than \$2.5 thousand using the card with the \$5 thousand limit. Credit limits should be aligned with actual needs to minimize total financial exposure. Additionally, in four months, 30 of the district's 40 cards were used, warranting a management review to eliminate unused cards.

Districts have cards from multiple vendors and have issued cards inappropriately to individuals. Deming has a Bank of America business master card and 16 master cards used for travel. In addition there are 22 Wal-Mart cards, 71 Wright Express gas cards, and five credit cards from Staples. Transactions for FY10 totaled \$528 thousand. Hatch's FY10 credit card transactions, totaling \$41 thousand, included using cards from Lowes, Sam's Club, and gas cards.

Cardholders include school principals, program directors, departments, board members, and superintendents. DFA policy states procurement cards should not be issued to public officials such as agency directors, division directors, and board members. DFA also recommends that all agencies replace vendor cards, such as Sam's Club, with the state's procurement card or Wright Express fuel cards.

The districts' purchase card policies and procedures are inadequate. Gadsden's board receives a monthly voucher list that includes where the purchase was made, purchase order number, account, and amount of the transaction. Gadsden's policies, however, are limited to guidance focused on procedures such as filling out required forms and submitting receipts within 48 hours. Improvements should include policies about transaction thresholds and allowable types of commodities or services.

Deming does not have a specific credit card policy but purchases are subject to the district's purchasing policies. A formal mechanism is not in place for reporting purchase card activity to its school board. Instead, the board receives a copy of expense checks monthly that includes those to Bank of America. Deming maintains a transaction log for the travel cards, but not for the superintendent's master card.

According to Deming, travel cards are to be used for meals and lodging during travel. Non-travel purchases, however, included day planners, a gift card from Kohl's purchased on-line, uniforms for a mechanics program, sport accessories, and paper products and snacks from Wal-Mart. This was a pilot program for two administration cards that allowed other types of purchases, but internal controls for establishing allowable purchases need to be strengthened.

In addition, credit card statements show Deming is carrying large balances forward each month. The balances are not paid in full due to the lack of proper documentation, including receipts. Payments will not be made until receipts are provided. This is also the reason posting the credit card transactions to the general ledger lags behind the transaction. Even though the district does not pay interest on the balances they should be paid in full, and policies and procedures need to emphasize the requirements for use and the importance of timely posting to the general ledger.

Hatch's credit card policy allows for the issuance of gas cards, requires an approved travel authorization, and states a log will be kept for all credit card activity. The district considers its monthly statements as this log.

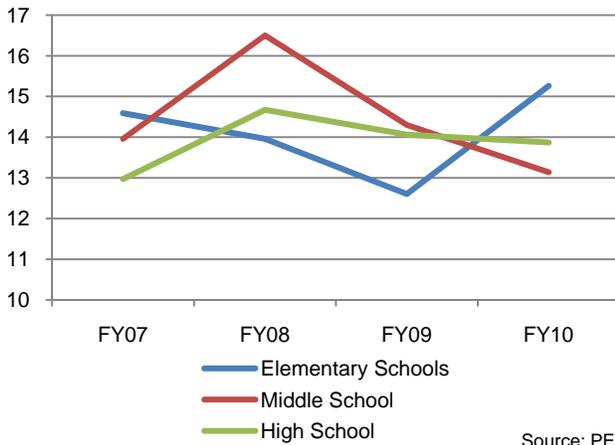
Each district could improve its internal controls by formalizing the independent receipt and acceptance by someone other than the cardholder.

Each district could improve training for its purchase card users. Documented training was limited to completing required forms and submitting and maintaining receipts. Additional training should focus on procurement rules and regulations, proper card use guidelines, and appropriate policies.

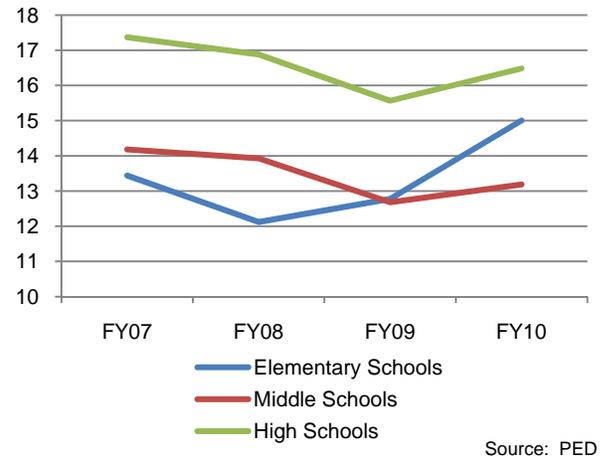
Districts have reduced their expenses by raising student-to-teacher ratios. Gadsden's and Hatch's student-to-teacher ratios climbed between FY07 and FY10, with the greatest increases at their elementary schools. Despite a district-wide student membership increase of 539 students between FY09 and FY10, Gadsden had 69 fewer teachers. As a result, between FY09 and FY10, Gadsden's elementary classrooms added 2.2 students per teacher; Hatch added three students per teacher. This year, Gadsden plans to request excessive class-size waivers.

These changes at the elementary level are largely a result of teacher attrition, rather than strategic reductions in force. In the case of Hatch, they have resulted in lower ratios in the middle and high schools than at the elementary level.

Graph 12. Hatch Student to Teacher Ratio by School Level FY07-FY10

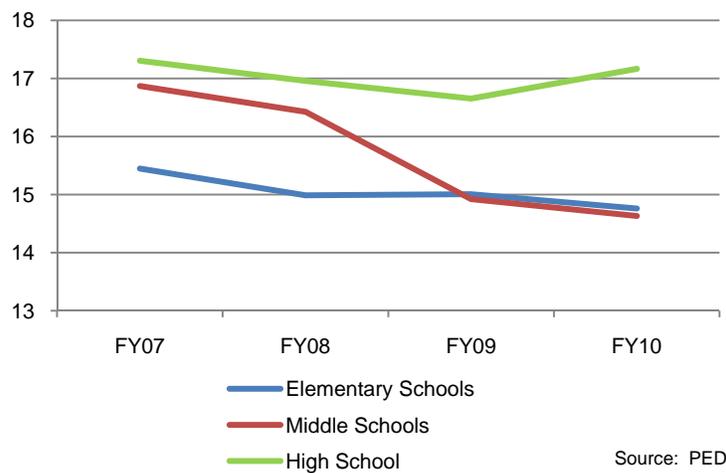


Graph 13. Gadsden Student to Teacher Ratio by School Level FY07-FY10



Deming's district-wide student-to-teacher ratio declined between FY07 and FY10. Between FY07 and FY10, Deming Public Schools employed 12 more teachers, despite 106 fewer students attending schools in the district. This resulted in lower ratios for the district as a whole. Student-to-teacher ratios declined for all school levels between FY07 and FY09, and only Deming High School experienced a ratio increase between FY09 and FY10.

Graph 14. Deming Student to Teacher Ratio by School Level FY07-FY10

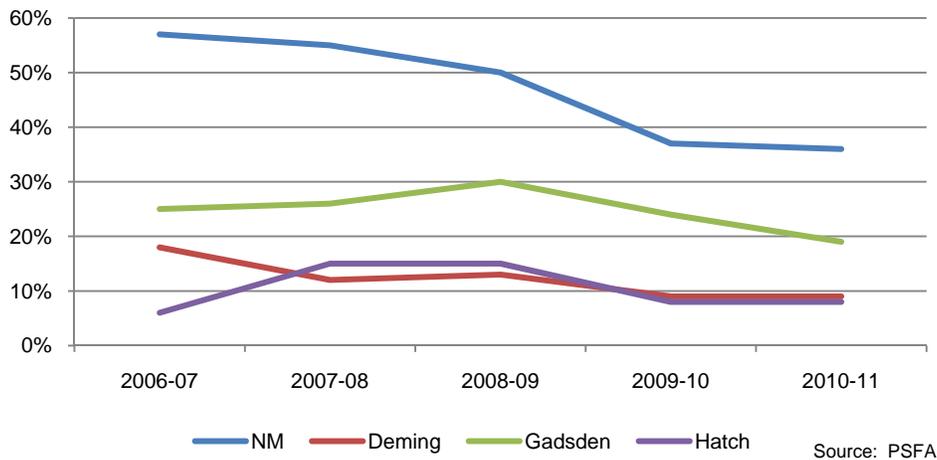


Minor adjustments to the uniform chart of accounts (UCOA) and budgeting procedures could improve operational transparency for districts. Cash reserves are necessary for several reasons, including maintaining operational expenses while awaiting reimbursement for federal funds. Without a line item for this unrestricted cash, however, districts tend to budget inflated estimates in other functions. This makes it difficult for business managers to project cash balances and is particularly problematic when districts experience turnover in their business offices.

Collaboration between the districts and the Public School Facilities Authority has improved the building conditions in all three districts. Overall, the state of New Mexico has seen dramatic improvement in the conditions of its school buildings; the facilities condition index has steadily improved, decreasing from 70 percent in FY04 to 36 percent in FY11. Each of the three districts has experienced similar trends in their weighted New Mexico condition index (this index includes weighted factors for the facility and educational adequacy components of school buildings in each district) from FY07 to FY11:

- Deming improved from 18 percent to 9 percent (not including scores for Deming Intermediate and High School);
- Gadsden improved from 25 percent to 19 percent; and
- Hatch has fluctuated between 6 percent and 8 percent due to age-related renewal requirements.

Graph 15. Weighted NM Condition Index for School Buildings



Deming received a \$2.7 million award for a new high school but its bond election failed in 2007, and the project has yet to move out of the planning and design phase. Gadsden has awards of approximately \$43.5 million for two elementary schools and two phases of construction at Gadsden High School. Gadsden is also scheduled to receive around \$33 million for a third phase of the Gadsden High School renovation project.

The Deming maintenance team received the PSFA Ben Lujan Achievement Silver Award in 2009 for implementing preventive maintenance systems and processes. Gadsden has received the same award at the silver and gold levels from 2006 to 2010.

Recommendations

School districts should continue to use comprehensive financial data as well as student performance data to strategically budget for revenue reductions.

PED should require districts to compare past year expenditures with peer districts to identify anomalies in their expenditures and inform their budget decisions. PED's *Program Budget Questionnaire* should include the following questions: 1) Has the district compared their past year's expenditures with peer districts? 2) Which districts are being used as a comparison and why? 3) What changes were implemented as a result?

Hatch should evaluate the need for two full-time security officers, consider hiring security staff in-house, and attempt to renegotiate the contract with the village of Hatch to avoid the loss of district assets. In the meantime, the district should require the village to provide payroll information for the officers and other detailed documentation when submitting an invoice and prior to payment.

The Legislature should amend the Public School Code and the General Appropriations Act to require all public school districts' and charter schools' purchase card programs to conform to rules issued by PED. PED should promulgate rules governing the use of school district purchase cards. The rules should provide districts that use purchase cards with comprehensive policies, procedures, and reporting frameworks similar to those used by the Department of Finance and Administration.

Districts should

- Cancel and eliminate credit cards issued to superintendents, directors, and board members;
- Eliminate cards from all vendors such as Wal-Mart and Lowe's;
- Review card activity and cancel unused cards;
- Reduce spending limits to levels appropriate to each card's intended purpose; and
- Provide monthly purchase card expenditure reports to their boards and post the reports on their websites.

Gadsden and Hatch should strategically plan to absorb reduction in teaching staff at the middle and high school levels to reduce impact on student performance.

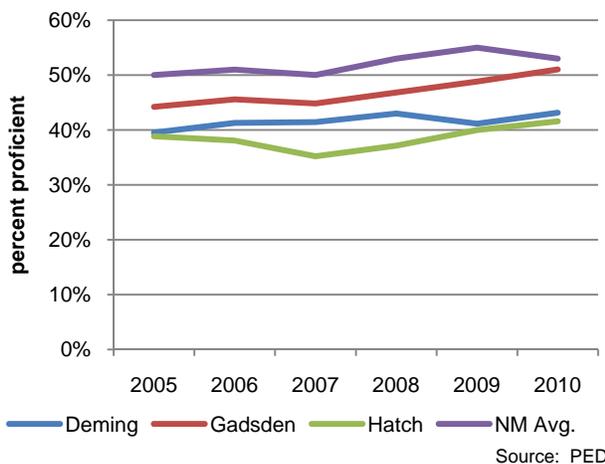
PED should establish an "unrestricted cash" object code in the uniform chart of accounts at the currently allowable cash balance percentages. PED should consider issuing guidelines for optimum cash reserves depending on district size and amount of federal funds for reimbursement.

Public Schools Facilities Authority should develop criteria for maintenance and custodial staffing levels or incorporate smoothing techniques (such as a floating three-year average) to the Maintenance and Operations Cost Study.

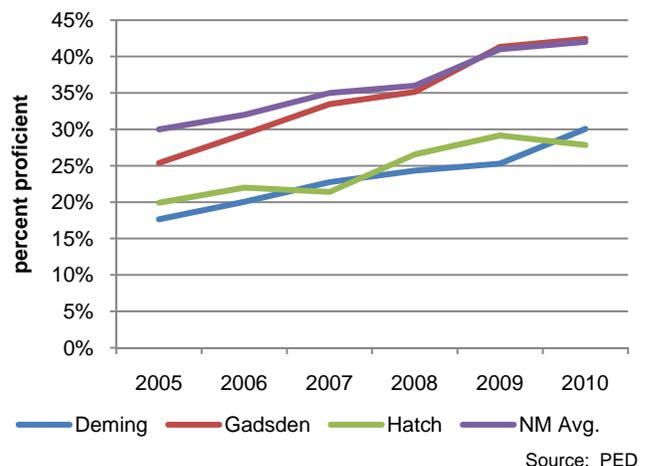
STUDENT PERFORMANCE DATA IS NOT PRESENTED TO DISTRICTS IN EASY-TO-USE FORMATS AND BEARS MINIMALLY ON EDUCATIONAL DECISIONS, INCLUDING TEACHER EVALUATION.

Changes in standards based assessment (SBA) proficiency rates and scaled scores are more meaningful indicators of school performance. Given that 77 percent of schools did not make adequate yearly progress (AYP) in New Mexico in 2010 and the challenges of having all subgroups meet this goal, districts and schools generally favor measuring student growth. In reading this indicator does not favor these three districts, though Gadsden’s proficiency rate has increased from 44 percent to 53 percent. In math, all three districts have improved, with Gadsden matching the state average for the past two years.

Graph 16. SBA Reading Proficiency Rates



Graph 17. SBA Math Proficiency Rates



The state has vast amounts of multi-year student performance data, but it is not easily accessible to districts in its current form. Annually, districts receive a variety of reports and raw standards based assessment (SBA) data. This data exists in the state’s student teacher accountability reporting system (STARS) database. Along with short-cycle assessment data, longitudinal SBA data could be used to analyze student progress over time, compare the impact of various programs, measure the effectiveness of teachers, look at the performance of subgroups, and more. These functions, however, are not easy for districts given the current reports. Instead, some districts, such as Gadsden and Deming, achieve the same results by purchasing additional software. Gadsden was recently awarded \$100 thousand in ARRA stimulus funds for this purpose.

Scaled scores are a valid and reliable indicator of student progress. Student SBA performance is typically reported as a one of four proficiency levels: Beginning step (1), Nearing Proficient (2), Proficient (3), and Advanced (4). These proficiency levels are converted from scaled scores ranging from 0 to 999. Scores of proficient or advanced count toward a school’s and district’s overall proficiency percentage, the indicator most often reported.

Given the range of scaled scores within a proficiency level, a more statistically useful indicator of student progress is scaled score growth (Braun, Chudowsky, and Koenig, 2010, *Getting Value Out of*

Value-Added). In math, for example, the expected scaled score increase for a student to remain proficient from third to fourth grade is 25 points (611 to 636). A student who starts at the bottom of the “Nearing Proficient” category in the third grade, however, can improve by up to 79 points (from 556 to 635) and still be considered “Nearing Proficient” as a fourth grader. As a result, the impact of a particular teacher or program may be better measured through changes in scaled scores than proficiency levels.

Table 9. SBA Scale Score Intervals

Grade	Beginning Step	Nearing Proficient	Proficient	Advanced
3	0-555	556-610	611-659	660-999
4	0-583	584-635	636-677	678-999

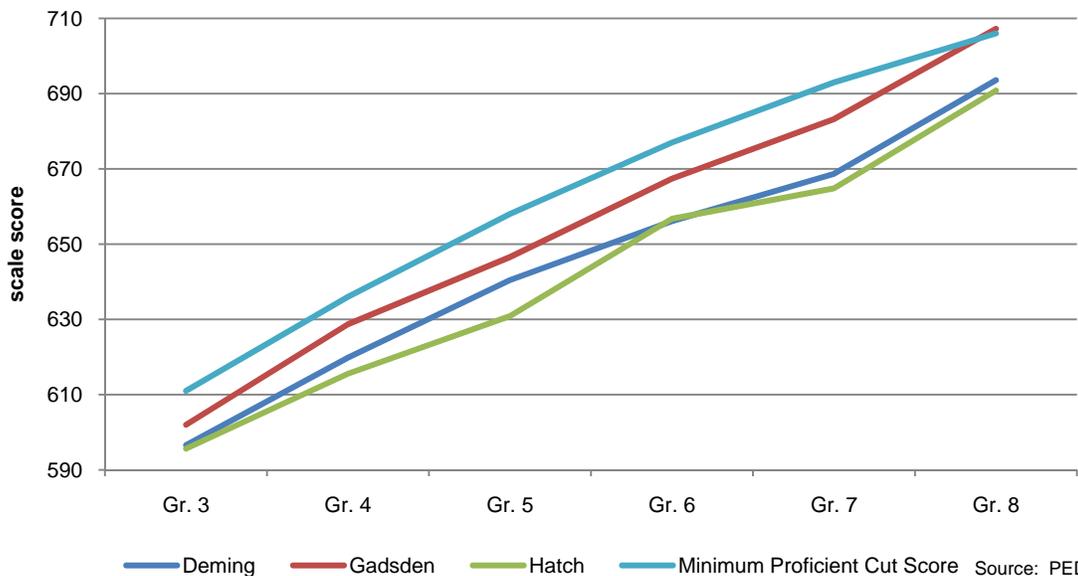
Source: PED

Based on a cohort analysis, each district’s third graders’ average scores start lower than the state’s minimum proficiency score and the districts struggle to catch up by eighth grade. Given mobility rates, approximately one-third of the students were continuously enrolled in each district from 2005 as third graders to 2010 as eighth graders. For this analysis, these 550 students are considered a cohort.

The rate of change in the state’s minimum proficiency scores decreases over time. Between third and fourth grades, for example, proficiency increases by 25 points while between seventh and eighth grades, proficiency increases by 13 points.

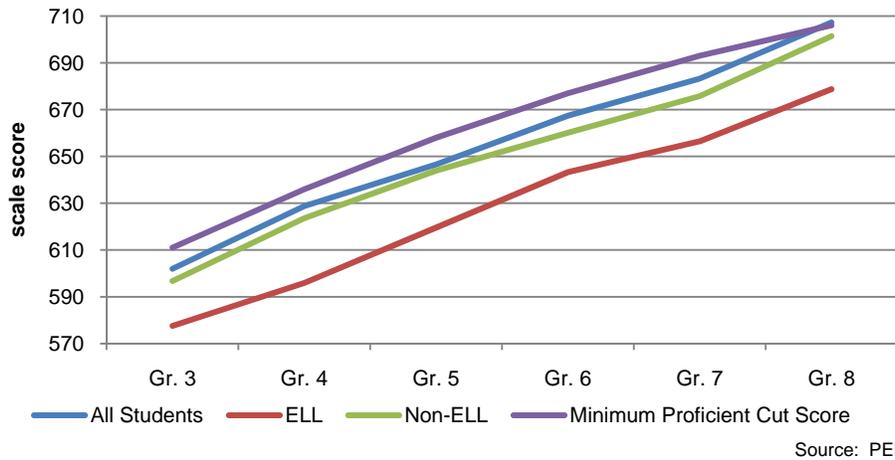
Only students in Gadsden made enough catch-up growth to close the gap that existed when they began testing as third graders. While the scaled scores of those students’ averaged nine points less than the state’s minimum proficiency score as third graders, between seventh and eighth grade those same students closed the gap to average one point higher than the minimum proficiency score. In Hatch, the gap remained steady at 15 points from third through eighth grades, and in Deming, the gap narrowed from 14 points as third graders to 12 points as eighth graders.

Graph 18. SBA Math All Students Cohort Analysis, FY05-FY10



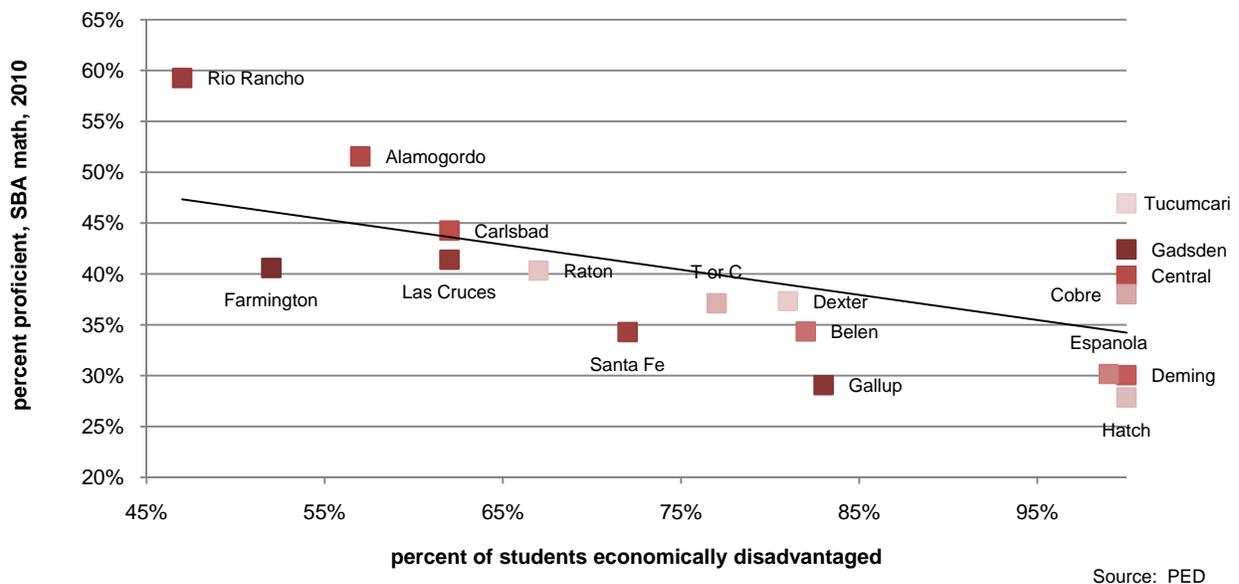
The proficiency gap between English language learners (ELL) and their peers is even larger and persists over time. In Gadsden, for example, ELL students in the third grade average 33 points below the minimum score for proficiency, whereas all students average nine points below proficiency; by the eighth grade, all students average one point above proficient, whereas students still considered English language learners were 27 points below proficiency.

**Graph 19. Gadsden SBA Cohort: ELL vs. Non-ELL
FY05-FY10**



Based on its percentage of economically disadvantaged students, Gadsden is outperforming its peers, while Hatch and Deming are underperforming theirs. All three districts have high percentages of students who qualify for the free and reduced lunch program. For the purposes of SBA reporting, 100 percent of students are considered economically disadvantaged. Compared to their peers, Gadsden’s math proficiency rates are above the expected values, whereas Deming’s and Hatch’s are each below the trend line.

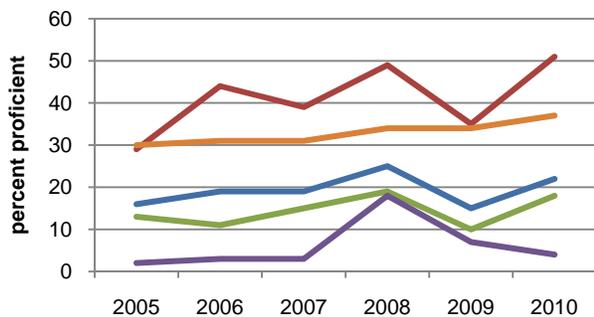
Graph 20. Economically Disadvantaged versus Percent Proficient



In 2010, LFC published statewide results of its school district performance index (SPI). The SPI ranks school districts based on the five year average proficiency level of all students and growth in proficiency levels over that time. To account for at-risk students, the SPI increases the weight of the performance of districts based on poverty percentages. Gadsden ranked second among large school districts in the state, largely due to its growth rates in math and the poverty weight (see **Appendix D**). Combined performance on reading and math across all grades improved 10 points, from 35 percent to 45 percent between FY05 and FY09. Other large districts did not experience as much growth, such as Santa Fe, increasing 3 points from 37 to 40 percent, or had much lower student poverty rates. In these districts, the SPI expected much higher performance levels, such as Las Cruces which had 46 percent proficiency rates in FY09, up from 40.

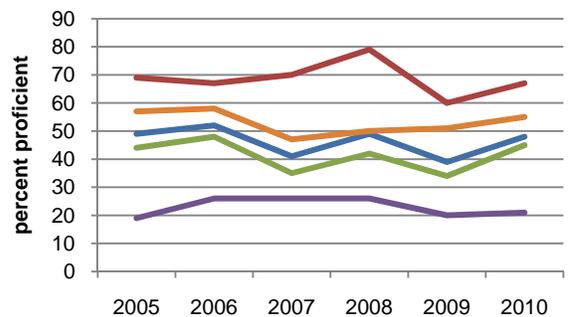
Over the past six years, Deming has shown mixed SBA proficiency rates. The percentage of students proficient in math at Deming High School increased from 16 percent in 2005 to 22 percent in 2010. Over the same time period, reading proficiency rates at Deming High School decreased from 49 percent to 48 percent, while the state’s average dropped from 57 percent to 55 percent proficient. In both reading and math, the gap between subgroups, including ELL and all students, remained approximately the same at 23 percentage points in reading and 13 percentage points in math.

Graph 21. Deming High School Math



Legend: All students/ ED (blue), Hispanic (green), NM Average (orange), Caucasian (red), ELL (purple). Source: PED

Graph 22. Deming High School Reading

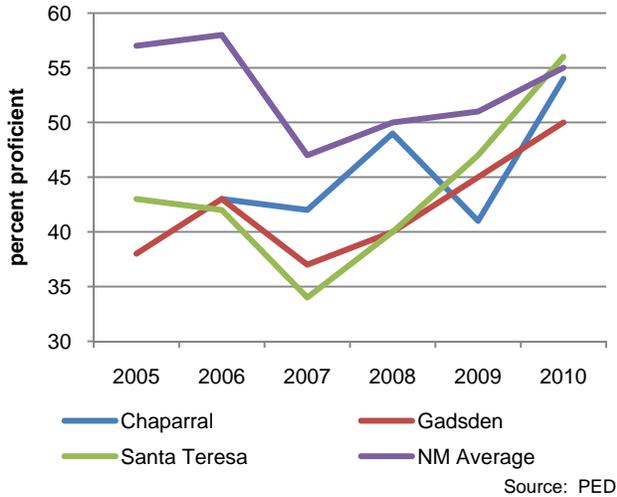


Legend: All students/ ED (blue), Hispanic (green), NM Average (orange), Caucasian (red), ELL (purple). Source: PED

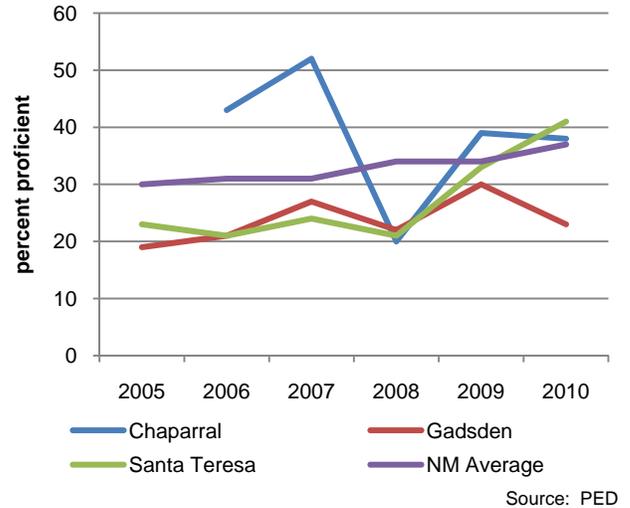
Elementary and middle schools in Deming have made more growth in math than reading. The average math proficiency rates for Deming’s elementary schools have increased from 36 percent in 2005 to 49 percent in 2010; elementary reading proficiency rates increased from 55 percent to 56 percent. Similarly, from 2005 to 2010, middle schools moved from 22 percent proficient in math to 36 percent proficient and in reading increased from 48 percent proficient to 50 percent.

While Gadsden schools have experienced gains on the SBA, the performance between schools is uneven over time. For each of the three high schools, reading proficiency rates have improved from 2005 to 2010, while math results have varied.

Graph 23. Gadsden High Schools Reading SBA Proficiency Rates

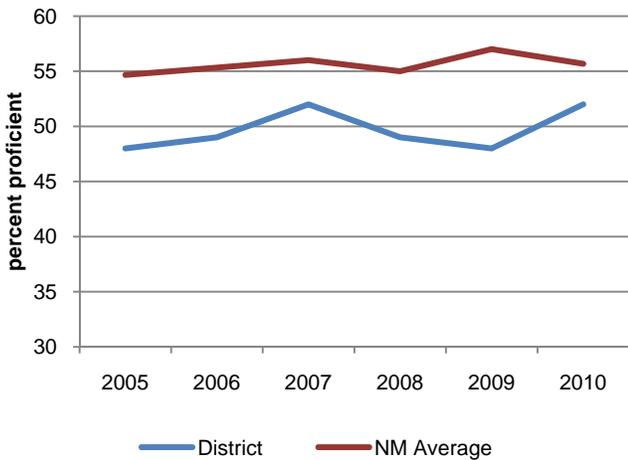


Graph 24. Gadsden High Schools Math SBA Proficiency Rates

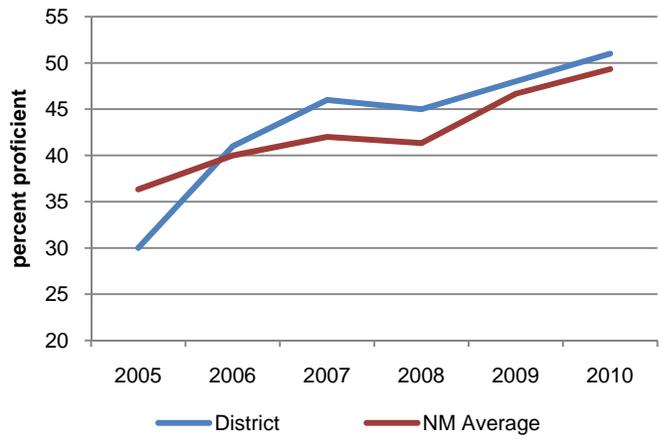


Trend differences in elementary schools in Gadsden have ranged from one being reconstituted to another earning Blue Ribbon status. As a whole, the elementary schools have increased reading proficiency rates from 48 percent in 2005 to 52 percent in 2010. Math proficiency rates at elementary schools in Gadsden have steadily improved from 30 percent in 2005 to 51 percent in 2010, outpacing the state’s rate of improvement, from 36 percent to 49 percent, over this same period of time.

Graph 25. Gadsden Elementary Schools Reading SBA Proficiency Rates



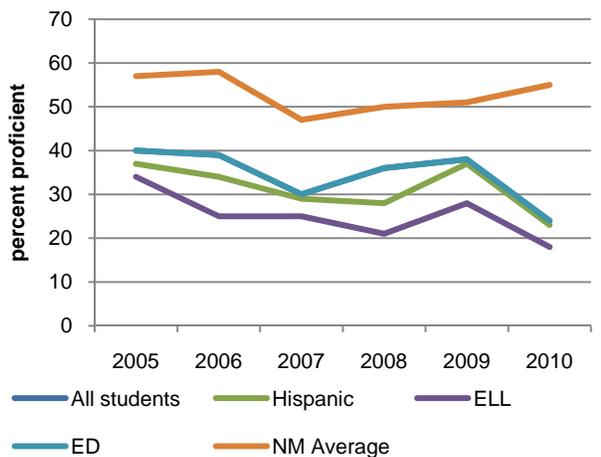
Graph 26. Gadsden Elementary Schools Math SBA Proficiency Rates



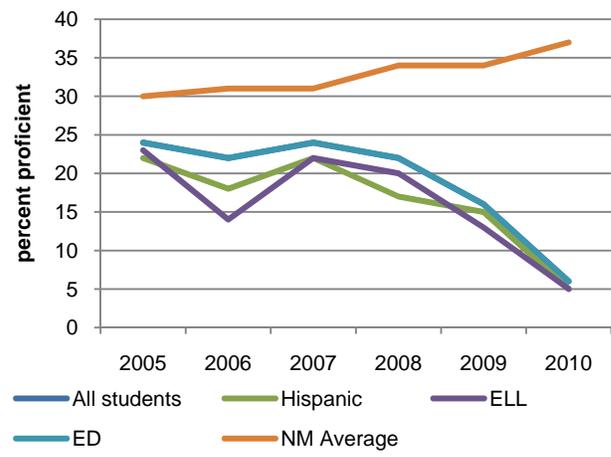
In FY11, these improvements resulted in Santa Teresa receiving national recognition as a Blue Ribbon school. On the other hand, for FY11 Gadsden chose to reconstitute Loma Linda because of its declining proficiency rates. Staff were transferred to other district schools or reapplied to the school and replacement staff volunteered to complete the requirements for national board certification.

High turnover in Hatch has affected student performance. In the past five years, Hatch Valley High School has had four different principals, four counselors, and significant rate of teacher turnover. Declining reading and math proficiency rates as measured by SBA scores reflect this instability. The percentage of students proficient in reading has decreased from 40 percent to 24 percent. Math proficiency rates at Hatch Valley High School have shown similar declines, moving from 24 percent in 2005 to 6 percent in 2010.

Graph 27. Hatch Valley High School SBA Reading Proficiency Rates



Graph 28. Hatch Valley High School SBA Math Proficiency Rates

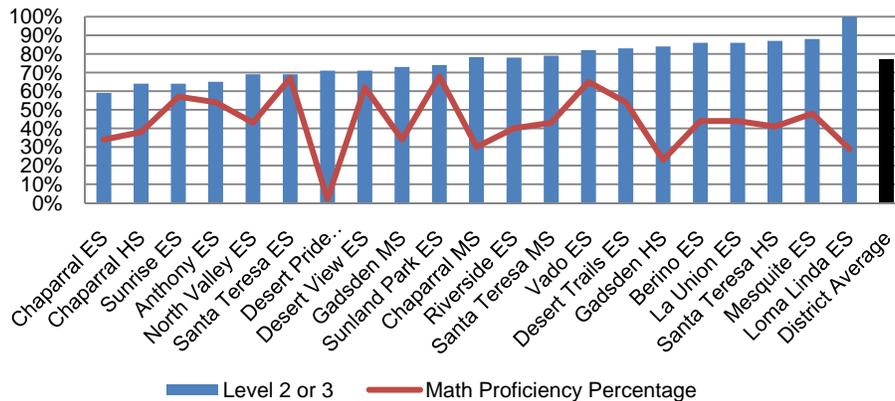


District staffing patterns compared with student performance highlight the difference between “highly qualified” and “highly effective” teachers. Under the current three-tiered licensure system as well as the Elementary and Secondary Education Act (No Child Left Behind), teachers are considered highly qualified and become eligible to move between licensure levels one, two, and three based on their years of experience, education levels, and completion of a professional development dossier.

The percentage of level two and level three teachers at a school does not correspond with the percentage of students proficient at that school. While the proficiency rates of students within individual teacher’s classrooms vary, schools’ overall performance is not directly related to teacher licensure level.

For Gadsden, the percentage of level two and three teachers varies from a low of 59 percent at Chaparral Elementary School to a high of 100 percent at Loma Linda Elementary School, with a district average of 77 percent. As can be seen in Graph 29, increasing the percentage of level two or three teachers does not necessarily result in better student proficiency. For example, the school with the highest percentage of level two and three teachers in FY10, Loma Linda, is the school Gadsden reconstituted for FY11. The same lack of correlation between licensure level and proficiency rates is true in Deming and Hatch.

Graph 29. FY10 Percentage Level Two or Level Three Teachers by School - Gadsden



Source: PED

The high school redesign initiatives correlate with improved graduation rates and reduced remediation rates, though further refinement is possible. New Mexico's high school redesign includes several components including increased graduation requirements and completion of a dual credit, online, or advanced placement (AP) level course.

Reduced dropout rates have increased enrollment for districts. Gadsden's 12th grade enrollment increased 43 percent between FY05 and FY10, from 687 to 983 students, largely because fewer students left or dropped out before their senior year. The attrition rate for students in ninth grade during FY05 was 31 percent, with about 409 leaving before the 12th grade, possibly helped by the addition of Chaparral High School. The attrition rate dropped to 25 percent for FY07 ninth graders. Overall, high school enrollment has increased 8 percent, from 3,863 in FY05 to 4,179 in FY10. However, the number of students in ninth grade continues to decline, slipping 9 percent between FY05 and FY10.

Deming's 12th grade enrollment has increased 20 percent, from 289 to 347 between FY08 and FY10. The district reduced its attrition rate of ninth graders from 31 percent to 21 percent.

Students are completing dual credit courses at higher rates. According to the Office of Educational Accountability's, *Ready for College 2010*:

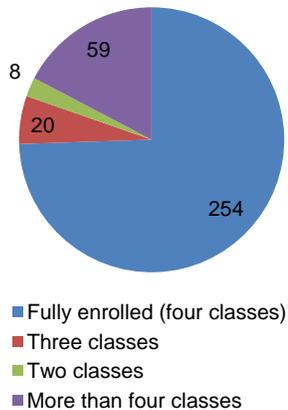
- 4,524 high school seniors participated in the dual credit program during FY09.
- 4,126 (91 percent) graduated that same year.
- 2,754 (67 percent) attended college in fall 2009.
- 1,777 (65 percent) of these students did not take any remedial courses during the fall 2009 semester.

In FY09, 242 seniors participated in dual credit classes in Gadsden, 216 in Deming, and 37 in Hatch. These students in Deming and Hatch earned an average of five credit hours each, while students in Gadsden earned an average of 12 credit hours in a wide range of courses.

Dual credit courses, along with other options, have reduced the number of high school seniors on campus. High school students generate 1.25 units in the funding formula per student, but the addition of

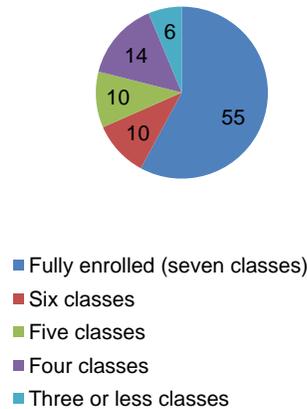
dual credit options, along with other avenues to gain credits, might overfund these students. In some cases, such as Deming High School, only 28 out of 341 seniors are enrolled in less than a full academic load of four classes in their fall semester. In contrast, 59 seniors at Deming are enrolled beyond their full schedule. At Hatch Valley High School, 55 out of 95 seniors are taking a full course load of seven classes on campus. Finally, at Gadsden High School, out of 391 seniors, 72 take two classes each day at the branch campus of Doña Anna Community College.

Graph 30. FY11 Number of Seniors Enrolled at Deming High School



Source: DHS

Graph 31. FY11 Number of Seniors Enrolled at Hatch Valley High School

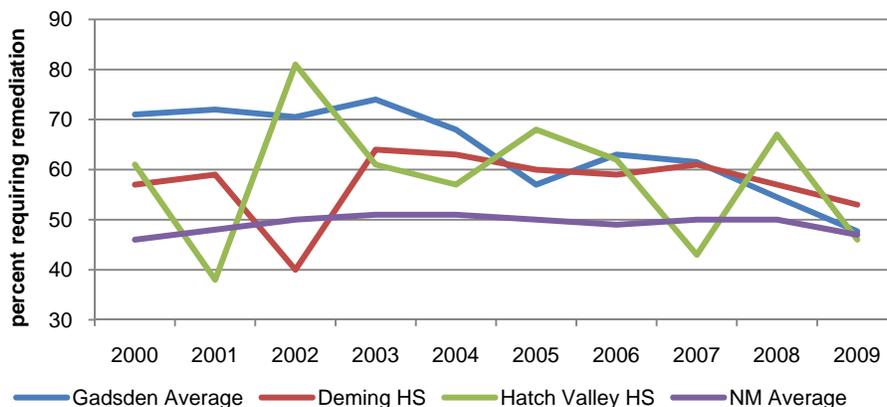


Source: HVHS

For each school, some dual credit classes are offered on site by existing high school teachers, others are offered on site by college instructors, and others are offered at branch campuses. The construction of Doña Ana Community College branch campuses in Hatch and Chaparral will likely increase dual credit offerings. The resulting impact on high school costs is not clear and warrants further study.

High schools in all three districts receive limited feedback from nearby universities regarding remediation needs. Remediation rates have generally improved for all three districts. In Gadsden, for example, 71 percent of students required remedial coursework in 2000 compared with just 48 percent in 2009, though the rates for all three districts are still higher than the state average of 47 percent.

Graph 32. College Remediation Rates



Source: OEA

One result of this need for remediation is its impact on four- and six-year graduation rates. Statewide, 25 percent of students who need remedial coursework graduate in six years versus an overall rate of 46 percent.

Improving the readiness of students could lower remediation rates, increase graduation rates, and save the state money. The four schools with available data (Chaparral High School opened too recently to have similar data), represent a significant percentage of students attending New Mexico State University.

Table 10. NMSU Average Graduation Rates by Feeder High School

High School	Number of Students	Rank as feeder to NMSU	Average 4-year Grad Rate	Average 6-year Grad Rate
Gadsden	268	6 th	5%	29%
Deming	140	7 th	13%	33%
Santa Teresa	78	13 th	8%	26%
Hatch Valley	<50	23 rd	5%	14%
NMSU Averages			13%	43%

Note: Averages of cohorts entering in 2002, 2003, and 2004

Source: HED

Four-year college graduation rates for students from these schools range from 5 percent to 13 percent while NMSU's overall four-year graduation rate is 13 percent; the four high schools' six-year graduation rates, ranging from 14 percent to 33 percent, are lower than NMSU's average six-year graduation rate of 43 percent.

A data system linking high schools to colleges has been established but is not being widely used by high schools. In response to Section 22-1-11 NMSA 1978, a preschool through college data system was created that can provide post-secondary remediation data, including:

1. Assessment scores on exams used to determine the need for remediation;
2. Remedial course enrollment history with the number and type of credit and noncredit remedial courses being taken; and
3. Freshman-year outcomes for New Mexico public high school students who enroll in a public post-secondary educational institution within three years of leaving high school.

A sample report is included in **Appendix E**. These reports, however, are not currently provided to districts.

Recommendations

PED should make longitudinal SBA data available to districts through STARS report templates, allowing districts to more easily analyze student performance over time and the effectiveness of particular programs, teachers, and schools.

At a minimum, boards should receive the following student performance reports:

1. Annual SBA data disaggregated by school and subgroups (English language learners, economically disadvantaged, special education, and ethnicity). This data should show trends over time and be benchmarked against districts with similar demographic profiles; and
2. Short-cycle student performance data at least three times per year in conjunction with the educational plan for student success (EPSS) submission requirements. Again, this data should be disaggregated by the same categories and should show growth over time.

In accordance with Section 22-1-11 NMSA 1978, the Higher Education Department should post each district's "Measure K-9: Freshmen-year Outcomes" reports online. Districts should regularly use this information to inform educational programs.

The Legislative Finance Committee should further study the impact of high school redesign initiatives.

HED and PED should identify formal opportunities to promote articulation of curricula and standards between the K-12 system and the higher education system to increase student success.

THE QUALITY OF A LOCAL BOARD DIRECTLY IMPACTS ITS ABILITY TO STRATEGICALLY ALIGN FISCAL AND HUMAN RESOURCES.

For these districts, boards that regularly participate in training and professional development are generally more effective at maintaining their governance responsibilities. Section 6.29.1.9 NMAC requires school board members to participate in at least five hours of training each year and districts to include this data in their annual accountability reports. The New Mexico School Boards Association tracks this training, including four state conferences, the national board convention, regional conferences, and district-level trainings.

Board members from Hatch have not fulfilled this training requirement. A historical overview of board training levels by district is presented in Table 11.

**Table 11. Total Hours
NM School Board Association Training**

District	FY08	FY09	FY10
Deming	83	71	75
Gadsden	114	114	80
Hatch	31	19	15

Source: NMSBA

In the past year, two of Hatch’s board members did not meet the minimum training requirement; the same is true of 2008-09. In 2007-08, three members did not meet the minimum training requirement.

All of Deming’s board members have achieved at least level one status in the New Mexico School Board Association’s Leadership Development Program (at least 24 cumulative training hours); four of the five members have additionally achieved level two status (at least 36 cumulative training hours); and one member has also earned the master board member distinction, qualifying to provide mentorship and training to other boards.

All of Gadsden’s board members have achieved level two status in the Leadership Development Program and three members have attended classes to become master board members.

Deming has made an effort to provide consistent professional development from classrooms to the board room. In FY06, Deming began implementing continuous improvement training. More recently, along with each of the administrative departments, the Deming school board has begun to develop a system-level plan. Evidence of this training is apparent in goals and measures displayed prominently in the district’s central office. Additional implementation actions include regularly referring to the board’s goals in written documents and at meetings, monitoring effectiveness using a board-level systems check, and reviewing strengths and opportunities for improvement following every meeting.

The type and quality of financial information received by boards is generally improving, but needs to meet minimum standards. New Mexico school boards’ fiduciary responsibility is to “review and approve the annual school district budget” (Section 22-5-4-C NMSA 1978). Effective May 2010, Section 22-8-12.3 NMSA 1978 established finance and audit subcommittees. The finance

subcommittee, including at least two board members, oversees financial planning, revenues and expenses, budget preparation, and procurement. The audit subcommittee, also including at least two board members, oversees the selection of the auditor, monitors the audit process, and tracks responses to findings. As a result, boards are statutorily responsible for developing and approving a budget, monitoring the implementation of that budget, and overseeing the audit process.

Gadsden and Deming have developed useful tools for their boards when preparing and monitoring budgets as well as during audit reviews. Deming’s budget preparation process exceeds PED requirements for community input. The process includes the following:

- School site budget advisory meetings;
- School site parent meetings;
- District budget advisory committee meetings;
- Public budget meetings, including a “Superintendent’s Coffee”; and
- Numerous board work sessions and regular meetings.

Internally, Deming requires all departments and school sites to submit to its Budget Subcommittee requests that outline a historical overview of staffing and facilities changes, full-time equivalent (FTE) projections for the upcoming year, and other projected expenses, such as professional development. These projections are presented in three scenarios: level, decreased, and increased funding. As a result, even with reduced revenues, Deming has avoided “reductions in force” and maintained cash balances. Similarly, Hatch has started to benchmark its custodial and maintenance staff against Public School Facilities Authority (PSFA) guidelines to determine staffing needs. Though many districts follow processes such as these, they are not currently standardized across districts.

Gadsden’s budget preparation documents presented to its full board include an executive summary (see, **Appendix F**), proposed revenues and expenses, SEG estimates, cash balances, salary schedules, debt service data, and school calendars. Deming provides similar information to its board, as well as an overview of the unit value and anticipated changes in expenses, such as the district’s portion of health care costs.

PED should set minimum standards for financial reporting to boards. Past LFC reports have recommended that local boards regularly receive the following reports:

- Budget status reports rolled up to the function level for operational, as well as other, funds;
- Budget adjustment requests;
- Cash and investment reports;
- Credit card expenditures;
- A list of voided checks.

Table 12. Financial Reports Boards Receive

District	Budget Status Reports	Budget Adjustment Requests	Cash and Investment Reports	Credit Card Expenditures	Voided Checks	Other
Deming	Y	Y	Y	N	Y	Various
Gadsden	Y	Y	Y	Y ¹	Y	Various
Hatch	N	Y	N	N	Y	NA

1. Voucher listing

Source: LFC Analysis

Quarterly, Deming’s board received presentations on topics that include school funding in New Mexico, the Uniform Chart of Accounts (UCOA), use of federal stimulus funds within the district, and local tax revenues.

Deming’s audit monitoring includes a monthly check review. In addition to the audit monitoring requirements set out for the audit subcommittee in Section 22-8-12.3 NMSA 1978, the Deming board recently began a monthly internal review of three checks. These transactions, selected at random, include an examination of the check, invoice, purchase order, and purchase requisition.

Boards are making better use of their websites to post meeting notices, agendas, minutes, and in some cases, board packets. Hatch does not currently electronically post minutes or board packets. Also, because of turnover at its central office, Hatch’s record of minutes for board meetings for past years is incomplete. Deming’s website includes topical updates from several of its board members and periodic spotlights of each of those members. Gadsden’s website contains in-depth, monthly budget reports. Each of these practices increases transparency and public trust.

The Open Meetings Act (Section 10-15-1 (H)(2) NMSA 1978) allows boards to meet in executive session to discuss personnel issues. When it is necessary for a board to discuss personnel issues in executive session, the board should announce that intention with “reasonable specificity” (Section 10-15-1 (I)(1) NMSA 1978). According to New Mexico’s attorney general, board motions to close meetings must state both the subject to be discussed and the legal authority for closure.

Effective boards hire competent superintendents and entrust the operations of the district to those superintendents. As demonstrated by Deming, Gadsden, and Hatch, a strong, trusting relationship between superintendents and boards is critical to district operations.

While each district has a process for evaluating their superintendent, the tools used are not standardized. High-quality superintendent evaluations are timely, include clear professional standards and criteria for meeting those standards, incorporate input from multiple constituents, provide opportunities for superintendent self-assessment, and communicate meaningful board feedback. In 2008, Senate Joint Memorial 3 provided a process to develop an evaluation plan for principals and other school leaders. Proposed rule changes to Section 6.69.3 NMAC clarify competencies and indicators for preparation and evaluation of all administrators. While the New Mexico School Boards Association provides guidance and resources, superintendent evaluation processes are determined by local school boards and practices vary widely by district.

In Hatch and Gadsden, superintendent turnover has affected district performance. Superintendent turnover presents a challenge for the entire state. Between 2003 and 2008, 76 percent of school districts reported one or two changes in their superintendents; 24 of the 89 superintendents are new to their role for FY11 and many of those are participating in the Superintendents’ Transition and Mentoring Program (STAMP) sponsored by the New Mexico School Superintendents’ Association.

Gadsden experienced conflict between its board—of which four members were recalled—and the previous superintendent. This created an environment of instability that contributed to the district’s fiscal challenges.

Hatch is on its third superintendent in five years. This rapid succession of high-level leadership has impacted others within the district, such as the business manager and principals. The transition has led to difficulties in submitting year-end financial information to PED. Simultaneously, the district's audit firm opted out of its agreement in May 2010; the process of contracting with new auditors resulted in a late submission of the FY10 audit for Hatch. Each of these districts faces similar challenges to build succession plans at the highest levels of leadership.

Consolidation of central office functions across districts could result in cost savings, reduce transition challenges, and address concerns with statewide capacity. Many districts are challenged to recruit and retain highly qualified business managers as well as federal program directors. The New Mexico Coalition of Charter Schools (NMCCS) currently contracts with 15 schools to provide these services at a cost of approximately \$50 thousand per school and serves as a potential model for consolidation. NMCCS's five business managers along with support staff have the capacity to ensure continuity of service and appropriate internal controls at reduced costs to the participating schools.

Similarly, the Southwest Regional Educational Cooperative (SWREC), whose member districts include Deming and Hatch, contracts to provide business services to two charter schools and has the capacity to offer similar services to districts within its region. In addition, SWREC handles Medicaid billing, grant management, and E-Rate support for districts and charter schools.

While each district has moved to a new web-based Educational Plan for Student Success (EPSS), it is unclear how this document drives strategic planning or influences resource allocation and technical assistance is limited. This format has the capacity to link district budgets to its strategic initiatives; districts, however, are being directed away from this practice due to technical issues with the software.

Initially, only schools in need of improvement were to complete the web-based version of the EPSS, though many districts included all schools in this process. This document also serves as an alternative governance plan as required through No Child Left Behind. In addition to formatting changes, the new WebEPSS increases the number of goals from two to seven: reading/ language arts; math; highly qualified teachers and paraprofessionals; English language learners; safe, drug-free schools; high school graduation; and parent involvement. Schools and districts solicit feedback from community members, staff, and students regarding the formation of these plans. The specific strategies identified by schools and districts vary widely.

PED intends to provide written feedback to all schools with No Child Left Behind designations of Corrective Action, Restructuring 1, and Restructuring 2 by December 2010 using the "WebEPSS Compliance Checklist." The nine schools receiving federal school improvement grants in FY11 receive more in-depth, regular technical assistance and site visits.

Effective principal leadership practices are inconsistently implemented. In accordance with Section 22-10A-11(G) NMSA 1978, the state's principal evaluation system, HOUSSSE-P, includes research-based competencies and indicators across five domains: instructional leadership, communication, professional development, operations and management, and responsibility in secondary schools. Implementation of these best practices, however, from allocation of instructional time to use of student performance data, varies widely between schools.

Within these districts, effective leaders emphasize the importance of using data to make decisions. In contrast, at other schools, leadership structures are multi-layered and include numerous committees, goal teams, and professional learning communities.

PED's ability to help district leaders expand the appropriate and effective implementation of data-driven decision making and other research-based best practices is critical to improving student performance.

Districts have adequate if not excessive amounts of short-cycle student performance data. While some of these assessments are non-negotiable requirements, others are at the districts' and schools' discretion. In some instances, short-cycle assessments such as Dynamic Indicators of Basic Early Literacy Skills (DIBELS) and Measure of Academic Progress Survey (MAPS) may provide duplicative information. Over-assessing students results in decreased instructional time and unnecessary costs.

Recommendations

PED should continue to develop a research-based, standardized superintendent evaluation process similar to that currently in place for school principals.

Boards should announce intentions to meet in executive session to discuss personnel issues with "reasonable specificity" to avoid inappropriate interference with superintendents' hiring authority.

Hatch should post its board announcements, minutes, and relevant public documents on its website.

The Legislature should require PED to issue rules establishing minimum financial information superintendents should regularly provide boards, including monthly budget status reports, budget adjustment requests, cash and investment reports, credit card expenditures, and a list of voided checks. Budget status reports should roll-up to the function level for the operational budget and more detail should be made available on request for other funds. Deming's and Gadsden's board reports could serve as exemplars in this area.

Boards should continue to receive training on how to use this financial information and the sanctions for failing to comply with training requirements.

Hatch school board members should increase the amount of training they receive to comply with stated minimum requirements.

PED should increase its role as a clearinghouse of effective practices and provider of technical assistance.

Small- to medium-sized school districts should consider voluntary consolidation of business services, such as payroll, purchasing, human resources, and federal program management to improve continuity and quality of services and save money.

Districts should analyze their testing calendars to avoid overlap and duplication.



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

HANNA SKANDERA
SECRETARY OF EDUCATION

SUSANA MARTINEZ
GOVERNOR

January 11, 2011

Mr. David Abbey
Director
Legislative Finance Committee
325 Don Gaspar, Suite 101
Santa Fe, NM 87501

Dear Mr. Abbey:

It has been a pleasure to meet with you and your staff during my first few days at the Public Education Department (PED). Your warm welcome is greatly appreciated. It is clear from our early conversations that the Legislative Finance Committee (LFC) is committed to improved accountability and performance by school districts, charter schools, educators and the PED.

In the coming weeks, we will visit further with you about the recommendations in the "Southern School District Evaluation." What resonates from an initial review of the evaluation report is the importance of accountability, efficiency, effectiveness and transparency.

If New Mexico's educational standing is to improve:

- Children's interests must be placed first so that they are learning.
- Districts and schools must have reliable data and use that data to drive decision-making and priorities.
- Decisions about funding and programs must be aligned with research-driven principles.
- Students and parents need proven and high-quality options.
- Educators must be equipped with the best tools to improve student achievement and instruction in the classroom.
- We must reward excellence and replace failure with success.

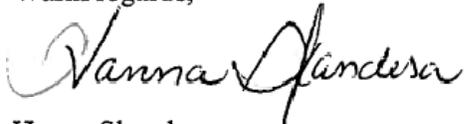
Currently, districts and schools have discretion to use funding to meet the needs of their students. We support that, with the caveat that what has been proven to work must drive decision making.

Governor Susana Martinez has called for an in-depth analysis of education spending. Our goal is to place the focus on the classroom and ensure greater transparency and fiscal accountability.

Specific to the PED, we must be disciplined internally so that we are transparent, accountable and can guarantee a return on New Mexico's investment. "Getting our house in order" is an urgent first undertaking for me and my staff. I welcome your suggestions as we pursue this endeavor.

I close with the oft-stated "what gets measured gets done." Needless to say, there is much to measure and do if our educational standing is to improve. My commitment is to take the baton that has been handed to me and run as fast and far as possible down the road to educational excellence. If we put students first, I am confident New Mexico will "win."

Warm regards,

A handwritten signature in black ink that reads "Hanna Skandera". The signature is written in a cursive, flowing style.

Hanna Skandera
Secretary of Education

HS/rmw

cc: Keith Gardner, Chief of Staff, Office of the Governor
Charles Sallee, Deputy Director, Legislative Finance Committee
Rachel Gudgel, Public Education Analyst, Legislative Finance Committee

DEMING PUBLIC SCHOOLS

“Student Success through Staff and Community Togetherness”

Harvielee Moore, Superintendent

Mary Lou Cameron, Assoc. Supt. of Support Services/Community Resources
Nancy Patterson, Associate Superintendent of Human Resources
Ted Burr, Associate Superintendent of Finance
Dana Irby, Associate Superintendent of Instructional Services

January 11, 2011

Dear Members of the New Mexico Legislative Finance Committee:

For the past four months we at Deming Public Schools have been learning about your review process and getting to know, in particular, two of your staff—Michael Weinberg and Matthew Pahl. We have appreciated the interaction and discussion which has come out of the review. Both of your evaluators have been professional and open throughout the entire process. Their understanding of the difficulties imposed upon the three districts under review—Deming, Gadsden and Hatch—by the risk factors and their highlighting this concept in the report is commendable. For over twenty years Deming Public Schools, serving students with second language needs, high mobility, and low economic status, has been one of the four lowest districts in state funding per student, often tying for last place with Hatch.

We understand the commitment you, as legislators, have to high expectations for all and your concerns for how the dollars are spent and resources are used in the schools, as we have that same commitment in our district with our funding and resources.

As we look over the report from your staff and review our notes from the exit conference, based upon their most recent review of school districts, we appreciate being recognized as a district which consistently demonstrates fiscally sound management practices and understanding student needs. We appreciate that you recognize that we are able to meet our goals of following procurement regulations and meeting budget requirements by: following state and federal expectations and regulations, utilizing all resources to their maximum, pursuing additional resources beyond state and federal, putting the classroom and safety first in line for resources, maintaining highly qualified staff, providing high level professional development for improvement in instructional delivery and working to retain all staff who meet expectations.

Further, we appreciate being recognized as a stable district with competent leadership and a Board of Education whose members are open to their own learning; understand their roles; collaborate with, support fully and hold the superintendent accountable; communicate well with parents and community and base their decisions using student data for the welfare and success of all students enrolled in Deming Public Schools.

We appreciate the general tone of this report which looks at how we can make education more effective. While this report shows Deming spending more for administration than its peers, it also shows that Deming is spending more than its peers on instruction. Deming spent 60.3% of its Operational Fund on Instruction vs. 59.1% for our cohort average. The report also points out that disadvantaged students require more services. We have used a large portion of Federal Stimulus funds on academic coaches in math and reading, and the initial results are positive. If the recommendations of this report are implemented modifying the funding formula to better support disadvantaged students, we will be able to continue these programs.

We appreciate your recognition of our thorough and open communication with Board members and the public. These efforts include ongoing public information meetings, monthly school-site meetings, work sessions with the Board, detailed budget and financial reports, Board budget and policy review committee work, and Superintendent's Budget Review Committee work with membership from all Board districts, to name a few.

In the area of student achievement our results on the NMSBA have gone up, then down, and then up again chasing the moving Annual Measurable Objective by grade level. We attribute this, in part, to the fact that with the support of the Public School Capital Outlay Council and the Public School Facilities Authority we built four schools and completely renovated a fifth in five years. In doing this we were able to restructure our school enrollment composition by moving 7th grade from Deming Middle School (6-7) and 8th grade from Hofacket Mid High (8-9) to the new Red Mountain Middle School (7-8), leaving Hofacket campus and the 9th grade to become part of Deming High School, thus regrouping DHS from Grades 10-12 to 9-12. The movement of students required reassignment of staff. We moved half of the staff from Deming Middle School and half from Hofacket Mid High. RMMS is now established and working well. Each year that it has been open, it has seen its NMSBA test scores go up, but the first year it opened, when the baseline was established, it was significantly lower (20+ points) than before the restructuring. While Deming's student's achievement gap is not widening, the gap is not closing fast enough. This is unacceptable. We need adequate funding to provide the extra services students need to make up the differences.

DPS continues its commitment to rigor and high expectations for all students. One of the legislative pieces which has allowed us to provide opportunities to many of our students is the funding of dual credit. We have been able to enroll students fulltime in high school and add alternative opportunities, including the dual credit, giving them more than a full day. This endorsement by the legislature has done more to help "to level the playing field for impoverished students" than many other things. You are to be commended, Legislators, for your commitment to all students. Our commitment to rigor includes increasing the numbers of honors and advanced placement classes in our curriculum and providing daily advisory assistance for all high school students in the areas of staying in school and graduating, preparing for post high school and committing to doing one's best. We have increased graduation requirements (29 credits). At the same time we have increased our graduation rate, surpassing state and national percentages for the last three years.

The review of the three school districts in the Southwest includes putting us in cohort groups. We understand the importance of comparables, but we share only enrollment size with four of the five districts in the group. Deming is unique. To compare Deming with districts from communities which do not have high numbers of language needs students, 100% free and reduced lunch rates, homes with low levels of literacy, high mobility factors and other at risk factors sets us at a disadvantage.

The analysis regarding the percentage of Operational fund dollars spent on the various functions shows that Deming Public Schools is spending more in the classroom and on administration. Part of these differences may be reflecting individual district reporting differences or budget choices. Deming's Administration Associates include the Directors for Special Education, Bilingual Education and Research and Funding. Three of the districts in the cohort do not report any Administration Associates, while they all report Special Education administrators in the New Mexico Educational Personnel Directory, and one of the three lists a Bilingual Education Director. This reflects one of the challenges facing anyone who would like to compare school districts. There is more than one way to report most expenses.

Deming is recognized state-wide for being a stable district and consistently modeling best practices. This is due in part to the many years of experience of our district administrators. All have served on state committees, and many have held offices in their state organizations. This experience benefits the district but does have a cost; however, it is interesting to note that in every category reported for cohort administrators another district has the highest average salary. In fact for the Superintendent and Associate Superintendent categories, Deming is in the bottom half of the cohort when comparing average salaries.

We would be remiss here if we did not mention our proximity to the border and the violence that exists there and which affects and challenges many of our students on a daily basis. Our language needs students, along with the rest of the population, from Columbus and Deming are successfully graduating (78.4%) and going on to post high school. More and more of our language needs students are going to the post secondary education after high school. Recently NMSU reported to us in a meeting of the Alliance for Teaching and Learning that 40% of the students enrolled in CAMP (a university level program for students of migrant farm workers) are graduates of Deming High School and that one of their December honor graduates is now working in the field of mechanical engineering. The American Association of School Administrators provides a survey through College One for our students. Over the last three years two-thirds of the students surveyed stated that they are the first in their families to graduate high school and to go on to post secondary education. We at DPS have changed the culture of our education community, giving hope to traditionally underserved students. We have done this by working together, reaching out to all stakeholders and resources AND we have done this with your assistance with the dual credit funds and your commitment to all students.

A recent ASBO (Association of School Business Officials) report notes that 53% of high school graduates across the nation who go on to college enroll in at least one remedial class. The report goes on to say that enrolling in a remedial class need not be a deterrent to success at college and may be the result of inadequate communication between higher education and public school education. At any rate, our students are going on to university level at the Mimbres Valley Learning Center in Deming, New Mexico State University, Western New Mexico University, Eastern New Mexico University, University of New Mexico, Highlands University and to out-of-state schools as well.

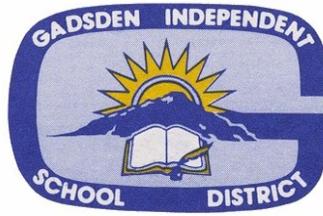
We realize that we must continue to improve, and we are working together with our students, staff, community and limited resources to do so. Thank you for understanding that we are more than the results on a yearly test.

Sincerely yours,

A handwritten signature in purple ink that reads "Harvielee Moore". The signature is written in a cursive, flowing style.

Harvielee Moore
Superintendent

Cynthia Nava
Superintendent



4950 McNutt Road
Sunland Park, New Mexico

P.O. Drawer 70
Anthony, N.M. 88021
Phone: (575) 882-6203

RESPONSE
REPORT TO LEGISLATIVE FINANCE COMMITTEE
SOUTHERN SCHOOL DISTRICT EVALUATIONS
GADSDEN INDEPENDENT SCHOOL DISTRICT

Cynthia Nava, Superintendent

January 10, 2011

Gadsden Independent School District

FACT SHEET

District Demographics:

- **93% of the District's 14,000 students living in poverty based on "free and reduced lunch survey"**
- **47% of students are English Language Learners (ELL).**

Board of Education:

- **Three different Boards from late 2006 thru Fall of 2007**
- **Current Board in place since Fall of 2007**

Administration:

- **Superintendent Cynthia Nava hired in Fall of 2007**
- **Prior superintendent resigned with two weeks notice and had been fired and rehired by previous Boards**

Audits:

- **Under the previous administration, FY 06 and 07 audits not initiated and cash reconciliations not completed**
- **Outside fiscal contractors hired in early 08 to reconcile all cash**
- **In July 08, Mr. Steve Suggs, CPA, hired as Associate Superintendent for Finance**
- **Reconciliation of all bank accounts completed September 08 (this reconciliation revealed \$3.9 million shortfall in the 09 budget due to failed financial controls of the previous Superintendent and Boards)**
- **2006, 2007, 2008, 2009 & 2010 Financial Audits completed**

Solvency Plan

- **Submitted to Secretary Garcia in December 08 and approved by the Public Education Department**
- **Plan included temporary transfer of some capital projects reimbursements to the "operational fund"**
- **Actions were fully vetted by the District's Bond attorneys. The District submitted a schedule for repayment of the loan to itself to the Public Education Department (PED). Subsequently, in 2009-10 the District repaid the temporary transfer in full.**
- **Plan includes a hiring freeze, restrictions on travel, implementation of an energy savings plan (which resulted in Engineering Award from the Energy Engineers of New Mexico), and deployment of central office personnel as long term substitutes in the schools when required**

FY 10 Operational Budget:

- **The reduction in Unit Value required the District to reduce its FY 10 Operational budget by an additional \$1.8 million**
- **FY 10 Final Approved Operational Budget reflected a reduction of \$1.294 million from the previous year actual expenditures before the unit value reduction**
- **FY 10 Final Approved Operational Budget reflected a reduction of \$2.739 million from the 2008-09 budgeted expenditures before the unit value reduction**
- **Received \$3 million in emergency supplemental through PED.**
- **District placed on monthly financial reporting by PED in November 2008 and all reports have been submitted in a timely manner since this date.**
- **Based on student enrollment, the district opened a new elementary school in fall 2010. Additional Personnel Cost for required support staff estimated at \$460,000.**

FY 11 Operational Budget

- **Budget includes costs for Gadsden Elementary School which was opened August 2010.**
- **Budget reflects the decrease in funding from FY 10 of \$1.341 million**
- **District has shut down two sections of the Administrative Complex and moved several program offices and staff into school locations. Vacant spaces were leased to generate revenue and reduce utility costs.**
- **District portion of budget shortfall at 3.244% is \$3.039 million, being offset by Education Jobs Funding allocation of \$2.596 million, difference of approximately \$443,000.**

The district was directed to submit a written response to the program evaluation before 11:00am on January 11th. The written comments submitted are responses to the draft report without the Executive Summary. Comments are general and address the three evaluation objectives listed in the Introduction Section.

Objective 1: **Governance**

Board Leadership

The Gadsden Independent School District Board of Education has been effective in maintaining their governance responsibilities by securing training and participating in professional development opportunities. Since 2007 the Board has received a total of 308 hours of training (p.38).

“All of Gadsden Board Members have achieved Level II Status in the Leadership Development Program and three members have obtained classes to become Master Board Members.” (p.38). During the current year, Ms. Maria Saenz was selected as the New Mexico School Board Member of the Year and Ms. Jennifer Viramontes was elected to serve as Secretary of the School Board’s Association. The Gadsden Independent School District Board of Education was selected NM School Board of the Year in 2008.

In addition, during the evaluation exit the evaluators were highly complimentary of the professionalism exhibited by the Gadsden Independent School District Board of Education.

Objective 2: **Spending**

As per LFC evaluators, the Gadsden Independent School District scored second among similar districts on the LFC-developed efficiency formula. The district requested that this measure be included as a part of the appendices.

In general, the Gadsden Schools serve high numbers of hard to serve students, receive insufficient funds through the formula, and yet outperform expectancy in student achievement.

The FY10 funding level for the district was 3.3 million dollars below FY08 with 96.49 less operationally funded positions and still the Gadsden students showed performance gains in achievement on the NMSBA. The FY11 budget includes 176.3 less operationally funded positions than FY08.

Objective 3: **Student Outcomes**

In viewing students who were in third grade in 2005 and progressed to eighth by 2010, they made enough growth to close the achievement gap that existed when they first began testing. The scores for those students averaged 9 points less than the state’s minimum proficiency score as third graders, and by 8th grade those same students averaged one point higher than the minimum proficiency score.

When looking at the economically disadvantaged students in Gadsden ISD, their proficiency rates were above the state’s requirements for proficiency.

While the Reading performance of Gadsden’s schools has been inconsistent, the reading proficiency rate has improved from 2005 to 2010, from 48% to 52%. The Math proficiency rates in the elementary schools have steadily improved and outpaced the state’s rate of improvement.

(GISD has improved from 30% to 51% in Math over five years while the state's rates have been from 36% to 49% over the same period of time.)

Improvements in Gadsden ISD has resulted in one of its elementary schools receiving national recognition as a Blue Ribbon School.

In the fall of 2010, an external evaluation was conducted on **English Language Learner** (ELL) performance. Findings from the external evaluation conducted by Dr. William Wachtel are as follows:

“Positive results are also evident when gains on the NMSBA are examined over two years. In mathematics, gains were greater for all ELL and former ELL classifications than for Never ELL. The performance levels in mathematics were equal or greater for ELL+1 (first year out of a bilingual program), ELL+2 (second year out of a bilingual program) and former ELL as compared to Never ELL students. (ELL students outperformed non ELL students in both reading and math)

(New Mexico mandates require that we consider students as English Language Learners for two years even though they have exited the Bilingual Program)

In Reading, the greatest increase in scores was achieved by the ELL students. For example, in 2009-10 former ELL and ELL+2 students had equal or greater reading performance levels than Never ELL students.”

The Gadsden Independent School District graduation rate rose from 45.8 in 2008-2009 to 69.2 in 2009-2010 which is an increase of 23.4%.

HATCH VALLEY PUBLIC SCHOOLS



"Measuring Success One Student At A Time"

Dr. Anna Lisa Banegas-Peña, Superintendent
407-A Main Street, P.O. Box 790, Hatch, NM 87937
(575) 267- 8200

January 10, 2011

Mr. David Abbey, Director
Legislative Finance Committee
State Capitol Building, Suite 101
Santa Fe, New Mexico 87501

Dear Mr. Abbey,

Please accept this letter with the following pages as the Hatch Valley Public Schools' (HVPS) written response to the Legislative Finance Committee (LFC) Program Evaluation of the Southern New Mexico Schools.

When the Superintendent was notified that the District had been selected along with two other southern New Mexico school districts to go through an extensive evaluation process, the initial reaction was less than enthusiastic; the newness of the Superintendent on the job and more importantly the most recent death of the Superintendent's husband. However, from the initial contact from Charles Salle, Deputy Director and Michael Weinberg, Program Evaluator, it became quite evident to the Superintendent that the process would be productive, informative and most empathetic to the Superintendent's recent loss. The professionalism and supportive nature in which these two individuals, and then subsequent team members, communicated expectations and requested information with supporting documentation has been most exceptional and are to be commended. This level of professionalism and supportive nature continued throughout the entire review process. The Board of Education and HVPS is grateful to the evaluation team for their support throughout this extensive review process.

Being new to this position this review process provided opportunity to gain more awareness on New Mexico's public school system. It has been enlightening to say the least. Coming from a state that provided an organizational structure within which all schools districts around the state were expected to operate, to the State of New Mexico that allows much more flexibility from the Public Education Department. Candidly speaking a structured system that acknowledges the uniqueness of each school district around the State has proven to meet students' educational needs more efficiently. It ensures as much equity, balance and rigor for all learners. For this reason the recommendations made by the Evaluation Team are most welcomed in hopes of guiding the Legislature in their policy making authority and school districts to continuous improvement.

I welcome you to contact me should you need additional information or if you prefer email my email address is annalisa@hatchschools.net

Respectfully,

Anna Lisa Banegas Peña, Ed.D.
Superintendent

HATCH VALLEY PUBLIC SCHOOLS



"Measuring Success One Student At A Time"

SOUTHERN SCHOOL DISTRICT EVALUATION WRITTEN RESPONSE

Opening Statement: In areas where recommendations were provided, HVPS has strongly considered these recommendations and either corrected areas in need or in the process of improving said areas.

Resource Allocations: The Hatch Valley Public Schools (HVPS) concurs with the recommendations to the Legislature by the LFC Evaluation Team with regard to the following:

- Adjusting the At-risk factor by reallocating funds to districts with greater student needs. Hatch's At-risk index ranks fourth highest in the State yet receives over one thousand dollars less per pupil than the cohort's average. This is an area that should be reevaluated at minimum every three years to ensure districts with greater student needs are receiving appropriate funds to serve such students.
- The T&E formula significantly affects the Southern Schools in a less than favorable manner. Instead of trying to justify or search for rationale as to why this is true it's best to review the data. Hatch Schools receives less discretionary T&E funds than our cohort district, Cobre. Yet Hatch out ranks Cobre in the number of At-Risk students served. The recalibration of the T&E formula by the Legislature to more accurately compensate districts' instructional costs would be yet another recommendation with which the HVPS agrees.
- The cap on the number of ancillary service providers to reflect the caseload maximum guidelines. While this has been in effect it seems that monitoring and adherence to this requirement is flexible.
- Small school size and district size adjustments. It seems that a revision of this funding formula warrants a closer review. Once more a minimum standard for reviewing these data should be considered to ensure adequate and accurate funding for pertinent districts.
- HVPS will continue to request a budget for the contract with the Village of Hatch which as of yet to be delivered. Until proper documentation is received payment to the Village of Hatch will be withheld. Additionally, renegotiation of the contract will occur to avoid loss of District assets. Furthermore, HVPS concurs with the recommendation to hire in-house security. This will occur for the 2011-2012 year.
- Contracting process for ancillary services specifically with Aprendámos has been corrected for the 2010-2011 year. As stated, "...the number of years Aprendámos has provided these services to Hatch; this could be considered a sole source contract." This will occur for the 2011-2012 year.
- Purchase Cards have been issued to the Superintendent and the CFO. These cards are in the name of the School District first then the Superintendent and CFO respectively. The purchase cards to Lowe's and Sam's are kept secured at CO and only issued to select individuals who've processed their purchase request through the purchase order process. After the use of the card it is returned to CO. All other purchases are done by the purchase order process. No other employee has a purchase card belonging to the District.
- More efficient systems, operating procedures with guidelines are being established and implemented according to State and District policy by the Business Office to improve the efficiency of the department. This will include training for District all pertinent District staff.
- Strategically budgeting for revenue reductions HVPS eliminated three administrative positions and combined job responsibilities with other personnel. All purchases are being closely evaluated to ensure a direct relation to instruction or District operations.

Southern School District Evaluation Written Response (cont'd)

Student Outcomes: Timely student performance data is paramount to informing instructional decisions. Without effective use of student data instructional decisions are ineffective.

- Student performance SBA data results were received into the District in late September early October. This data was rendered virtually useless in being able to inform instructional decisions for struggling students ending the 2009-2010 year. Intervention efforts were then based on other indicators besides the use of SBA data.
- The evaluation team reported on third grade data, more of a concern is the lack of proficiency for students who tested in their junior year. Math results were 5% and Reading results were 24.24%.
- English Language Learners (ELLs) are significantly more of a concern. The Access assessment is administered to ELLs. Once more the data is such that the average classroom teacher is challenged by trying to make sense of the data. The Access data provides 105 data points per student. These data points cover the Listening, Speaking, Reading, Writing, and Comprehension. Again more as the Evaluation Team articulated, "Student performance data is not presented to districts in easy-to-use formats and bears minimal impact on education decisions, including teacher evaluation."
- Partially enrolled students, not considering the need for high poverty students to contribute to their family income, other alternatives are being explored, such as flexible scheduling and online courses to keep students fully enrolled in school.
- Short-cycle assessments or benchmark assessments should be made available for all student populations to include Spanish speaking students. Currently the short-cycle assessment is only available to students whose first language is English rendering ELLs at a disadvantage.

Governance

- The Board members from Hatch have not fulfilled their training requirement. Efforts during the 2010-2011 year an in-District consultant provided State approved training. Additionally efforts to collaborate with Deming, Las Cruces and Gadsden for Board training opportunities will be made.
- A reality for the Board members of HVPS is that the majority of the members are farmers. It is virtually not feasible for them to leave their livelihood to attend conferences, etc. Therefore, the Superintendent will investigate other means for them to achieve their training obligations.
- The financial information the HVPS Board receives has increased from previous years. Currently school board members receive a Superintendent's weekly update delivered to their home. This update includes a financial report that lists all of the week's expenditures all the checks that were written and sent out. It also includes a year to date expenditure report. The update includes information pertinent to each department and an update on the week's business for that department.
- While the change in high-level leadership has impacted the District in challenging ways HVPS concurs with the fact that difficulties in submitting year-end financial information to PED. HVPS is working to complete the process to comply with this requirement.
- Effective with the February Board of Education meeting all Board meeting agendas and minutes with Board packet information will be posted on the District's website.

Closing Remarks: While preparations for this Program Evaluation were labor intensive, the process became an opportune learning experience for the Superintendent, Associate Superintendent for Business Services, new Directors and Principals. It can be said that HVPS will incorporate this informational learning process for its continuous improvement endeavors for ultimate student achievement and success.

APPENDIX A: District Peer Group Selection Process

Student membership was used to select peer groups, with exceptions for districts with unique funding sources.

Gadsden Peer Group

District	Total Student Population	At-Risk Index	FY09 Formula Funding (in thousands)
Las Cruces w/charter	23,563	0.051	\$170,649
Rio Rancho	15,521	0.027	\$104,710
Gadsden	13,814	0.113	\$98,758
Santa Fe w/charters	13,435	0.067	\$94,132
Gallup w/charter	12,090	0.109	\$59,376
Farmington	10,088	0.054	\$67,158

Source: PED

Deming Peer Group

District	Total Student Population	At-Risk Index	FY09 Formula Funding (in thousands)
Central Consolidated	6,536	0.096	\$33,908
Alamogordo	6,275	0.050	\$42,898
Carlsbad w/charters	5,948	0.044	\$48,890
Deming w/charters	5,414	0.082	\$38,227
Belen	4,682	0.050	\$33,432
Espanola w/charter	4,476	0.080	\$34,017

Source: PED

Hatch Peer Group

District	Total Student Population	At-Risk Index	FY09 Formula Funding (in thousands)
Cobre Consolidated	1,402	0.084	\$14,636
Truth or Consequences	1,390	0.077	\$10,814
Hatch	1,387	0.116	\$10,450
Raton	1,319	0.051	\$10,709
Dexter	1,079	0.059	\$8,398
Tucumcari	1,045	0.068	\$8,721

Source: PED

APPENDIX B: Statewide Training and Experience Revenue

FY10 T&E Revenue Impact on New Mexico School District Instructional Salary Expenses

District	T & E Index	FY10 Average Teacher Salary	T & E Additional Units	T & E Dollars (in thousands)	Teacher Salary Expenditures (in thousands)	T&E Dollars as Percent of Salary
Alamogordo	1.094	\$45,269	912	\$3,458	\$17,057	20.3%
Albuquerque	1.087	\$44,246	12,492	\$47,377	\$263,916	18.0%
Animas	1.255	\$49,995	104	\$395	\$1,160	34.1%
Artesia	1.160	\$47,771	911	\$3,456	\$10,063	34.3%
Aztec	1.104	\$46,404	500	\$1,897	\$9,096	20.9%
Belen	1.076	\$45,160	587	\$2,226	\$12,748	17.5%
Bernalillo	1.133	\$45,465	730	\$2,769	\$11,223	24.7%
Bloomfield	1.105	\$45,926	527	\$1,997	\$8,525	23.4%
Capitan	1.150	\$48,004	104	\$395	\$1,831	21.6%
Carlsbad	1.274	\$60,406	2,576	\$9,770	\$21,196	46.1%
Carrizozo	1.212	\$47,533	61	\$231	\$817	28.3%
Central Cons.	1.121	\$49,806	1,246	\$4,727	\$17,554	26.9%
Chama Valley	1.163	\$48,689	112	\$425	\$1,592	26.7%
Cimarron	1.117	\$46,801	75	\$283	\$1,814	15.6%
Clayton	1.129	\$46,468	124	\$471	\$2,177	21.6%
Cloudcroft	1.179	\$47,259	116	\$439	\$1,535	28.6%
Clovis	1.070	\$45,115	877	\$3,325	\$21,354	15.6%
Cobre Cons.	1.169	\$48,054	467	\$1,770	\$3,904	45.4%
Corona	1.058	\$44,646	7	\$28	\$522	5.3%
Cuba	1.138	\$48,733	172	\$651	\$2,195	29.6%
Deming	1.082	\$43,908	673	\$2,554	\$10,231	25.0%
Des Moines	1.064	\$43,603	9	\$33	\$526	6.3%
Dexter	1.067	\$46,155	117	\$445	\$3,348	13.3%
Dora	1.178	\$46,795	69	\$261	\$1,088	23.9%
Dulce	1.111	\$45,209	116	\$438	\$2,426	18.1%
Elida	1.062	\$44,373	11	\$42	\$662	6.3%
Española	1.100	\$45,511	703	\$2,667	\$12,269	21.7%
Estancia	1.104	\$46,243	156	\$591	\$3,279	18.0%
Eunice	1.073	\$43,611	61	\$229	\$1,783	12.9%
Farmington	1.090	\$46,329	1,418	\$5,380	\$30,651	17.6%
Floyd	1.092	\$47,081	34	\$130	\$911	14.3%
Ft. Sumner	1.234	\$50,947	121	\$458	\$1,326	34.5%
Gadsden	1.066	\$45,158	1,474	\$5,591	\$41,592	13.4%
Gallup	1.077	\$43,653	1,389	\$5,269	\$32,972	16.0%
Grady	1.144	\$48,089	28	\$104	\$756	13.8%

District	T & E Index	FY10 Average Teacher Salary	T & E Additional Units	T & E Dollars (in thousands)	Teacher Salary Expenditures (in thousands)	T&E Dollars as Percent of Salary
Grants	1.140	\$47,198	774	\$2,935	\$10,783	27.2%
Hagerman	1.041	\$44,262	28	\$107	\$1,408	7.6%
Hatch	1.106	\$46,208	219	\$830	\$3,459	24.0%
Hobbs	1.090	\$47,435	1,073	\$4,070	\$21,894	18.6%
Hondo	1.116	\$44,154	25	\$97	\$694	13.9%
House	1.125	\$49,168	20	\$75	\$691	10.9%
Jal	1.177	\$52,473	105	\$397	\$1,403	28.3%
Jemez Mountain	1.041	\$45,588	24	\$89	\$1,140	7.8%
Jemez Valley	1.071	\$47,733	40	\$150	\$1,219	12.3%
Las Cruces	1.087	\$47,603	3,360	\$12,743	\$64,987	19.6%
Las Vegas City	1.145	\$47,075	483	\$1,830	\$5,386	34.0%
Logan	1.181	\$44,432	63	\$237	\$960	24.7%
Lordsburg	1.125	\$45,450	134	\$507	\$2,011	25.2%
Los Alamos	1.152	\$49,950	881	\$3,340	\$12,040	27.7%
Los Lunas	1.098	\$43,919	1,347	\$5,108	\$21,503	23.8%
Loving	1.149	\$51,887	146	\$553	\$1,950	28.4%
Lovington	1.088	\$46,571	481	\$1,826	\$7,951	23.0%
Magdalena	1.086	\$46,011	72	\$272	\$1,883	14.4%
Maxwell	1.094	\$44,288	16	\$60	\$668	9.0%
Melrose	1.163	\$48,941	58	\$222	\$969	22.9%
Mesa Vista	1.101	\$45,144	70	\$265	\$1,268	20.9%
Mora	1.163	\$45,630	139	\$527	\$1,565	33.7%
Moriarty	1.110	\$46,078	588	\$2,229	\$9,300	24.0%
Mosquero	1.086	\$43,910	7	\$25	\$339	7.5%
Mountainair	1.139	\$47,649	80	\$304	\$1,279	23.8%
Pecos	1.132	\$46,661	155	\$589	\$1,554	37.9%
Peñasco	1.182	\$48,781	160	\$607	\$1,979	30.7%
Pojoaque	1.098	\$46,870	319	\$1,211	\$6,334	19.1%
Portales	1.089	\$45,998	398	\$1,509	\$7,916	19.1%
Quemado	1.114	\$45,009	32	\$121	\$859	14.1%
Questa	1.101	\$48,008	74	\$282	\$1,309	21.5%
Raton	1.125	\$45,705	273	\$1,036	\$4,395	23.6%
Reserve	1.173	\$49,832	54	\$206	\$991	20.7%
Rio Rancho	1.069	\$45,842	1,742	\$6,608	\$42,562	15.5%
Roswell	1.085	\$46,695	1,322	\$5,015	\$26,238	19.1%
Roy	1.097	\$46,541	9	\$34	\$508	6.7%
Ruidoso	1.188	\$49,992	681	\$2,581	\$7,166	36.0%
San Jon	1.253	\$50,964	52	\$195	\$549	35.6%

District	T & E Index	FY10 Average Teacher Salary	T & E Additional Units	T & E Dollars (in thousands)	Teacher Salary Expenditures (in thousands)	T&E Dollars as Percent of Salary
Santa Fe	1.087	\$45,770	1,674	\$6,349	\$32,484	19.5%
Santa Rosa	1.094	\$44,017	104	\$395	\$1,832	21.5%
Silver City	1.207	\$49,924	985	\$3,736	\$8,936	41.8%
Socorro	1.050	\$45,079	142	\$539	\$4,419	12.2%
Springer	1.069	\$45,223	25	\$93	\$859	10.8%
Statewide	1.098	\$45,929	51,414	\$194,997	\$311,990	62.5%
Taos	1.085	\$44,088	371	\$1,407	\$8,024	17.5%
Tatum	1.247	\$57,035	108	\$410	\$1,447	28.3%
Texico	1.225	\$57,129	174	\$659	\$2,138	30.8%
Truth or Consequences	1.084	\$44,759	195	\$740	\$4,620	16.0%
Tucumcari	1.116	\$44,494	200	\$757	\$3,309	22.9%
Tularosa	1.147	\$49,748	214	\$813	\$3,344	24.3%
Vaughn	1.147	\$44,902	29	\$110	\$528	20.9%
Wagon Mound	1.166	\$50,379	49	\$185	\$395	46.7%
West Las Vegas	1.130	\$44,862	351	\$1,333	\$3,813	35.0%
Zuni	1.090	\$45,988	209	\$792	\$4,775	16.6%

Source: LFC Analysis of PED Data

APPENDIX C: Operational Spending Changes

Statewide Operational Spending FY07-FY11¹ (in thousands)

Function	FY07	FY09	FY10	FY11 Budget	Percent Change FY07-FY11	Percent Change FY09-FY11	Dollar Change FY07-FY11	Dollar Change FY09-FY11
Instruction	\$1,371,554	\$1,538,413	\$1,582,182	\$1,530,487	12%	(1%)	\$158,933	(\$7,926)
Student Support	\$218,921	\$245,689	\$254,351	\$243,962	11%	(1%)	\$25,041	(\$1,727)
Instructional Support	\$58,704	\$70,907	\$91,016	\$72,897	24%	3%	\$14,193	\$1,990
General Administration	\$45,593	\$51,360	\$57,103	\$55,827	22%	9%	\$10,234	\$4,467
School Administration	\$167,975	\$163,408	\$167,201	\$160,878	(4%)	(2%)	(\$7,097)	(\$2,530)
Central Services	\$65,241	\$83,487	\$88,348	\$87,195	34%	4%	\$21,954	\$3,708
Operation and Maintenance	\$291,471	\$312,880	\$336,689	\$334,290	15%	7%	\$42,819	\$21,410
Transportation	\$2,205	\$2,980	\$2,803	\$3,006	36%	1%	\$801	\$26
Other Support	\$183	\$172	\$14,969	\$18,895	0%	0%	\$18,712	\$18,723
Food Services	\$6,403	\$3,136	\$4,443	\$3,365	(47%)	7%	(\$3,038)	\$229
Community Services	\$1,671	\$2,190	\$2,430	\$2,425	45%	11%	\$754	\$235
Capital Outlay	\$7,849	\$9,508	\$10,164	\$8,785	12%	(8%)	\$936	(\$723)
Grand Total	\$2,237,770	\$2,484,130	\$2,611,699	\$2,522,012	13%	2%	\$284,242	\$37,882

1. FY10-FY11 includes Federal SEG funding

Source: LFC Analysis of PED Data

Deming Operational Spending FY07 to FY11¹ (in thousands)

Function	FY07	FY09	FY10	FY11 Budget	Percent Change FY07 - FY11	Percent Change FY09-FY11	Dollar Change FY09 - FY10	Dollar Change FY09 - FY11
Instruction	\$19,816	\$22,410	\$21,749	\$22,497	14%	0%	(\$661)	\$87
Student Support	\$3,119	\$3,479	\$3,346	\$3,417	10%	(2%)	(\$133)	(\$62)
Instructional Support	\$849	\$967	\$819	\$1,019	20%	5%	(\$148)	\$52
General Administration	\$1,032	\$1,258	\$1,185	\$1,395	35%	11%	(\$73)	\$137
School Administration	\$2,066	\$2,420	\$2,306	\$2,438	18%	1%	(\$114)	\$18
Central Services	\$1,586	\$1,449	\$1,459	\$1,649	4%	14%	\$10	\$200
Operation and Maintenance	\$3,743	\$4,415	\$5,158	\$5,365	43%	22%	\$743	\$950
Transportation	\$134	\$24	\$6	\$7	(95%)	(71%)	(\$18)	(\$17)
Other Support	\$0	\$0	\$0	\$52	0%	0%	\$0	\$52
Food Services	\$0	\$0	\$0	\$0	0%	0%	\$0	\$0
Community Services	\$0	\$0	\$0	\$0	0%	0%	\$0	\$0
Capital Outlay	\$0	\$159	\$57	\$0	0%	(100%)	(\$102)	(\$159)
Grand Total	\$32,345	\$36,581	\$36,085	\$37,839	17%	3%	(\$496)	\$1,258

1. FY10-FY11 includes Federal SEG funding.

Source: LFC Analysis of PED Data

**Gadsden Operational Spending
FY07 to FY11¹**
(in thousands)

Function	FY07	FY09	FY10	FY11 Budget	Percent Change FY07 - FY11	Percent Change FY09 - FY11	Dollar Change FY09 - FY10	Dollar Change FY09 - FY11
Instruction	\$58,637	\$66,263	\$61,375	\$62,645	7%	(5%)	(\$4,888)	(\$3,618)
Student Support	\$9,024	\$9,954	\$9,377	\$9,628	7%	(3%)	(\$577)	(\$326)
Instructional Support	\$2,853	\$4,026	\$3,940	\$3,901	37%	(3%)	(\$86)	(\$125)
General Administration	\$1,111	\$1,141	\$1,175	\$1,111	0%	(3%)	\$34	(\$30)
School Administration	\$5,203	\$6,530	\$5,882	\$6,083	17%	(7%)	(\$648)	(\$447)
Central Services	\$1,851	\$2,348	\$1,953	\$1,963	6%	(16%)	(\$395)	(\$385)
Operation and Maintenance	\$10,113	\$11,943	\$10,990	\$12,693	26%	6%	(\$953)	\$750
Transportation	\$85	\$95	\$94	\$78	(8%)	(18%)	(\$1)	(\$17)
Other Support	\$0	\$0	\$12	\$120	0%	0%	\$12	\$120
Food Services	\$0	\$0	\$0	\$0	0%	0%	\$0	\$0
Community Services	\$28	\$47	\$59	\$62	121%	32%	\$12	\$15
Capital Outlay	\$0	\$0	\$0	\$0	0%	0%	\$0	\$0
Grand Total	\$89,905	\$102,347	\$94,857	\$98,284	9%	(4%)	(\$7,490)	(\$4,063)

1. FY10-FY11 includes Federal SEG funding

Source: LFC Analysis of PED Data

**Hatch Operational Spending
FY07 to FY11¹**
(in thousands)

Function	FY07	FY09	FY10	FY11 Budget	Percent Change FY07-FY11	Percent Change FY09-FY11	Dollar Change FY09-FY10	Dollar Change FY09-FY11
Instruction	\$6,253	\$5,937	\$5,595	\$5,630	(10%)	(5%)	(\$342)	(\$307)
Student Support	\$988	\$941	\$1,118	\$955	(3%)	1%	\$177	\$14
Instructional Support	\$561	\$603	\$667	\$406	(28%)	(33%)	\$64	(\$197)
General Administration	\$390	\$288	\$312	\$375	(4%)	30%	\$24	\$87
School Administration	\$588	\$532	\$624	\$444	(24%)	(17%)	\$92	(\$88)
Central Services	\$337	\$247	\$334	\$304	(10%)	23%	\$87	\$57
Operation and Maintenance	\$2,506	\$2,047	\$1,836	\$1,742	(30%)	(15%)	(\$211)	(\$305)
Transportation	\$52	\$21	\$55	\$0	(100%)	(100%)	\$34	(\$21)
Other Support	\$0	\$0	\$2	\$19	0%	0%	\$2	\$19
Food Services	\$9	\$0	\$0	\$0	(100%)	0%	\$0	\$0
Community Services	\$0	\$0	\$0	\$0	0%	0%	\$0	\$0
Capital Outlay	\$72	\$105	\$0	\$0	(100%)	(100%)	(\$105)	(\$105)
Grand Total	\$11,756	\$10,721	\$10,543	\$9,875	(16%)	(8%)	(\$178)	(\$846)

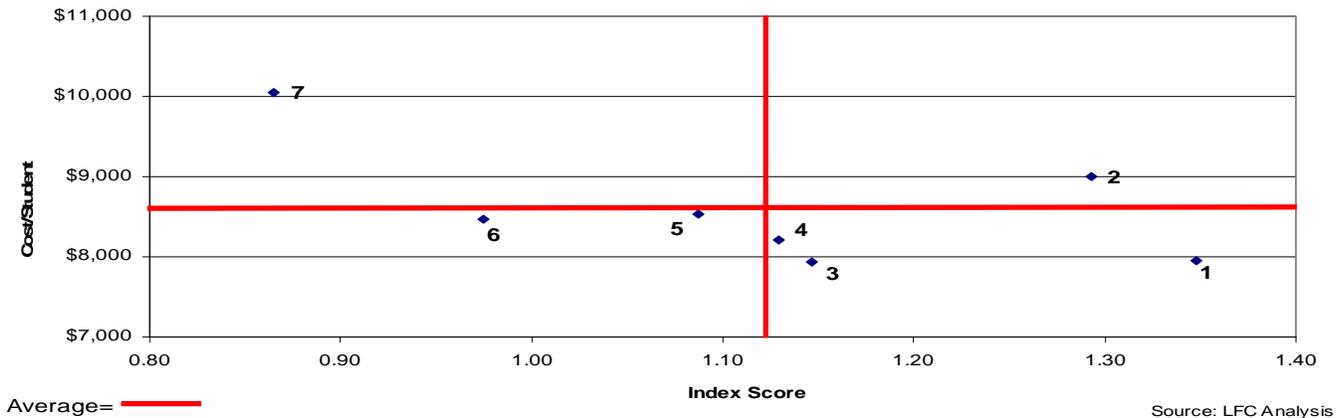
1. FY10-FY11 includes Federal SEG funding

Source: LFC Analysis of PED Data

APPENDIX D: LFC School Performance Index (SPI)

The LFC Index evaluates school district performance using a five-year average (FY05-FY09) of four variables: NMSBA scores in reading and math for all students, as well as those classified as economically disadvantaged (ED); the socio-economic demographics of a district's student population; and annual percentage point growth in all students' academic proficiency rates. Districts generate an index score based upon these variables, which provides a standardized framework for cross-district performance analysis. District index scores are then compared to average costs-per-student (FY05-FY09), across all funds excluding capital and debt service expenditures to provide a cost-effectiveness measure of the district's educational program.

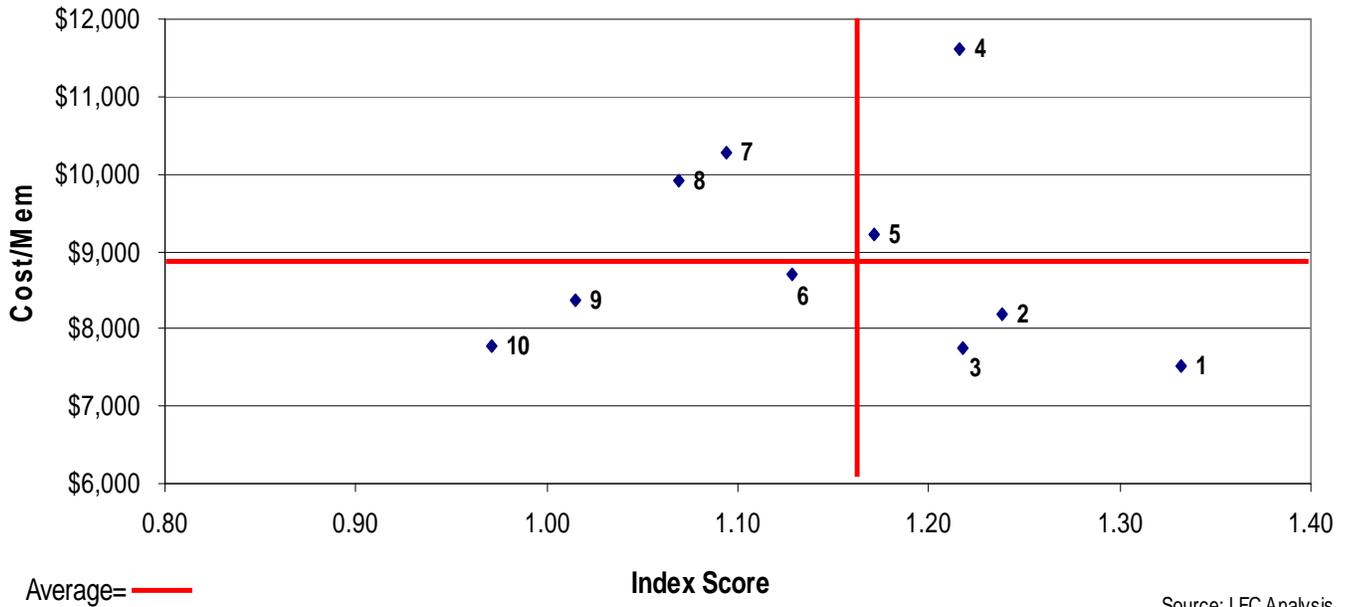
**LFC Performance Index: Group 1
Membership Greater than 10,000 Students**



Ranking	District	Index Score	Cost/Student
1	Rio Rancho	1.35	\$7,948
2	Gadsden	1.29	\$8,994
3	Farmington	1.15	\$7,943
4	Albuquerque	1.13	\$8,205
5	Las Cruces	1.09	\$8,533
6	Santa Fe	0.98	\$8,469
7	Gallup	0.87	\$10,053
	Average	1.12	\$8,592

Source: PED, LFC Analysis

**LFC Performance Index: Group 2
Membership, 3500-10000**

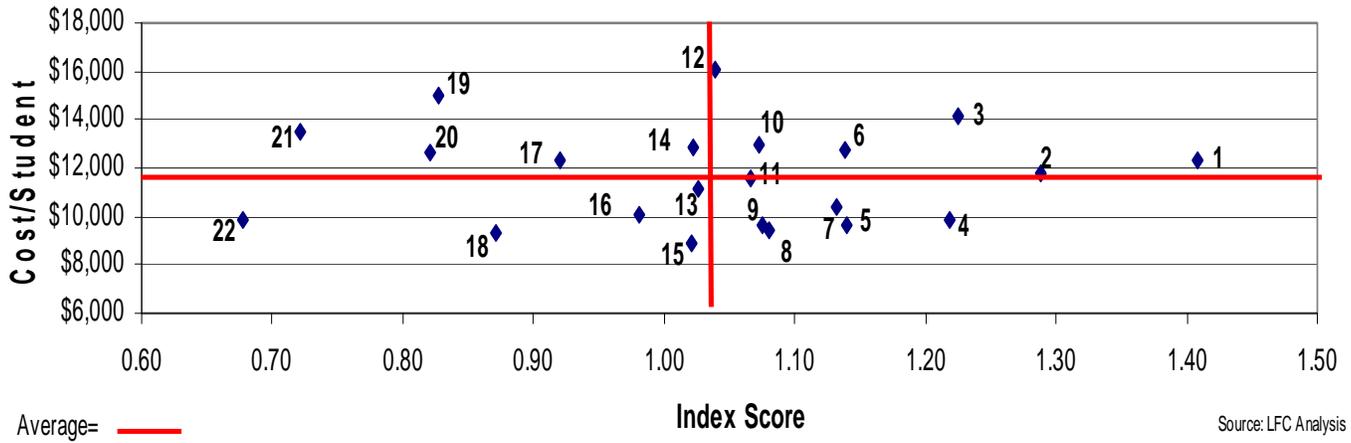


Source: LFC Analysis

Ranking	District	Index Score	Cost/Student
1	Roswell	1.33	\$7,531
2	Alamogordo	1.24	\$8,189
3	Clovis	1.22	\$7,753
4	Central Cons.	1.22	\$11,623
5	Carlsbad	1.17	\$9,209
6	Belen	1.13	\$8,709
7	Los Lunas	1.09	\$10,276
8	Espanola	1.07	\$9,913
9	Deming	1.01	\$8,368
10	Hobbs	0.97	\$7,779
	Average	1.15	\$8,935

Source: PED, LFC Analysis

LFC Performance Index: Group 4 Membership, 500-1500



Rankings	District	Index Score	Cost/Student
1	Clayton	1.41	\$12,284
2	Cobre Cons.	1.29	\$11,804
3	Mora	1.22	\$14,139
4	Tucumcari	1.22	\$9,872
5	Estancia	1.14	\$9,647
6	Santa Rosa	1.14	\$12,718
7	Tularosa	1.13	\$10,350
8	Truth or Cons.	1.08	\$9,415
9	Dexter	1.07	\$9,671
10	Questa	1.07	\$12,984
11	Penasco	1.07	\$11,540
12	Jemez Valley	1.04	\$16,035
13	Loving	1.03	\$11,144
14	Zuni	1.02	\$12,875
15	Raton	1.02	\$8,912
16	Hatch	0.98	\$10,086
17	Lordsburg	0.92	\$12,331
18	Eunice	0.87	\$9,273
19	Cuba	0.83	\$14,997
20	Pecos	0.82	\$12,660
21	Dulce	0.72	\$13,552
22	Texico	0.68	\$9,887
	Average	1.04	\$11,644

Source: PED, LFC Analysis

APPENDIX E: Freshman-year Outcomes Sample Report

Fall 08 Postsecondary Enrollment: 555

- Full time: 507
- Part time: 48

Second Semester Retention: 480

Total Remediation Required: 233

- Remedial Math 205
- Remedial English 110
- There are overlaps

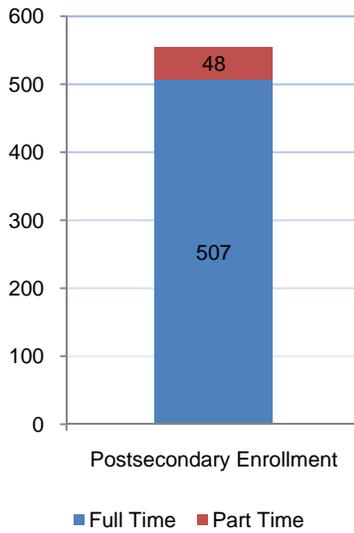
Legislative Lottery Scholarship Received

- Requires 12 credit hours
- 2.5 postsecondary GPA
- Straight out of high school
- Pays full tuition

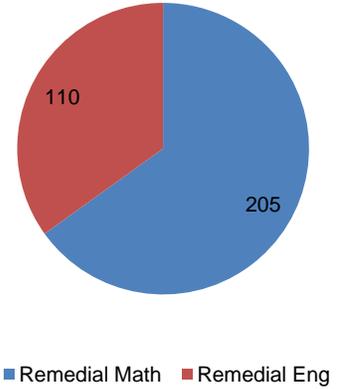
Type of Postsecondary Institution attending is about the same

- The enrollment numbers are duplicated if the student chose to attend both type of institution
- This typically occurs when a student needs to take remedial courses

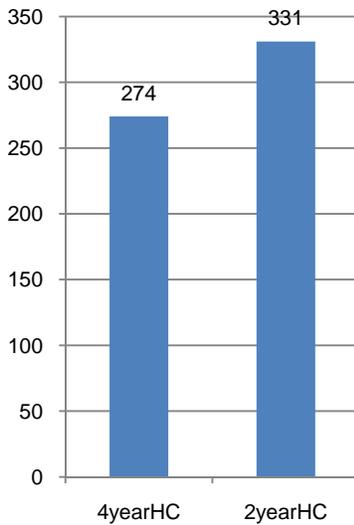
Full and Part Time Breakdown



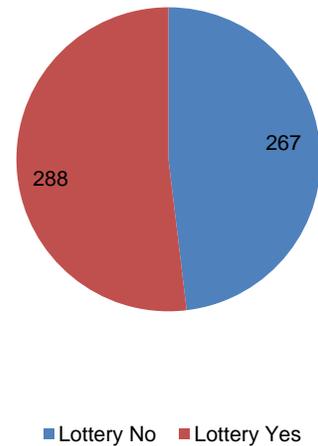
Remediation Breakdown: Out of 233 Students



Type of Post-secondary Institution



Legislative Lottery Scholarship Received



APPENDIX F: Gadsden Preliminary Operating Budget Executive Summary, 2010

The GISD 2010-11 Proposed Budget totals \$198,564,104. The budget includes \$98,284,114 in Operational Expenditures. This amount includes \$1,500,000 in Emergency Supplemental Funds and \$963,367 in Federal Stabilization Funds.

Operational Fund Cash balance at June 30, 2010 is projected at \$1,552,265 of which \$44,986 is restricted for the 75% credit for Ad Valorem Taxes.

The Operational Fund Budget includes staffing of 1,638.16 FTE. Staffing was determined through a detailed review of each school and department taking into consideration enrollment projections and program needs. Staffing Costs represent 87.59% of budgeted expenditures for 2010-11.

School supply budgets have been reduced from the prior year per pupil level. Elementary and Middle Schools have been budgeted at the prior year level with 25% in the Operational Fund and 75% in the Title I ARRA Funds. The High Schools allocation has been budgeted at 80% of the prior year per pupil level in the Operational Fund.

Department budgets have been budgeted at the 2009-10 level which reflects the reductions that were made in 2008-09.

The budget does not include any salary increases except for salary changes due to the Tier 3 Licensure Level changes for certified staff. The estimated cost for Licensure Level changes is \$385,000.

The proposed budget includes issuing \$7,000,000 in General Obligation Bonds and \$1,750,000 in Ed. Technology Equipment Lease Purchase Notes. Proposed sale is scheduled for August or September 2010.

The PED budget documents reflect Estimated Amounts for 2009-10 and Projected Amounts for 2010-11. Estimated amounts are used to project the June 30, 2010 cash balances for funds that budget both cash balance and revenues. The 2010-11 Operational Fund Projected amounts should be compared to the 2009-10 Estimated Amounts for both the Operational Fund (Fund 11000) and the State Stabilization Funds (Fund 25250) to determine any changes in budget between the two fiscal years.

Also, for purposes of the PED budget documents, the June 30, 2009 Operational Fund negative cash balance of \$1,241,342 is reflected as expenditure in the Estimated Amount under Function 4000 Capital Outlay. This was done at the recommendation of PED as their system will not accept a negative cash balance amount.

Proposed Salary Schedules reflect no increases. The schedules were adjusted to give credit for years of service with no pay increase.

APPENDIX G: Glossary of Terms

Adequate Yearly Progress (AYP) – A measurement defined by the federal No Child Left Behind Act representing annual academic performance targets in reading and math that the state, school districts, and schools must reach to be considered on track for 100 percent proficiency by FY14.

Advanced Placement (AP) – A curriculum which offers standardized courses to high school students generally recognized to be the equivalent as undergraduate courses in college. Participating colleges grant credit to students who obtained high enough scores on the exams to qualify.

English Language Learners (ELL) – Describes K-12 students with limited proficiency in English who may benefit from various types of language support programs.

Facilities Condition Index (FCI) – Used in facilities management to provide a benchmark to compare the relative condition of a group of facilities and it is expressed as a ratio of the cost of remedying maintenance deficiencies to the current replacement value. FCI is primarily used to support asset management initiatives of federal, state, and local government facilities organizations, including housing and transportation authorities and primary and secondary school systems.

Full-time-equivalent (FTE) – A FTE is determined by the length of contract and hours per day of the majority of personnel in a given personnel category paid from the school district's salary schedule as adopted by the local or governing board of education.

Membership (MEM) – The total enrollment of qualified students on the current roll of a class, school, or district on a specified day. The current roll is established by the addition of original entries and reentries minus withdrawals.

New Mexico Condition Index (NMCI) – Established to ensure that through a standards-based process, the physical condition and capacity, educational suitability, and technology infrastructure of all public school facilities in New Mexico meet an adequate level. The statewide assessment database ranks the condition of every school building relative to the statewide adequacy standards. Schools with the greatest facility needs according to the index will be addressed first.

Standards Based Assessment (SBA) – The New Mexico standards based assessment was developed to meet the No Child Left Behind Act. It measures the extent a student has mastered reading, writing, mathematics, and science based on the state's content standards, benchmarks, and performance standards and is administered annually to students in grades 3 through 8 and 11.

Student Equalization Guarantee (SEG) – The amount of money distributed to each school district to ensure that the school district's operating revenue, including its local and federal revenues, is at least equal to the school district's program cost.

Uniform Chart of Accounts (UCOA) – PED's UCOA establishes a complete fund accounting system, including the recording of assets, liabilities, fund balance (fund equity for business-type funds), revenues, and expenditures with a standardized account code structure. UCOA provides all the valid account strings and recognized federal, state, local, and private grants.