



**Report
to
The LEGISLATIVE FINANCE COMMITTEE**



**Program Evaluation of Selected School Districts
Bernalillo Public School District
December 17, 2009**

Report # 10-02B

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December 17, 2009

Jack Torres, President
Board of Education
Bernalillo Public School District
224 N. Camino del Pueblo
Bernalillo, NM 87004

Dear Mr. Torres,

On behalf of the Legislative Finance Committee (Committee), I am pleased to transmit the *Program Evaluation of the Bernalillo Public School District*.

The evaluation team assessed the district's governance and management best practices, the use of funding and cost-effectiveness of resource allocation decisions and the success of district efforts to improve student academic performance. A global summary report was presented to the Committee on November 19, 2009. Exit conferences were conducted with district staff and PED staff earlier to discuss the contents of the report.

The Committee expects a plan to implement the report's recommendations from the school district within 60 days. The district should also submit a copy of the implementation plan to PED. Staff will continue to monitor your implementation of the recommendations contained herein.

I believe this report addresses issues the Committee asked us to evaluate and hope the school district benefits from our efforts. We very much appreciate the cooperation and assistance we received from the district's staff.

Sincerely,

Manu Patel, Deputy Director for Program Evaluation

CS:DC/svb

cc: Representative Luciano "Lucky" Varela, LFC Chairman
Senator John Arthur Smith, LFC Vice-Chairman
Dr. Veronica Garcia, Secretary, Public Education Department

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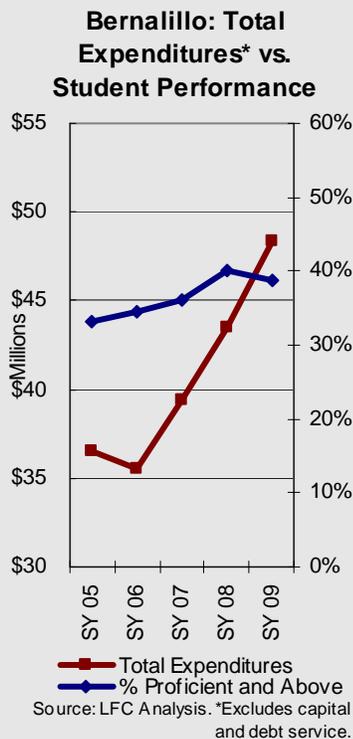
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BERNALILLO PUBLIC SCHOOLS

In SY09, Bernalillo public schools spent over \$55 million to operate the district.

Student performance has shown mixed results depending on the grade, school and subject. Given the \$12 thousand per student cost, better and more consistent results should be expected.



District management and the board appear committed to using data to improve educational decision making and monitoring performance.

Public education is a core state responsibility and accounts for over 43 percent of all state spending. The Legislature has increased spending through the state funding formula, State Equalization Guarantee (SEG), nearly \$600 million (33 percent), from about \$1.8 billion in school year 2003-2004 (SY04), to almost \$2.4 billion in SY09.

Given that local school districts are responsible for spending almost \$4.7 billion in public funds (federal, state, local and capital sources), 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. Evaluation objectives included the following.

- **Governance.** Assess oversight of school districts and their 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 and personnel changes may have contributed to improved student performance.

Aztec, Bernalillo, Bloomfield, Las Vegas City and West Las Vegas school districts were selected for the evaluation. Selection criteria included medium size membership and operational spending; regionally paired districts and similar demographics, with an emphasis on low income and Native American students.

In SY09, Bernalillo public school district (Bernalillo) spent over \$55 million to operate the district, fund capital projects and pay debt service for about 3,200 students and 650 FTEs (only 45 percent of staff were teachers). Rapidly increasing funding levels have masked step declines in student population and other factors that generate state formula funding. Bernalillo must realign its costs, eliminate problematic spending practices, and ensure expenditures help the district achieve its goals. District management and the board appear committed to using data to improve educational decision making and monitoring performance. These practices should be extended to other areas of operations. Student performance has shown mixed results depending on the grade, school and subject. Given the \$12 thousand per student cost, better and more consistent results should be expected.

Better controls and reporting are needed to prevent continued questionable credit card purchases, such as \$110 spent on staff lunches at Rio Chama charged to the Title I program for low-income children.

Bernalillo Public Schools Excess Small School-Size Adjustment Funding SY08-SY10*

	Funding	Units	MEM
SY08	\$393,014	107	356.5
SY09	\$518,677	134	342
SY10*	\$517,529	134	324
Total	\$1,429,219	375	1,022.5

*Preliminary as of Oct - 2009.
Source: LFC Analysis

Spending on additional compensation (incentives, bonuses and extra duty pay) has increased over 145 percent since SY06 and boosts salaries by over 5 percent.

Develop a comprehensive district strategic plan for operations and instructional programs; implement performance-based budgets; and provide regular accountability reports to the board.

KEY FINDINGS

- Continued focus on performance and finances would improve governance practices and position Bernalillo to deal with pending challenges due to decreasing enrollment.
- Bernalillo spends about 60 percent of its non-capital funding on instruction.
- Better controls and reporting are needed to prevent continued questionable credit card purchases, such as \$110 spent on staff lunches at Rio Chama charged to the Title I program for low-income children.
- From SY08-SY10, Bernalillo has generated an estimated \$1.4 million in small school size funding for schools that are not small.
- Bernalillo had inflated utilities budgets by about 34 percent in SY09, which increases costs to the state for the SEG “opening the doors” budget calculations.
- Spending on additional compensation (incentives, bonuses and extra duty pay) has increased over 145 percent since SY06 and boosts salaries by over 5 percent.
- Bernalillo has shown growth in student performance for reading and math, but most students still have not demonstrated proficiency.
- While Native American students in Bernalillo have performed at or above the state average, performance has slipped; achievement gaps appear in middle school and do not recover.

KEY RECOMMENDATIONS

- Provide school board members with additional financial information and training.
- Develop a comprehensive district strategic plan for operations and instructional programs; implement performance-based budgets; and provide regular accountability reports to the board.
- Plan for future reductions in formula funding due to declining T&E index and ensure low-performing schools are not overrepresented with beginning teachers, to the extent possible.
- Implement policies and procedures governing use of credit cards; prohibit payments for “in-town” dining and catered staff lunches.
- PED should reclassify Santo Domingo and Cochiti as K-8 schools and redistribute estimated \$518 thousand in savings through the unit value in SY11 and review and adjust other districts with similar schools.
- Develop policies and procedures governing additional compensation and review existing payments to ensure they are reasonable and appropriate.
- Request a special audit of additional compensation spending from the State Auditor’s Office. An independent special audit would help avoid any perceived favoritism in conducting a review of these expenditures.

BACKGROUND INFORMATION

Public education is a core state responsibility and accounts for over 43 percent of all state spending. The Legislature has increased spending through the state funding formula, State Equalization Guarantee (SEG), nearly \$600 million (33 percent), from about \$1.8 billion in school year 2003-2004 (SY04), to almost \$2.4 billion in SY09. Despite significant revenue shortfalls, the Legislature maintained its commitments to public education and only reduced the SEG by \$44 million or about 1.9 percent after accounting for federal fiscal stabilization funds and reduced employer retirement contributions. Between SY09 and SY10, school districts reported budget increases of \$102 million, or 3.2 percent.

**School District Budgeted Expenditures
SY09-SY10 All districts/charters
(In millions)**

	SY09	SY10	Chg	%
General Fund	\$2,728	\$2,576	(\$152)	-5.6%
Special Rev. Funds	\$459	\$714	\$254	55.4%
Total	\$3,187	\$3,290	\$102	3.2%

Source: PED. General Fund includes SEG, teacherage, transportation, instructional materials. Special revenue funds include federal, state and local grants and federal SEG.

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’ state operational revenue. The SEG is enrollment driven with several adjustment factors including students with special needs, such as special education and English language learners. The autonomous school districts have considerable latitude in determining how these funds are to be spent to address local needs or priorities; however they must comply with PED regulations.

Given that local school districts are responsible for spending almost \$4.7 billion in public funds (federal, state, local and capital sources), 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.

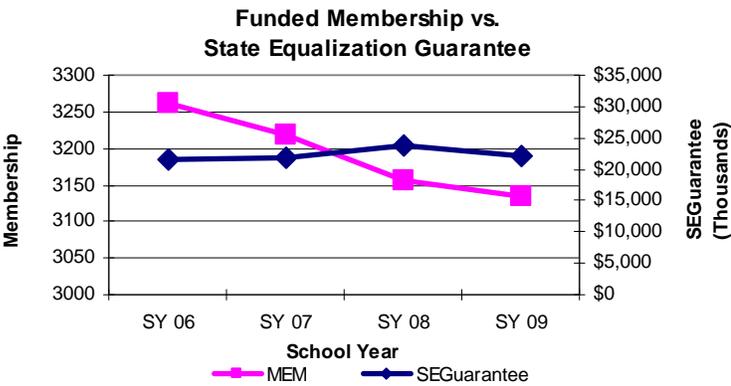
Selection of school districts. Aztec, Bernalillo, Bloomfield, Las Vegas City, West Las Vegas school districts were selected for the evaluation, in consultation with the Legislative Education Study Committee and LFC budget staff. Selection criteria included medium size membership (1,500 – 5,000) and operational spending (\$15-\$30 million), districts that we could pair regionally (same city, county within 75 miles) and had similar student demographics with an emphasis on low-income (>50%) and/or Native American (>10%).

Bernalillo Public Schools – District Snapshot

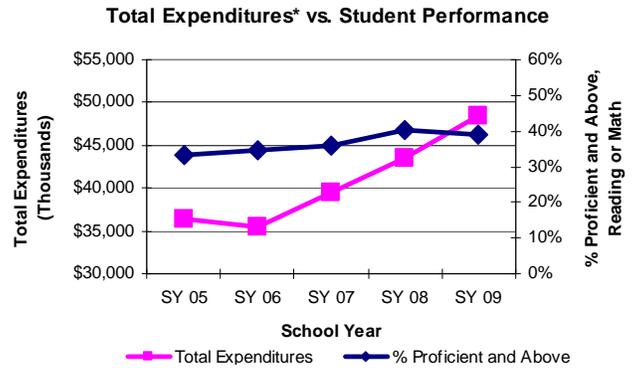
Ms. Barbara Vigil-Lowder, Superintendent

	Bernalillo		Statewide
Female	1533	48%	49%
Male	1634	52%	51%
Caucasian	304	10%	29%
Hispanic	1681	53%	56%
Native American	1367	43%	10%
Black	4	0%	3%
Economically Disadvantaged	2375	75%	66%
English Language Learner	1,216	38%	23%
Students with Disabilities	272	9%	13%

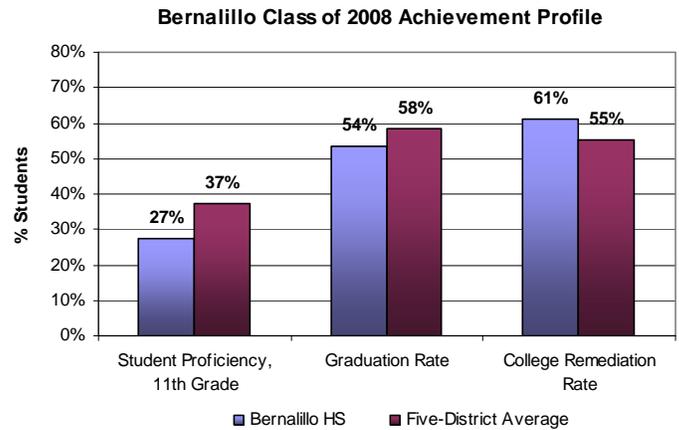
Total Enrollment, SY09: 3,164



Total SEG Allocation, SY 09: \$25,255,940



* All funds, not including capital or debt service expenditures



SY09-Operational and Transportation Funds Expenditures (Thousands)			
Fund	Function	Amount	% Total
Operational	Instruction	\$18,094.35	62%
	Student Support	\$3,589.30	12%
	Instruct. Support	\$589.88	2%
	Gen. Admin.	\$559.61	2%
	School Admin.	\$1,529.58	5%
	Central Services	\$1,570.49	5%
	Opt./Maintenance	\$3,363.93	11%
	Total		\$29,297.13
Transport	Student Transport	\$1,650.33	100%
	Total	\$1,650.33	100%

Source: PED/LFC Analysis

District AYP Report		
School Site	2008-2009	2009-2010
Algodones	Not Met (SI-2)	Not Met (CA)
Cochiti Elem.	Not Met (R-2)	Not Met (R-2)
Placitas	Met (progressing)	Met (progressing)
Roosevelt	Met (progressing)	Met (progressing)
S.Domingo Elem	Not Met (progressing)	Not Met (SI-1)
WDCarroll Elem	Not Met (R-1)	Not Met (R-2)
Bern. Middle	Not Met (R-1)	Not Met (R-2)
Cochiti Middle	Not Met (SI-2)	Not Met (SI-2)
S. Domingo Mid	Not Met (R-2)	Delay
Village	Not Met (SI-1)	Not Met (R-2)
Bern. HS	Not Met (R-1)	Not Met (SI-1)
	Not Met (R-2)	Not Met (R-2)

Bernalillo NMSBA Results SY05-SY09					
	2005	2006	2007	2008	2009
Reading	43%	44%	44%	49%	45%
Mathematics	23%	25%	28%	31%	32%

Objectives.

- **Governance.** Assess oversight of school districts and their 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 and/or personnel changes may have contributed to the intended results of improved student performance.

Evaluation Activities (Scope and Methodology).

- Reviewed and analyzed applicable statutes, 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 schools including a minimum of four site visits per district;
- Analyzed related-services ancillary and special education enrollment data;
- Reviewed available fiscal and program data from districts, Public Schools Finance Authority (PSFA) and PED including comparisons to peer districts/schools for SY2005-2010;
- Analyzed teacher qualifications and experience data; and
- Analyzed Annual Yearly Progress (AYP) and student performance results including comparisons to peer districts/schools for SY2005-2009.
- Contracted with CAaNES, Inc. to conduct information technology audits of districts.

Authority for Evaluation. The LFC has the statutory authority under 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. The LFC is also authorized to make recommendations for change to the Legislature. In furtherance of its statutory responsibility, the LFC may conduct inquiries into specific transactions affecting the operating policies and cost of governmental units and their compliance with state law.

Report Distribution. This report is intended for the information of the Office of the Governor, Bernalillo Public Schools, Department of Finance and Administration, Public Education Department, the 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.



Manu Patel
Deputy Director for Program Evaluation

FINDINGS AND RECOMMENDATIONS

CONTINUED FOCUS ON PERFORMANCE AND FINANCES WOULD IMPROVE GOVERNANCE PRACTICES AND POSITION BERNALILLO PUBLIC SCHOOLS TO DEAL WITH PENDING CHALLENGES.

Bernalillo's school board generally operates appropriately, but needs better focus on its financial duties. The school board has remarkable stability in membership, with three of the current members' tenure beginning before House Bill 212 in 2003.

Bernalillo has improved its budget process by providing the board with better information on the district's finances, but addition regular reporting is needed. In 2009, the district administration provided the board with information on changes in how the district was generating funding through the state funding formula would be impacting the district's finances, including declining enrollment. The level and amount of information provided to the board, including decision points, was a departure from past practices of presenting a budget for approval to the board. District administrators should continue, and enhance, this process by starting budget discussions sooner, presenting a breakdown of key operational areas' budgets, such as facilities, and use performance information to help guide budget decisions.

The board needs regular budget status reports, credit card expenditures and list of voided checks to ensure a comprehensive package of financial information. The board currently receives a cash report, voucher report (listing of monthly checks issued) and a budget adjustment request report. The board does discuss these items and asks for information from district staff. Training on how to use this information would be beneficial as well.

Bernalillo has enhanced the level and amount of performance information shared with the board, however these accountability reports should extend to other operations besides just schools. The district has continued to refine its regular monthly reporting on student performance and school activities to the board. Care should be taken to ensure the amount of monthly reporting does not provide an unnecessary burden on principals and that information is presented in an easy to use and understand format for board members. Other operational components within the district should also report on their performance at least quarterly or every six months.

Other changes would improve the transparency and governing role of the board. The board does not appear to have complied with its policy to conduct an annual self-evaluation/reflection. This evaluation tool allows the board to evaluate their performance in areas such as the relationship to the instructional program and financial management of the school districts. This evaluation can identify challenges and areas in need of improvement and better inform training needs, such as on district finances. The school board should use the forms it has for continuous quality improvement.

The board has struggled to implement a satisfactory superintendent evaluation process and criteria for judging performance for all involved. During the course of this evaluation, the board was reevaluating its process and criteria for evaluating the superintendent's performance. As a result, the superintendent has been left without clear, objective criteria for judging her performance for the entire current school year, and possibly longer. In addition, it appears that the board has not historically arrived at a consensus evaluation, but rather the superintendent was

receiving performance feedback from up to five different members. Members do not have power individually, only as a board.

The school board does not use conflict of interest self-disclosure forms. While board members indicated conflicts of interest are not a problem, use of self-disclosure would aid in open government. Other districts have, though do not consistently use, these disclosure procedures. Board members indicated they would expect their fellow board members act ethically and honestly.

Bernalillo's board president is married to the Director of Elementary Education, creating a perceived, if not real, conflict of interest. The Director is also responsible for Title I and related programs. While state nepotism statutes do not appear to prohibit this arrangement, it could pose a significant management challenge for the superintendent and other staff. The board should continually monitor this issue.

The board goes into executive session to discuss personnel issues almost monthly and has members sit on interview hiring panels for district positions. The board has no statutory authority, as a board or individual members, to hire district employees. While its acceptable practice to inform the board of personnel issues, such as resignations and hiring, it's unclear that this consultative role needs to take place in an executive session, particularly if these actions are in fact announcements of decisions or actions already taken. Discussion of potential personnel actions in executive session could create an environment of the board and, or, members placing potentially inappropriate pressure on a superintendent's hiring authority.

Finally, while the board has moved to an entirely electronic board packet, it does not make this information available online to the public. The information contained in board packet is public information and there does not appear to be a good reason not to post it online. Other district's routinely post this information online. In addition, posted board policies online do not appear to have been updated.

District leadership is committed to the use of student data to identify areas in need of improvement, but should expand strategic planning and accountability measures to the rest of the district's operations. The district has purchased a local student assessment data warehouse, making a wealth of information easily available to administrators and teachers alike. This system, if used widely, could help immensely since the district has a renewed and consistent commitment to data-driven decision making for its educational program. Bernalillo was in the process of developing its district-level Education Plan for Student Success (EPSS) during this evaluation.

Recommendations. The district should implement the following:

Provide school board members with training from district administration on how to use district financial information.

Provide the board with comprehensive financial information, including monthly budget status reports, budget adjustment requests, cash and investment reports, credit card expenditures and 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 upon request for other funds, at a minimum. The board should also receive detailed monthly credit card tracking reports.

The school board should use the annual self-evaluation per district policy to identify areas of improvement. In addition, the school board should develop and use a conflict of interest disclosure form.

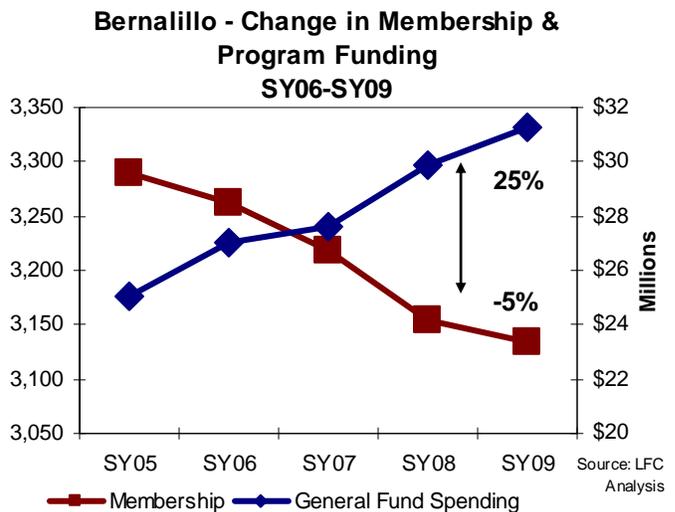
The board should implement a framework for reviewing the superintendent's performance that is: objective, data-driven, aligned with districts strategic goals, and utilizes performance measurements.

Post the following on the district's website: updated district policies; complete board packets, excluding legally confidential materials; accountability and performance reports; and district financial reports, including credit card transaction logs.

IMPROVED FINANCIAL PLANNING AND SPENDING CONTROLS WILL HELP BERNALILLO PUBLIC SCHOOLS MEET ITS EDUCATIONAL GOALS.

Bernalillo lacks long-term financial planning to deal with changes in revenue due to decreasing enrollment and students needs. Bernalillo uses a traditional annual incremental budget process. Given the changes occurring in the district's workforce and student needs, a longer-term financial plan would help the district manage through what will be difficult challenges to ensure district costs remain in line with recurring revenues. As the state's per student funding (unit value) flattens or experiences slight declines, Bernalillo will experience more acute declines in funding. State requirements for districts to develop 5-year facility master plans help districts forecast and plan for future facility needs based on student population projections, condition of buildings and availability of funding. No such requirement exists for a district to do a similar, albeit more limited, strategic planning for its operations and delivery of instructional services to students.

Rapidly increasing per student funding (unit value) in the state's funding formula has masked what would normally have resulted in funding decreases due to declines in student population and veteran teachers. General fund (operational, transportation, instructional materials funds) spending has increased 25 percent since SY05, while student membership has declined five percent.



Between SY06 and SY09 the per student (unit value) funding amount increased over 21 percent through the state's funding formula, but Bernalillo had a four percent decline in student population and a 5.5 percent decrease in the number of units generated through the formula. Due to the increase in the unit value, the district's program funding increased over \$3.4 million, or about 14 percent, from about \$24 million to \$27.4 million. Appendix A includes a history of the unit value.

Bernalillo's teacher experience and training index also dropped due to retirements and transfers of veteran teachers, resulting decreases of \$820 thousand generated by this part of the funding formula. However, program funding continued to increase, masking lost funding from declining students and veteran teachers.

Bernalillo has experienced a continued declining MEM of about four percent between SY06 and SY09. After including SY10 budgeted MEM, Bernalillo's MEM declines five percent from 3,262 in SY06 to 3,097 in SY10. The district has experienced declines in nearly all grades, except sharp increases in kindergarten of about 14 percent and 11th grade of about ten percent. However, despite these bright spots, attrition rates of various class cohorts erode these enrollment trends rapidly. For example, the high school class of SY09 experienced a 43 percent

decline in MEM between 9th and 12th grade, resulting in an estimated \$1 million in lost formula funding.

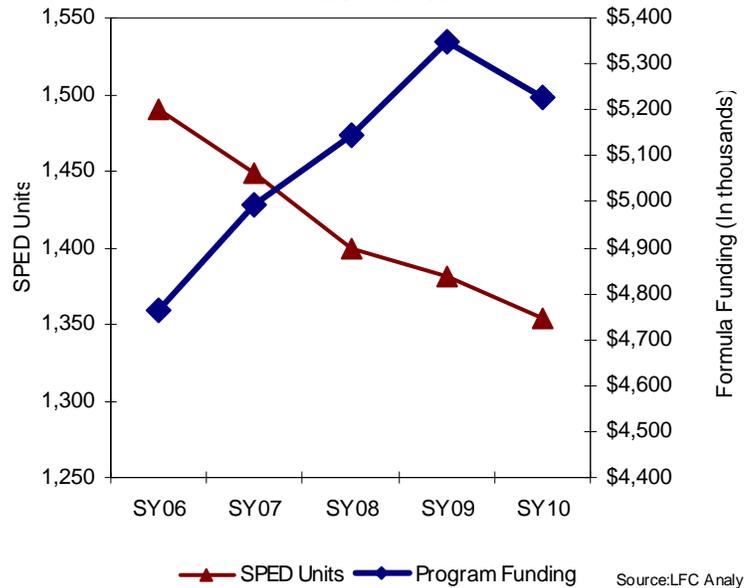
**Bernalillo Public Schools
Class Cohort MEM Analysis
SY06-SY09**

	ECE SY06 Cohort	3rd Grade SY06 Cohort	6th Grade SY06 Cohort	8 th Grade SY06 Cohort	9 th Grade SY06 Cohort
SY06	277.51	246.67	250.67	272.33	279.00
SY07	248.50	247.50	253.50	283.00	244.50
SY08	254.50	256.00	245.00	283.00	188.00
SY09	257.00	223.50	282.00	212.00	158.00
Change	-7.4%	-9.4%	12.5%	-22.2%	-43.4%

Source: LFC Analysis

Bernalillo had about 20 percent of its students participating in the special education program between SY06-SY09. Again, despite declines in the number of special education students and units generated in the funding formula, the district generated over a 12 percent increase in program funding through special education from \$4.7 million in SY06 to a preliminary \$5.3 million in SY09.

**Bernalillo Public Schools
Special Education Formula Funding & Units
SY06-SY10**



Bernalillo Public Schools - Funding Formula Special Education Units

Year	A/B	C	D	3Y/4Y DD	RELATED SERV.	Total
SY06	157.50	195.00	371.98	79.34	686.00	1,489.82
SY07	170.45	193.50	356.00	112.00	616.25	1,448.20
SY08	179.55	178.00	318.00	90.00	634.25	1,399.80
SY09	170.45	176.00	317.00	91.00	627.00	1,381.45
SY10	171.85	167.50	296.00	90.00	628.25	1,353.60
Percent Change	9.1%	-14.1%	-20.4%	13.4%	-8.4%	-9.1%

Source: LFC Analysis

Bernalillo has experienced a 17 percent decline in bilingual units and three percent decline in its “at-risk” index, compounding student population declines. Between SY08 and SY10, the district will have experienced almost a 30 percent decline in students participating in the bilingual program, and more than a 33 percent decline in the number of bilingual units generated in the funding formula. Given these significant declines, questions arise as to the appropriateness of previous year’s bilingual membership since overall the number of students has not declined at a similar pace.

Bernalillo’s “at-risk” index has decreased three percent from 0.099 to 0.096. The at-risk index acts as a multiplier in the state funding formula, intended to provide additional funding to districts for higher cost students, including those from low-income families or who speak English as a second language.

Bernalillo does not regularly link financial and education planning to ensure spending decisions support educational goals. The Educational Plan for Student Success (EPSS) is not a sufficient document or process because it excludes most district spending such as recurring instructional spending, all administration and other overhead functions such as transportation, operations and maintenance and others. In addition, development of the EPSS occurs outside the normal budget process.

The state’s chart of accounts does provide a method to account for various programs, such as special education and bilingual education, for districts to categorize how it budgets and spends additional resources generated through the funding formula and grants. Bernalillo has also developed local cost centers to track other programmatic expenditures, such as athletics and Indian Education. The district, however, does not fully use this information when developing budgets or discussing outcomes for students served in these programs. Moving to a performance-based budgeting process, similar to the state’s Accountability in Government Act could provide a better approach to the state’s goal of integrating strategic planning, budgeting and accountability.

Like other districts, Bernalillo tends to wait until after the legislative session to begin budget planning, which exacerbates the “base plus” incremental budgeting process. Incremental budgeting is insufficient, especially in the current economic climate, because it ignores performance as a result of spending and rarely challenges historical spending practices. Bernalillo needs to seriously reexamine past spending practices or fundamentally restructure their operational costs even assuming modest increases in the unit value of one percent, let alone a flat or declining per student funding.

Though the district is taking action to remedy problems, weaknesses in internal controls, accounting system and historically untimely audits puts the district at higher risk for problematic spending. For the past three years reviewed (SY06-SY08) the district had late financial audits turned into the State Auditors Office. In the spring of 2009, Bernalillo hired a new Director of Finance. The district has clearly made efforts to address many of its financial deficiencies and submit an on-time audit. However, continued diligence and long-term efforts are needed on the part of the Superintendent, staff and Board to create a financial and management environment that demands and continually monitors prudent fiscal practices that

support district goals regardless of the staff and their relationship to others in the district's oversight structure.

Past financial audits have found, among others, the following.

- 2005 – payroll items not approved by a manager; no evidence of following the procurement code for a contract totaling over \$1 million; use of district vehicles by employees to get to and from work.
- 2006 - carryover rate for Title I was nearly twice the federally allowable limit of 15 percent; no evidence for almost \$1,300 of cash disbursements and all payroll functions located in one persons work duties, including blank checks, inputting time data, check preparation and distribution, and the signature plate.
- 2007 – exceeded budget by \$4.4 million; payroll problems continue as auditors find lack of oversight, inadequate maintenance of W-4 forms, inaccurate insurance deductions, and not being able to determine if the gross pay for a bus driver was correct; and lack segregation of duties and not using pre-numbered checks.
- 2008 – exceeded budget; lack of a disaster recovery plan and asset inventory.

In addition, 2004 and 2005 the district had expenditures that management did not approve. For the years 2004 to 2006, the auditor found the district was not keeping supporting documentation for its expenditures. And from 2005 to 2008 auditors found a lack of oversight of the student activity fund (where proceeds from football games and fundraisers go) and budget over expenditures (negative balances in funds). The district-approved charter school, which is a component unit of the district's financial audit, also had numerous and concerning findings between SY06 and SY08.

LFC evaluators noted the following internal control concerns during this current evaluation: payroll duties continue to be performed by one person; numerous payroll adjustments with errors and overrides by others; inadequate oversight of voided checks; lack of adequate justification for payroll adjustments for additional compensation in files; and no back-up staff or planned training for another person to take over a portion of payroll duties. In addition, staff found unsecured checks, printers and signature plates.

Bernalillo's accounting information system need improvement and possibly replacement, like most districts in the state. LFC contracted with the Computational Analysis and Network Enterprise Solutions, LLC (CAaNES), 50 percent owned by the New Mexico Tech University Research Park Corporation to conduct a limited information technology review of the accounting systems used by the five school districts. This limited review was conducted to determine effect of information technology on internal control (AICPA auditing standard AU section 314) and to determine risks of processing data inaccurately; unauthorized access to data that may result in destruction of data or improper changes to data in master files; unauthorized changes to systems or programs; inappropriate manual intervention; and potential loss of data or inability to access data as required.

Districts, including Bernalillo, took immediate steps to correct deficiencies based upon this audit's recommendations. While the district has upgraded its accounting software the system's poor functionality and programming issues, when combined with the current financial

management environment, creates a high risk for inaccurate data and fraud. The accounting systems used by the five districts are used by almost all other districts in the state. As a result, the state should explore a possible statewide remedy to solve these problems.

While most of the district’s \$52 thousand in credit cards expenditures appears appropriate, better controls and reporting are needed to prevent continued questionable purchases.

Bernalillo has issued four district credit cards, but lacks comprehensive policies and procedures to ensure their proper use. However, during the course of this review, the district began to implement procedures governing credit card use. The state Department of Finance and Administration uses a policy and procedure framework governing purchase cards that could serve as a model for the district.

**Bernalillo Public Schools
Credit Card Use - SY09**

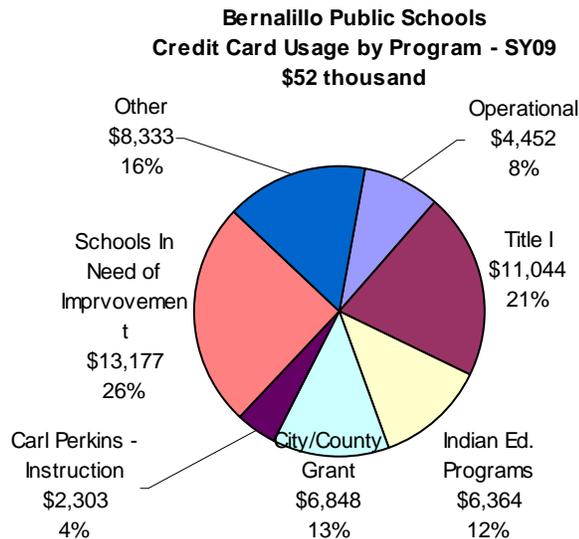
Superintendent	\$7,432.81
Director of Elementary Education	\$22,495.07
Director of Secondary Education	\$18,828.49
Human Resources	\$3,011.95
Total	\$52,520.42

Source: BPS/LFC Analysis

Most spending on credit cards was charged to Title I programs and the Schools In Need of Improvement (SINOI) grant. For example, as part of its effort to improve Bernalillo High School, nine employees and the Board President attended a conference on making high schools work, charging about \$13 thousand in travel costs to the SINOI grant on the Director of Secondary Education’s card.

Some credit card use appears questionable; including administrators’ non-travel related dining expenses such as \$110 at Rio Chama in Santa Fe charged to the Title I program for low-income kids.

A review of credit card expenditures shows a significant portion of spending is for supplies and materials and travel costs. However, a pattern also emerges of using credit cards for large food purchases for student parties and an even more disturbing pattern of administrators charging the district for in-town “working lunches” or dining expenses that normally would not be covered by travel per diems. These expenses are also charged as “general supplies and materials.”



Source: LFC Analysis

While food purchases are an allowable expense under federal regulations, they must be directly related to staff development. A district may choose to place more restrictions on whether to allow employees to charge the district for “working lunches” or how to ensure food for staff development is appropriate and reasonable. During the course of this review,

Bernalillo took steps to implement better controls and procedures governing credit card use, but should ban their use for district business lunches.

PED does not have rules governing the use of credit cards, nor clear prohibitions on “in-town” dining or catered staff luncheons either. However, district use of the cards for administrators to purchase in-town dining may be considered a fringe benefit. According to a Department of Finance and Administration “white paper” on employee meals, a district that adds a fringe benefit may violate state law. Under certain circumstances a fringe benefit may increase an employee’s maximum compensation and violate Section 30-23-2, NMSA 1978, which states, “Whoever commits paying or receiving public money for services not rendered is guilty of a fourth degree felony.”

The use of district credit cards does not require any form of prior approval that is typical of every other purchase. As a result, the potential for misuse, particularly if post-expenditure oversight is lacking, increases significantly. The table below shows a small sample of district purchases for “working lunches” both within Bernalillo or locals that do not require overnight or extended travel time normally covered by travel per diems. In fact, these purchases were not claimed as part of travel expenses. Other purchases, such as those for Target and Wal-Mart demonstrate the ease at which large purchases can be made without any prior approval. Appendix B provides additional examples of credit card usage.

**Bernalillo Public Schools
Sample of Credit Card Spending - SY09**

Amount	Description	Card Holder	Program
\$110.09	Lunch for staff attending Bilingual awards Day @ NMPED Rio Chama Steakhouse 013009	Elementary Education	Title I
\$38.59	ARRA Title I stimulus workshop on @ St. Clair Winery Bistro 041609	Elementary Education	Title I
\$38.06	Title I staff luncheon La Casita 100108	Elementary Education	Title I
\$72.14	Working Luncheon w/office staff - Flying Star 071008	Elementary Education	Title I
\$62.95	Working lunch-Title I office staff Flying Star 070708	Elementary Education	Title I
\$74.57	BHS Principal interview committee meal from Quiznos 052709	Secondary Education	Indian Education
\$17.34	BHS Principal interviews refreshments from Walgreens 052709	Secondary Education	Indian Education
\$31.29	District BBQ supplies from Target 052509	Secondary Education	Indian Education
\$750.00	Truancy Prevention incentive gifts from Walmart 061409	Secondary Education	Truancy Initiative - PED
\$585.00	Truancy prevention incentive gifts from Target 052609	Secondary Education	Truancy Initiative - PED
\$27.48	Luncheon meeting @ La Fonda Del Bosque 040709	Superintendent	Indian Education
\$167.63	NMCSA conf-lunch for 11 administrators High Noon Restaurant 072408	Superintendent	Indian Education
\$155.72	Student group meeting @ Flying Star 032609	Superintendent	Indian Education
\$130.95	Administrators Study Group @ Flying Star 022609	Superintendent	Indian Education

Source: BPS

Other questionable expenditures appear throughout Title I program spending, including \$528 on staff t-shirts, through regular purchasing processes. The Title I program also paid for staff lunches for professional development. While some of these expenditures are possibly within federal guidelines, it's unclear whether this type of spending to benefit adults, instead of low-income kids, continues to be warranted in difficult budget times.

**Title I - Sample General Supplies & Materials Spending
SY09**

Vendor	Description	Amount
Twisters	Lunch for professional development day	\$350.00
Albertsons	Food items for professional development	\$99.74
EL REY PRINTING	EVEN START T-SHIRTS (ROYAL BLUE SHIRTS WITH WHITE	\$168.00
EL REY PRINTING	TEACHER POLO SHIRTS.	\$360.00
LEARNING IS FUN	DOOR PRIZES FOR CLASSROOM TEACHERS TO AWARD DURING	\$698.21
Twisters	BREAKFAST PROFESSIONAL DEVELOPMENT DAY (120 PAX) C	\$302.50
Twisters	CATERING LUNCH FOR PROFESSIONAL DEVELOPMENT DAY (1	\$700.00
Albertsons	FROZEN LASANA, BREAD, SALAD, SALAD DRESSING, DRINK	\$184.02
Albertsons	FROZEN LASANA, BREAD, SALAD, SALAD DRESSING, DRINK	\$145.52
Albertsons	Assorted Breakfast Beverages (Starbucks Coffee)	\$77.46

Source: BPS

BPS appropriately keeps a tracking log of credit card use, but should make this report available to the board as part of its financial reporting package. Use of credit cards ends up inadvertently masking expenditures from board review without additional reporting. The monthly voucher report provided to the board will only include the amounts paid to the credit card company and not the various expenditures on the credit card. Transparency efforts, such as making credit card purchase information available to the board and public on a regular basis, helps decrease the likelihood of inappropriate use as would stronger approval and review controls.

Recommendations.

Develop a 5-year strategic plan for district operations and instructional programs. Ensure all components of district operations have distinct budgets, long and short-term goals and action steps, performance measures and regularly report this information to the Board. The plan should provide a long-term blueprint for annual Educational Plans for Student Success at the district level and account for how the district will manage or mitigate changes in funding levels as a result of fewer students and less funding per student generated by the funding formula. Incorporate other recommendations from this report into the district's strategic plan.

Use the budget recommendation by the Legislative Finance Committee as a planning benchmark to begin developing operational budgets in January, rather than waiting for PED to announce the unit value to begin budget development.

Ensure the plan includes timetables for remedying financial audit findings. Secure district check stock immediately; require payroll and purchasing clerks to seek access to checks from Director of Finance before printing checks and the Director of Finance should routinely review and approve voided checks and provide a list to the Board; and the district should implement LFC recommendations for IT and accounting system security, immediately.

Implement policies and procedures governing the use of district issued credit cards. Prohibit district spending on "working lunches" and determine appropriate parameters, with Board input and within PED regulations, on district spending for staff luncheons and professional development.

Provide the Board with monthly reports on district credit card use as part of the regular financial reporting and make this information available on the district's web site.

In addition, PED should promulgate rules governing the use of school district credit cards, including adoption of de minimis meals criteria used by the State of New Mexico. The rules should provide districts that use credit cards with comprehensive policies, procedures and reporting framework. The board should receive monthly expenditure reports and the districts should post them on their websites.

IN SY09, BERNALILLO PUBLIC SCHOOLS SPENT OVER \$55 MILLION TO OPERATE THE DISTRICT, FUND CAPITAL PROJECTS AND PAY DEBT SERVICE.

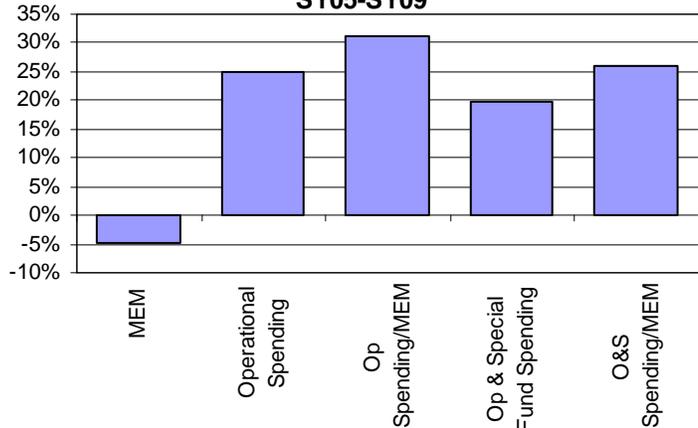
In all funds, the district spent over \$17,500 per student in SY09, including capital spending. About \$12,780 was spent using general and special funding. About 57 percent of the district's expenditures were from its general funds, which includes the State Equalization Guarantee (SEG), federal Impact Aid, and state funds for instructional materials and transportation, among others. Special Revenue funds help supplement educational services and include federal, state and local categorical and grant funding. Special revenue funding typically is restricted for specified purposes.

The district's operational fund accounted for about \$29 million, or 53 percent of total spending in SY09. Spending on classroom instruction totaled about \$23.9 million, or 43 percent of all district expenditures.

The district increased per student spending using operational funding 31 percent, from \$7,613 to almost \$10 thousand between SY05 and SY09. Operational funding has increased over 20 percent since SY05, from \$25 million to \$31.2 million in SY09. However, during this same period the average student population declined about five percent.

The SEG accounts for about 57 percent of the district's total revenue from all funds, excluding capital and debt service. The district received about \$30.4 million in general fund revenue in SY09, of which the SEG accounted for 73 percent, or about \$22.3 million. Federal Impact Aid (Public Law 10) accounted for about \$5.8 million in SY09, up from \$4.3 million in SY07. The 32 percent increase in federal Impact Aid has offset much of the increase that would have resulted in SEG payments for the district. For example, under the state funding formula, the district's program cost has increased over 14 percent, from \$23.8 million to \$27.2 million between SY06-SY09. But SEG amounts have only increased about 3.4 percent, from \$21.5 million to \$22.2 million during the same period.

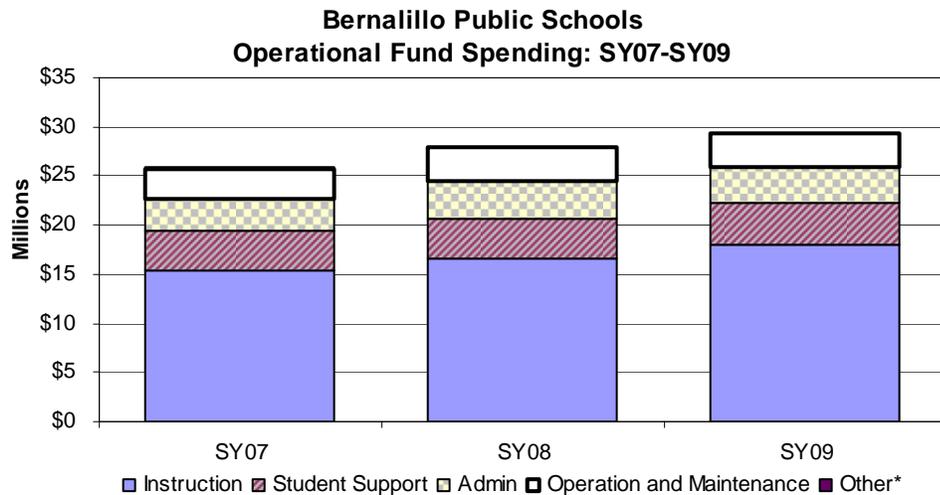
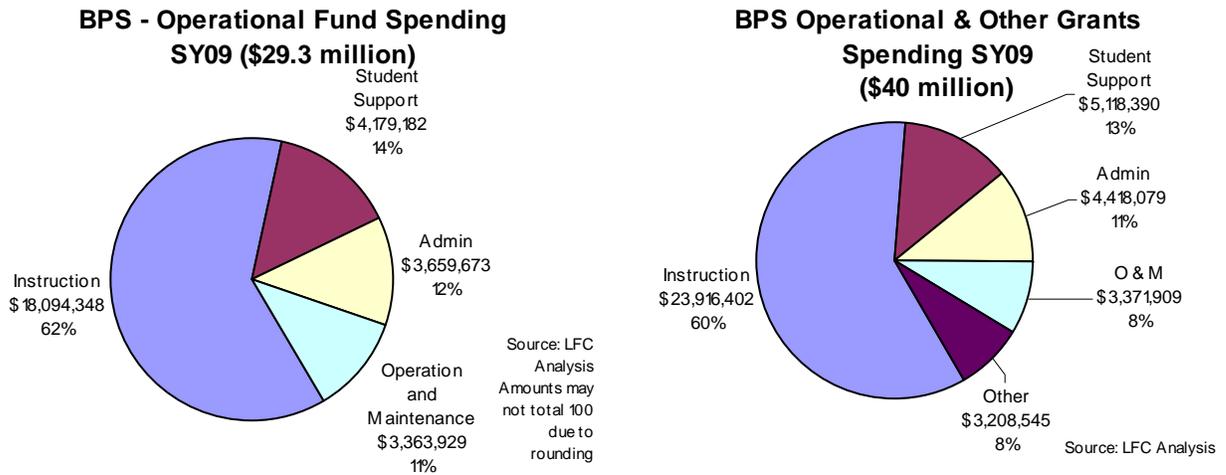
Bernalillo Public Schools - Percent Change in MEM & Spending SY05-SY09



Bernalillo received an additional \$8.7 million in special revenue through categorical federal, state and local grants. The district received about \$5.7 million in federal flow-through and direct grants, another \$1.8 million for food services and almost \$1 million in state grants.

Bernalillo spends about 60 percent of its non-capital funding on instruction. In SY09, the district spent over \$18 million on instruction from its \$29.3 million operational fund expenditures, or about 62 percent. Bernalillo supplemented instruction with special funds,

spending nearly \$6 million. These trends have remained steady since SY07, with about 60 percent of spending occurring in instruction. Instruction includes the activities dealing directly with the interaction between teachers and students, primarily in the classroom. Spending on administration has increased about 12 percent, and instruction about 18 percent since SY07. Student support services and operations and maintenance spending has remained relative flat during the same period.



Bernalillo budgeted \$1.8 million in federal SEG stimulus funding for SY10, helping offset what would have been more dramatic funding reductions. The district has elected to use the funding for its property and liability insurance (\$500 thousand), workers' compensation premiums (>\$260 thousand), natural gas for buildings (\$227 thousand) and contractors for special education related services (\$705 thousand). Without the federal stimulus funding, the district would have experienced about a nine percent reduction in its operational budget, but instead had about a three percent reduction, or \$780 thousand. However, much of this reduction is attributed to a fewer students and units generated through the funding formula. Bernalillo had 222 fewer units generated through the funding formula, resulting in an estimated \$860 thousand in reduced program cost.

Improved efficiencies and better use of data for decisions would help Bernalillo lower its operations and maintenance program costs; making more funding available for instruction. School district operations and maintenance of plant (O&M) provide an important support function, including keeping the school buildings clean, safe and in effective working condition. Utility and property liability costs are also charged to O&M. Effective facilities management improves the learning and working environment, helps avoid unplanned costly expenditures, extends the useful life of equipment and reduces energy use. These benefits also help districts save money.

Between SY06-SY09, Bernalillo averaged O&M expenditures of about \$3.3 million, or 12 percent of its total operation fund spending. O&M spending increased about four percent during this same time period, whereas total operation spending increased almost 20 percent. The O&M function has not become more efficient. Instead, higher growth rates in other areas of the budget have decreased the percentage of the budget spent on O&M.

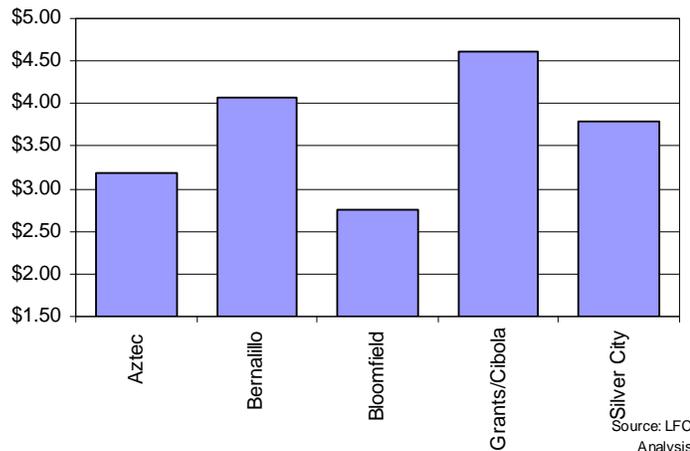
Bernalillo Public Schools Operation & Maintenance Costs SY06-SY09

	SY05-SY06	SY06-07	SY07-08	SY08-09
Operation & Maintenance of Plant	\$3,235,431	\$3,163,657	\$3,318,765	\$3,363,929
TOTAL Operational	\$24,537,096	\$25,803,787	\$28,006,859	\$29,297,132
O&M As Percent of Total	13.2%	12.3%	11.8%	11.5%

Source: LFC Analysis

Bernalillo costs per square foot exceed that of comparable districts for operation and maintenance, excluding utilities. For example, in SY09 the district spent over \$4 per square foot to clean, maintain and oversee about 614 thousand square feet of building space. Other districts with similar student populations and facility sizes had lower costs, except Grants. District utility costs are similar to state averages, though with more aggressive management the district could lower them from \$1.07 per square foot in SY09.

**Operations & Maintenance Cost/Square Ft.
SY09**



Bernalillo custodial staffing levels exceed recommended amounts by nine FTEs, contributing to the district's high costs. Bringing staffing levels within benchmark levels would save an estimated \$250 thousand annually. According to the Public School Finance Authority (PSFA), typical benchmarks for custodial staffing are 25 thousand square feet per custodian. Bernalillo custodians are responsible for about 18 thousand on average. By comparison, Bloomfield staff clean about 32 thousand square feet and Aztec about 25 thousand square feet. Maintenance staffing levels are within PSFA recommended standards.

Bernalillo could improve its use of operation and maintenance data available through New Mexico's Facility Management Information System (FIMS) to improve performance, accountability and save money. The State of New Mexico, through the Public School Capital Outlay Council and PSFA, provides districts with FIMS to help effectively use resources to improve school facilities. FIMS helps districts manage school maintenance, preventative maintenance and utilities, including energy.

The district uses FIMS as a transactional system to process work orders, but has not used the data or system capabilities for continuous quality improvement or accountability purposes. Setting goals for performance, collecting, analyzing and reporting of data could help the district improve its facilities program and save the district money.

Bernalillo has more than doubled its spending under the Capital Improvements Act (Senate Bill 9) from about \$780 thousand to over \$1.6 million for the maintenance and improvement of school grounds. This rate of spending outpacing revenue, indicating the district is drawing down cash balances. As of June 30, 2009 the district had over \$900 thousand in cash for its SB 9 fund. For SY10, the district has reduced its budget and eliminated the planned use of cash balances for this fund.

**Bernalillo Public Schools Capital Improvements (SB9)
SY07-SY09**

Year	Revenue	Expenditure	Difference
SY07	\$914,085.89	\$781,040.63	\$133,045.26
SY08	\$1,346,606.98	\$1,264,880.02	\$81,726.96
SY09	\$1,168,004.94	\$1,606,759.40	(\$438,754.46)

Source: PED, LFC Analysis

Maintenance and repair (M&R) of buildings accounts for most of the growth in spending. Almost half of all expenditures in SY09 were for maintenance and repair costs for district buildings, about \$763 thousand. This category has increased about 75 percent from SY07 levels of \$437 thousand. M&R costs include both preventative maintenance, improvement of grounds and actual repairs. For example, BPS spent almost \$20 thousand replacing broken windows district-wide; almost \$27 thousand for removing weeds at school sites; and over \$66 thousand for roofing services.

**Bernalillo Public Schools SB 9
Major Spending Categories
SY07-SY09**

	M&R	Construction	Fixed Assets (>\$5,000)	Supply Assets (<\$5,000)
SY07	\$437,513	\$121,359	\$25,314	\$17,069
SY08	\$898,693	\$74,658	\$87,451	\$51,188
SY09	\$763,706	\$151,146	\$262,901	\$195,893
<i>Change</i>	\$326,192	\$29,788	\$237,587	\$178,825
<i>Percent Change</i>	75%	25%	939%	1048%

Source: LFC Analysis

The district misclassified over \$46 thousand in vehicle purchases and had some questionable expenses, though minor. Since SY07, the district has spent almost \$100 thousand of SB9 funding for district vehicles. In SY09, the district purchased two pick-up trucks but classified the expenses as “fixed asset” rather than a vehicle purchase. Misclassifying major purchases such as these in the state’s chart of accounts makes oversight for the board, district administrators and the public to fully understand how the district is spending its taxpayer money. Bernalillo also used SB9 funding for about \$4,700 in bottled water for the EvenStart preschool program and almost \$400 in food purchases from Albertsons for maintenance staff.

**Bernalillo Public Schools - SB 9
Maintenance & Repair Sample
Spending SY09**

Description	Amount
Air Filter Replacement	\$17,050
Cafeteria Equipment M&R	\$39,673
Fire Alarm Inspections	\$37,356
Grease Trap Cleaning	\$4,914
Refinish BHS gym floors.	\$15,763
Repair Broken Windows	\$19,536
Roof Repair & Maintenance	\$66,572
Weed Removal	\$26,961
Sub-Total	\$227,826
M&R Grand Total	\$782,749

Source: BPS, LFC Analysis

The district also made over \$4,400 in purchases of services and materials from its own schools. The district paid \$3,000 to the various athletic teams and cheerleaders for picking weeds. The high school welding and construction classes also sold the district materials made by students.

From SY08-SY10, Bernalillo has generated an estimated \$1.4 million in small school size funding for schools that should not be considered small under the formula. Schools with MEM less than 200 qualify for additional units as the funding formula recognizes scale inefficiencies for very small schools (Section 22-8-23 (A) NMSA 1978). The district, with PED approval, classifies K-8 schools as two separate schools - one elementary and one middle school. However, the schools (Cochiti and Santo Domingo) operate under one administration and in a single building. These classifications appear to conflict with the statutory definition of a public school. A public school, “means that part of a school district that is a single attendance center in which instruction is offered by one or more teachers and is discernible as a building or group of buildings generally recognized as either an elementary, middle, junior high or high school *or any combination of those* and includes a charter school [**emphasis added**]” (Section 22-1-2 (M) NMSA 1978).

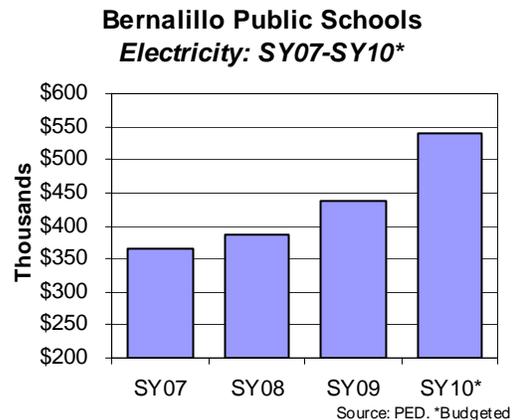
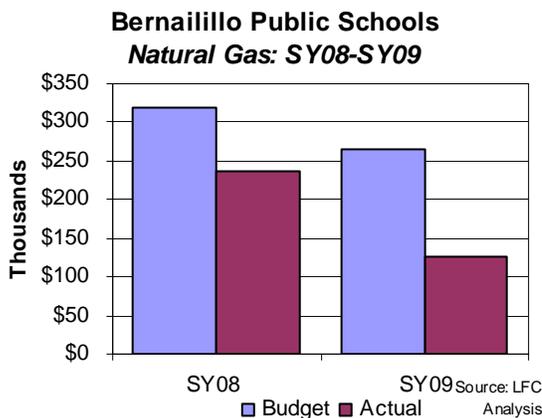
If the schools were appropriately classified as one school by PED they would not qualify for small school size adjustment units under the funding formula. For example, Cochiti “elementary” had a MEM of 146.5 for SY09’s funding formula calculation and generated an additional 39 units. The “middle” school had a MEM of 75, generating about 47 units. In total Cochiti generated \$333 thousand and Santo Domingo, \$185 thousand in small school funding for SY09 alone. If PED would classify the school as a K-8, as it operates, then the state would have saved this funding for redistribution through a higher unit value to all school districts and charters.

**Bernalillo Public Schools Excess
Small School-Size Adjustment
Funding SY08-SY10***

	Funding	Units	MEM
SY08	\$393,014	106.964	356.5
SY09	\$518,677	133.963	342
SY10*	\$517,529	133.978	324
Total	\$1,429,219	374.905	1,022.5

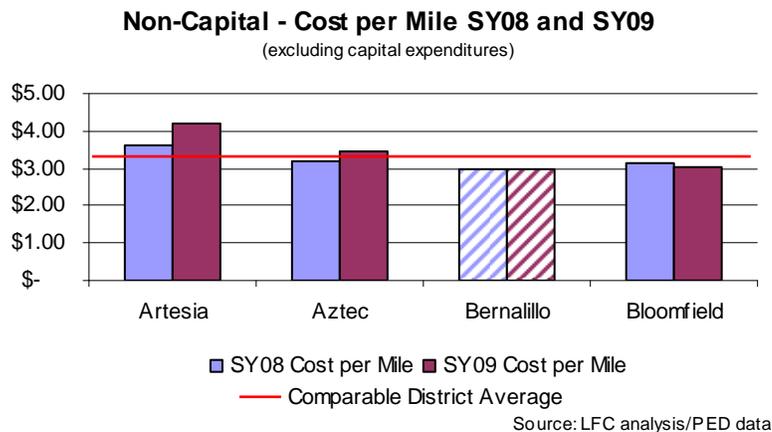
*Preliminary as of Oct - 2009. Source: LFC Analysis

Bernalillo has inflated utilities budgets by about 34 percent in SY09, which increases costs to the state for the SEG “opening the doors” budget calculations. Bernalillo had over \$287 thousand in unexpended balances for energy and water costs in SY09, and over \$126 thousand in SY08. The largest unexpended balances were for natural gas, 52 percent or \$138 thousand in SY09. For SY10, Bernalillo budgeted almost \$279 thousand which is about \$152 thousand more than the district spent on natural gas in SY09. The state uses districts' budgeted utility/energy line items as the base for determining "opening the doors" costs for the following year. Inflated budgets for these line items increase costs to the state unnecessarily. The district has increasingly budgeted for "Other Energy" costs, including \$91 thousand in SY09 and \$219 thousand in SY10. This line item is for the cost of other fuel sources used a heat, such as coal, wood, steam or fuel oil. It is unclear why the district budgeting for these costs.

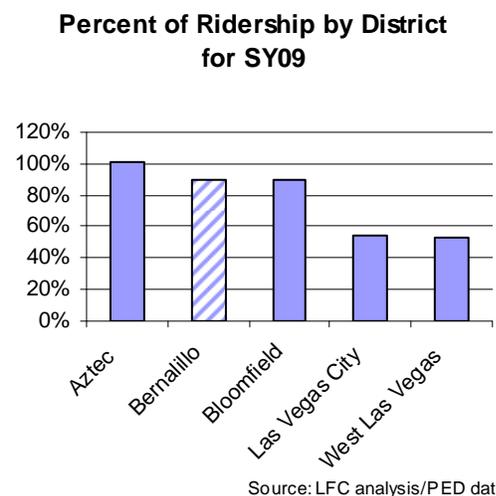


Spending on electricity has increased 20 percent, from \$366 thousand to almost \$439 thousand between SY07 and SY09. The district has budgeted \$539 thousand for SY10, presumably for inflation and its new preschool building. However, if this spending trends holds, the district's spending on electricity will have increased almost 50 percent in four years.

District transportation costs are below average and have been reduced by seven percent from SY08 to SY09. Bernalillo travels about 425.6 thousand miles and spends approximately \$1.3 million to transport about 2,915 students. School buses are district owned and operated at an average cost per mile of \$2.99 for SY08 and SY09. Bernalillo's average cost per mile is \$0.34 cents less than comparable districts. The district is not a member of a cooperative fuel agreement but ensures it receives competitive fuel prices by obtaining price quotes from three vendors and uses the lowest quote to execute a purchase order for estimated fuel consumption. If the fuel purchase order has been fully expended before the end of school year the district will obtain an additional three quotes and follow this procedure throughout the school year. The district also reduced spending from SY08 to SY09 by \$84.6 thousand. This spending reduction is primarily attributable to reduced supply costs, such as gasoline, diesel fuel and general maintenance costs. The graph below illustrates the district's cost per mile compared to districts that share similar demographics.



The district has not established formal performance targets or measures to evaluate transportation services, but has implemented measures to monitor fuel and maintenance costs. The district does not record or monitor cost per mile, cost per rider, accident statistics or conduct satisfaction surveys that can help the district identify areas for improvement. The establishment of such targets and measures would enable the district and school board to actively manage student transportation safety, costs and overall efficiency. However, Bernalillo's transportation shop foreman reviews fuel consumption data that is collected from the district's fuel card system. The system tracks the gallons and mileage used by each school bus and enables the foreman to review fuel consumption on a per mile basis for each bus. The



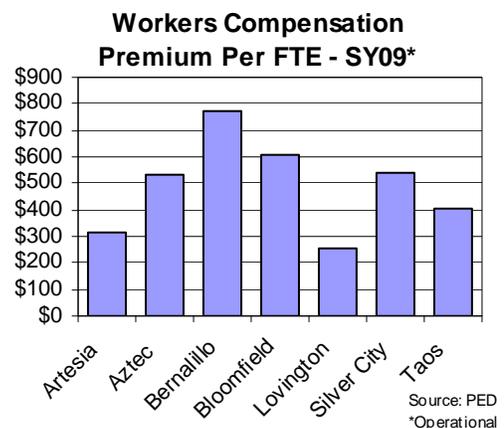
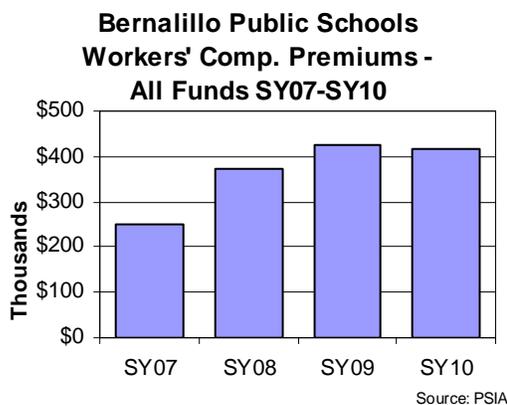
district has also implemented a bus driver salary schedule to standardize and control salary budgets and uses a preventative maintenance program to track and control school bus maintenance activities.

Capital purchases, including a tow-truck purchased for \$91 thousand and three sport-utility vehicles (SUVs) for transportation administrators, raise questions about efficient spending practices. The district made a year-end purchase (SY08) of an unnecessary service tow-truck by the transportation program for \$91 thousand. The district sold the unneeded truck not long after purchase for \$75 thousand to Los Alamos Public Schools, which purchased it with local H.B. 33 funds. The district was allowed to purchase the vehicle by PED as well as deposit the proceeds into a special activity account in the district’s operational fund instead of reverting 50 percent of what would have been unexpended transportation distribution to the state.

In addition, the transportation program made another year-end purchase (SY08) of three SUVs totaling \$112 thousand for transportation program administrators from an out-of-state dealer at a price that appears higher than the state of New Mexico’s price list. The district, like others, had received emergency fuel adjustment for its transportation program during the same year due to high fuel costs; \$17 of the \$25 thousand in increased budget for fuel was not needed.

Other spending trends may warrant additional attention to ensure expenditures help the district achieve its goals.

Workers’ compensation premiums have increased 67 percent between SY07 and SY10 and Bernalillo has the highest costs per employee among peer districts. Workers’ compensation premiums paid to the Public School Insurance Authority (PSIA) increased from about \$249 thousand to over \$415 thousand across all funds between SY07 and SY10. About ninety percent of premiums are paid out of the operational fund. Compared to other districts, Bernalillo’s premiums appear high and justify further exploration on whether district actions could help lower these costs. For example, strong risk management practices such as workplace safety and return to work programs can help prevent injuries and reduce indemnity and medical losses when injuries do occur. In SY09, Bernalillo workers’ compensation premiums amounted to almost 2 percent of total payroll costs, compared to about 1.4 percent in Aztec, for example. The higher than average premiums reduce funding available for other district priorities.

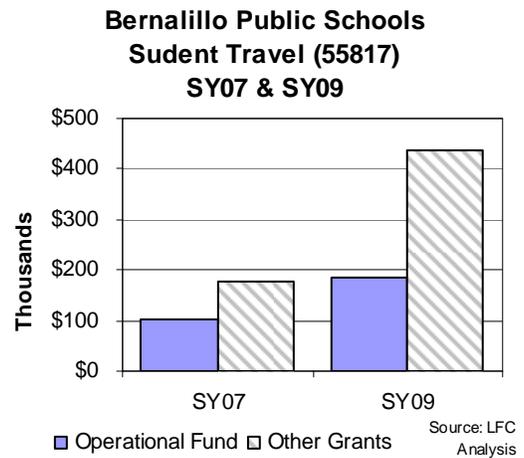


In SY09, the district spent over \$621 thousand on student travel, an increase of about \$343 thousand, or 124 percent, over SY07. In SY09, about 30 percent of these costs were charged to the districts operational fund, leaving the remaining \$437 thousand funded through state and federal grants. The district grew spending by over \$82 thousand, an 80 percent increase, from its operational fund between SY07 and SY09. Student travel funded through state and federal grants grew about \$262 thousand, or 149 percent, during the same time period. According to PED, student travel expenses include meals, lodging and transportation costs for student travel other than to and from school.

BPS spent over \$1 million on general supplies and materials in SY09 and another \$760 thousand in unexpended balances, for all funds. BPS increased spending on general supplies and materials for each student by 12 percent between SY07 and SY09. On a per student basis, the district spent about \$293 in SY07 and increased that amount to \$321 in SY09.

Over 61 percent of supplies expenditures were for direct instruction, or about \$637 thousand. However, the operational fund only accounted for about 26 percent or \$170 thousand which indicates grant funding is a major revenue source for these types of purchases. For example, the district used the K-3 Plus program, an extended school year state-funded program, to purchase over \$42 thousand in general supplies and materials, almost 30 percent of the entire grant. A review of these expenditures as well as \$8.5 thousand in supply assets raises questions over whether a program extending the school year by 20 days should fund materials for the entire year other items such as label and banner makers.

Still, Bernalillo had over \$527 thousand in unexpended balances for general supplies and materials in grant funds, and a balance of over \$122 thousand in its operational fund alone. By comparison, the district spent about \$944 thousand in SY07.



General Supplies and Materials (56118) - SY09

Operational	\$343,649
Transportation	\$10,748
Grants - Federal, State, Local	\$552,112
Capital Improvement Act (SB9)	\$136,063
Total	\$1,031,824

Source: PED, LFC Analysis

Recommendations.

The district should implement the following.

Establish performance measures and targets to evaluate and improve operation and maintenance, and student transportation safety and efficiency in an effort to reduce costs. Upon the establishment of performance targets and measures, the district should submit and present results to the school board on a quarterly basis.

Review base spending, particularly in utilities, student travel, general supplies and material to ensure costs and budgets are reasonable and appropriately helping the district achieve its goals.

Work with PSIA to explore options to reduce workers' compensation premiums through stronger risk management practices and anticipate potential future increases from past loss experience.

PED should implement the following.

For SY11, PED should reclassify Cochiti and Santo Domingo schools in Bernalillo as single schools per state statute. This change would save an estimated \$517 thousand. However, PED should also examine other districts' schools that generate small school units to ensure those schools meet statutory requirements and make adjustments as necessary. The Legislature may wish to consider revisiting the purpose and classification of small school size and district size adjustments and under what circumstances the additional units are warranted.

Based on concerns throughout this report, PED should consider having its Office of Inspector General conduct special audits, as appropriate, of the district's Title I program, K3 Plus program, bilingual membership and service delivery, special education membership and level of service, transportation program purchases and whether district paid meals for employees would be considered a fringe benefit allowable under state law.

IMPROVED CONTROLS AND PLANNING WOULD HELP BERNALILLO PUBLIC SCHOOLS CONTAIN SPENDING ON COMPENSATION AND EFFECTIVELY TRANSITION TO A LESS EXPERIENCED WORKFORCE.

In SY09, Bernalillo Public Schools had 650 FTEs and spent about \$24.1 million on salaries and additional compensation; only 45 percent of staff were teachers. Among districts with 1,500 to 4,000 students, BPS was among the lowest percentage of teachers as staff in SY09. Only Moriarity (44 percent) and West Las Vegas (43 percent) had lower rates. See Appendix C for more detail.

Multiple funding sources pay for district salary expenses, with the greatest share, about 81 percent in SY09, coming from the operational fund. Since, SY07 spending on salaries increased by about 10 percent from the operational fund, with a decrease of about five percent, or \$191 thousand, in grant funding that supported salary expenses.

Bernalillo Public Schools - Growth in Salary Spending FY07-FY10*

Description	SY07	SY08	SY09	SY10	SY07-SY09
	Actual	Actual	Actual	Budgeted	Change
Operational	\$17,022,172	\$17,750,112	\$18,663,638	\$18,786,653	10%
Transportation	\$766,998	\$798,069	\$800,364	\$758,060	4%
Federal, State & Local Grants	\$3,775,693	\$3,709,690	\$3,583,818	\$3,545,824	-5%
Total Salaries	\$21,564,864	\$22,257,872	\$23,047,821	\$23,090,537	7%

Source: LFC Analysis

Spending on district administrators has increased 18 percent from \$1 million in SY07 to almost \$1.2 million in SY09. According to PED, Bernalillo has one administrator for every 458 students and 36 teachers. Other comparable districts have fewer administrators overseeing students and teachers. For example, Aztec has one administrator for every 1,000 students and 66 teachers and Artesia has an even more favorable ratio of 1:1,156 students and 1:77 teachers. Bernalillo’s high levels of grant funding may explain some of these differences.

Spending on additional compensation (incentives, bonuses and extra duty pay) has increased over 145 percent since SY06 and boosts salaries by over five percent. Additional compensation is payments for bonuses or incentives for some specific purpose (including department chairs, coaching, summer school) that are in addition to standard compensation, according to PED. Bernalillo’s collective bargaining agreement includes a schedule of additional compensation. For example, the district pays bonuses to teachers with bilingual or TESOL endorsements of \$1,200 and \$700, respectively. However, much of the additional compensation paid appears to fall outside this agreement.

**Bernalillo Public Schools - Growth in Salary & Additional Compensation Spending
FY07-FY10***

Description	SY07	SY08	SY09	SY10	SY07- SY09
	Actual	Actual	Actual	Budgeted	Change
Salaries	\$21,564,864	\$22,257,872	\$23,047,821	\$23,090,537	7%
Additional Compensation	\$447,327	\$924,759	\$1,095,918	\$1,033,460	145%
Total Compensation	\$22,012,191	\$23,182,631	\$24,143,739	\$24,123,997	10%
Percent Increase from Additional Compensation	2%	4%	5%*	4%	

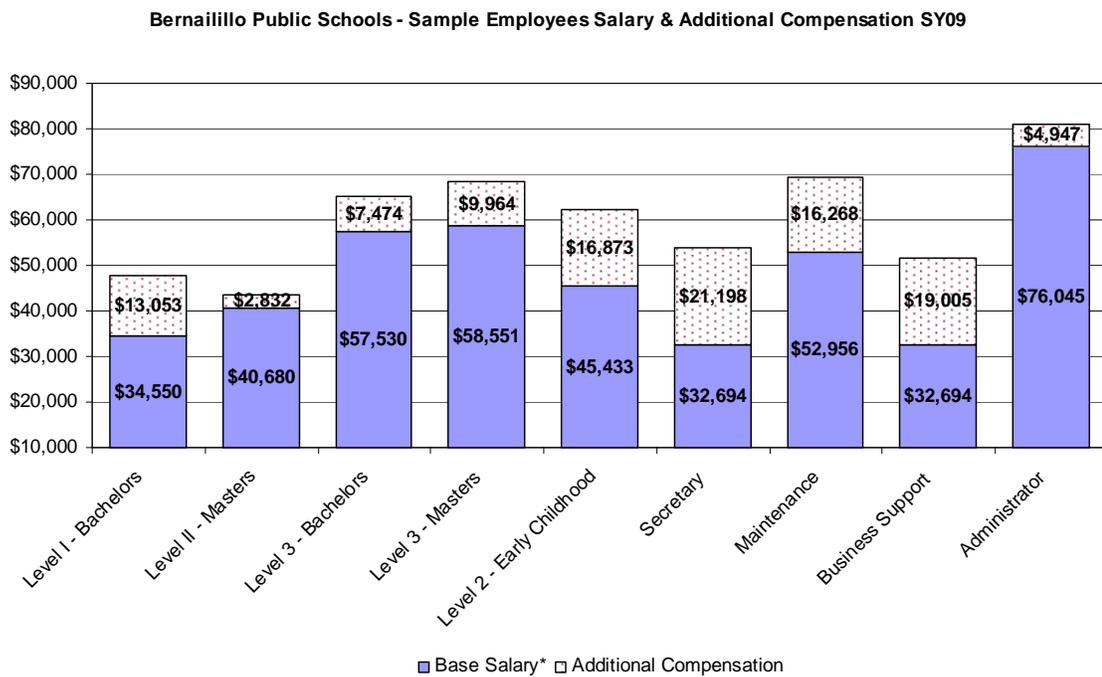
Source: LFC Analysis.
*SY09 is unadjusted. BPS misclassified at least \$188 thousand of additional compensation as "Salaries." After adjustment, additional compensation boosts pay by 6 percent.

Bernalillo lacks necessary policies and controls to ensure additional compensation is reasonable, affordable and will help the district achieve its educational goals. For example, BPS uses a decentralized decision-making process whereby lower level administrators, such as principals, enter into additional compensation agreements before Superintendent or business office approval. Final approval is rarely, if ever, denied which adds spending pressure to the overall budget because many agreements are not preplanned during budget development. We also found instances where additional compensation changes appeared to entirely circumvent Superintendent or business office review, with changes simply appearing in district payrolls with other administrative approval. As a result, Bernalillo has historically over expended its budget for additional compensation for its operational fund. For example, the district budgeted \$50 thousand for teacher stipends in SY08 and ended up spending over \$225 thousand out of its operational fund.

The district has misclassified reported spending to PED by at least \$188 thousand which has inflated "Salaries" cost centers and the projected funding needs for salary increases. Not adhering to the state chart of accounts makes planning for costs of salary increases at the district level increasingly difficult. Misclassified additional compensation may be larger than found by LFC staff. Also, in many cases additional compensation payments are coded as "MISCHR," which makes determining the rationale, purpose and appropriateness of the payments more difficult for district business officers.

Some district employees receive boosts to base salaries by as much as 39 percent from additional compensation payments. Total compensation for some employees raises concerns over the appearance of excessive and abusive pay practices that circumvent district salary schedules. For example, one Title I program secretary received over \$21 thousand in additional payments on top of base salary of about \$32 thousand. Another secretary for Special Education received over \$19 thousand in additional payments, a 37 percent boost to base pay. Finally, as yet another example, a maintenance worker received a 24 percent boost from overtime and various payments that seemed to coincide during the same periods paid for overtime.(waiting for docs) Each of these three individuals received "misc" payments from a Native American program for supervising evening dual-credit courses operated by U.N.M at the high school campus. These payments totaled \$7,950, \$7,505 and \$9,287 each for SY09. Though the program was administered by the district's Bilingual Director, these individuals' payments were authorized by the Title I Director.

Other examples, shown below, demonstrate the variance in amounts of additional compensation paid, and impact on total compensation. In many cases, by working more (such as summer school) teachers can significantly increase their compensation levels. Others earn boosts to pay simply for having a certain endorsement or taking on small extra duties. In either case, additional compensation offers districts significant opportunity to implement incentives for effective teachers to relocate to high need schools or reward teachers for outstanding student performance, all outside of the existing three-tiered licensure payment system. BPS does not use additional compensation for these purposes.



Beginning teachers continue to comprise a larger portion of BPS teachers, contributing to declining revenue, but seemingly not spending. Spending on teachers' salaries has increased over 13 percent, from \$10.1 million in SY06 to \$11.4 million in SY09, with similar percentage increases in average salaries. Bernalillo reported increasing the number of district teachers by nine, or 3.2 percent. However, during this same period student membership declined almost four percent.

The number of Level 0 and Level I teachers increased 81 percent since SY07, and by SY09 comprised about 20 percent of all teachers. These trends appear to disproportionately impact lower performing schools, such as Santo Domingo. There has been a corresponding shift in teachers' education levels and experience as Bernalillo's T&E index has declined as well.

Bernalillo Public Schools - Teacher Licensure SY07-SY09

License Level	SY07		SY08		SY09	
	Number	Percent	Number	Percent	Number	Percent
0	2	1%	8	3%	11	4%
1	34	12%	45	17%	54	19%
2	135	48%	129	47%	132	46%
3	89	33%	86	32%	83	29%
No License	15	6%	4	1%	4	1%
Total	275		272		284	

Source: PED. Overall Teaching Staff Qualifications, 120D.
Totals adjusted to remove Head Start Teachers.

Bernalillo has experienced a decline in its teacher training and experience (T&E) index, resulting in about \$1.5 million less formula funding and should expect the trend to continue.

Teachers with over 15 years experience, a Masters degree and at least 15 additional credit hours comprised about 20 percent of all teachers at BPS. By comparison the statewide average was 12 percent. This class of teachers generates the greatest weight within the T&E index. As a result, as these teachers retire or leave BPS its T&E index will continue to decline at a fast rate. Overall, BPS has over 41 percent of its teacher with 15 or more years of experience versus the state average of about 33 percent.

Bernalillo T&E Index

Year	T&E
SY06	1.168
SY07	1.154
SY08	1.167
SY09	1.144
SY10	1.133

Source: PED

Recommendations.

Plan for future reductions in formula funding due to declining T&E index and ensure low-performing schools are not overrepresented with beginning teachers, to the extent possible.

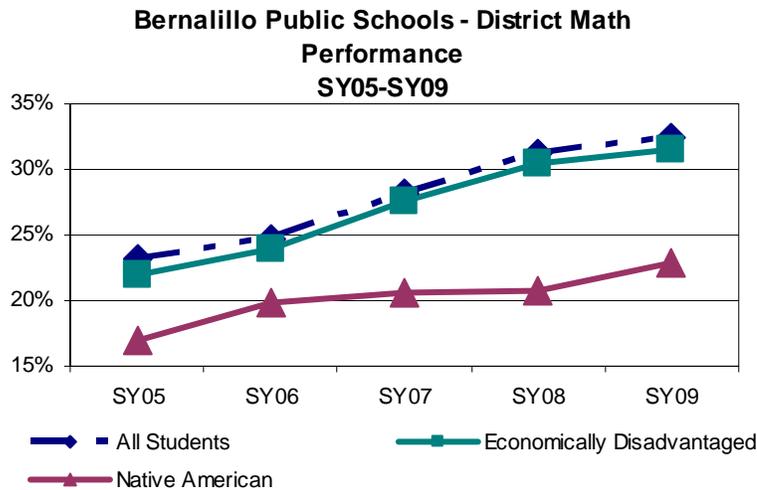
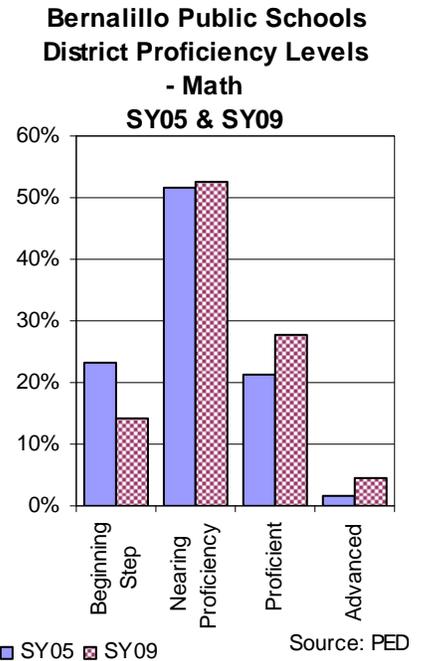
Develop and implement comprehensive policies and procedures governing additional compensation to ensure these expenditures are reasonable and appropriate to help the district achieve its goals. In addition, reclassify additional compensation from salaries to the appropriate object code in the district’s financial reporting to PED. The district should also revisit all previous additional compensation awards to ensure they have proper approvals, fit within the districts new policies and procedures, and are reasonable.

The district should request a special audit of its additional compensation spending from the State Auditor’s Office. An independent special audit would help avoid any perceived favoritism in conducting a review of these expenditures. The special audit should focus, at a minimum, on whether payments were allowable under specific grants, followed proper approval processes and that work was actually performed.

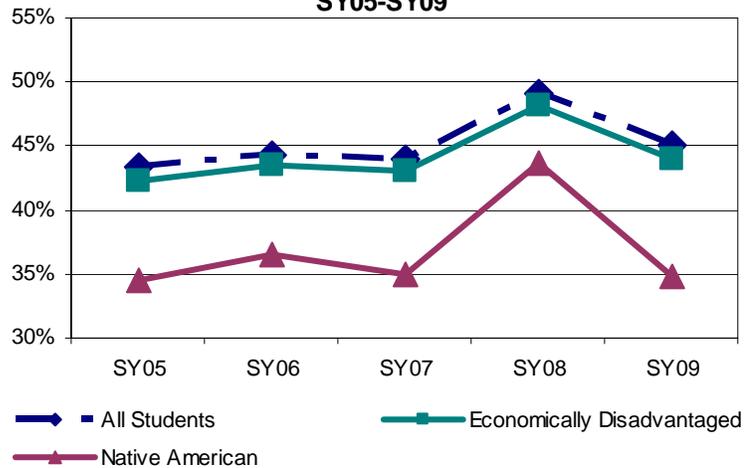
BERNALILLO PUBLIC SCHOOLS HAVE SHOWN GROWTH IN STUDENT PERFORMANCE FOR READING AND MATH, BUT MOST STUDENTS STILL HAVE NOT DEMONSTRATED PROFICIENCY.

Between SY05-SY09, the percentage of students’ proficient and above increased in Reading from 43 percent to 45 percent and 23 to 32 percent in Math for all students. The nine point gain in math equates to about a 40 percent increase during this time period. Bernalillo has made steady gains across major sub-groups, though gains by Native American students have lagged slightly. Overall performance for Native American students is below their peers in both reading and math. About 96 percent of test takers in Bernalillo were economically disadvantaged, explaining the narrow gap with the “all students” category.

The strong gains in Math were driven by shifts in the level of proficiency moving in the right direction. For example, between SY05 and SY09 the percentage of students in the “beginning step” of Math declined from 23 percent to 14 percent. Likewise, it appears a number of students also moved up from “nearing proficient” to “proficient.” The district also experienced a three point increase in those students scoring advanced.



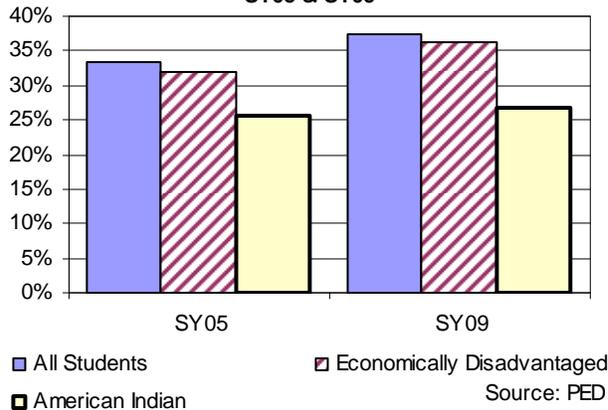
**Bernalillo Public Schools - District Reading
Performance
SY05-SY09**



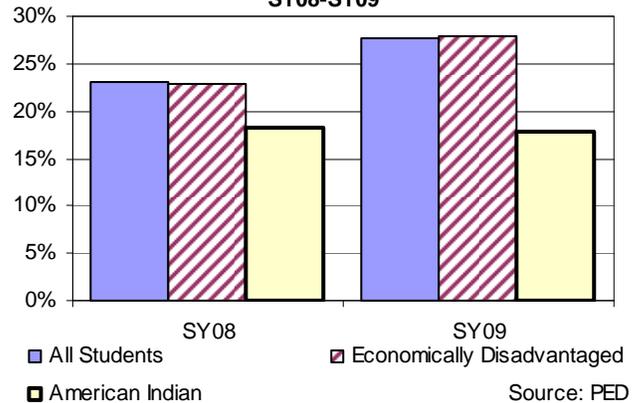
Reading proficiency has remained flat, but with a spike in SY08. Whatever gains were made in reading that year dissipated as district proficiency levels dropped back down in SY09.

Students increased performance in science and social studies, except Native American performance remained flat. Overall, proficiency levels remain low, 35 percent in Science and about 28 percent for Social Studies.

**Bernalillo Public Schools
District Performance - Science
SY05 & SY09**



**Bernalillo Public Schools
District Performance - Social Studies
SY08-SY09**



Performance varies by school site; with fewer students proficient as they advance grade levels.

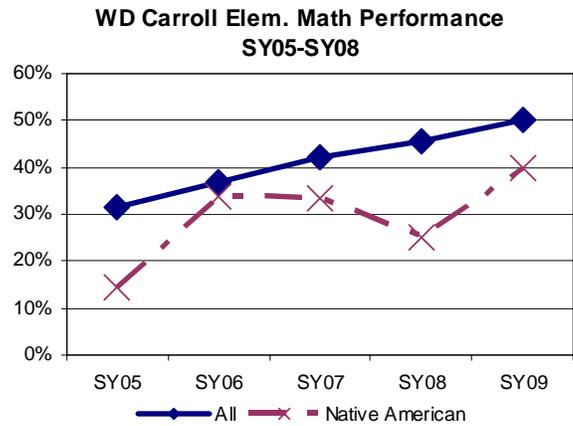
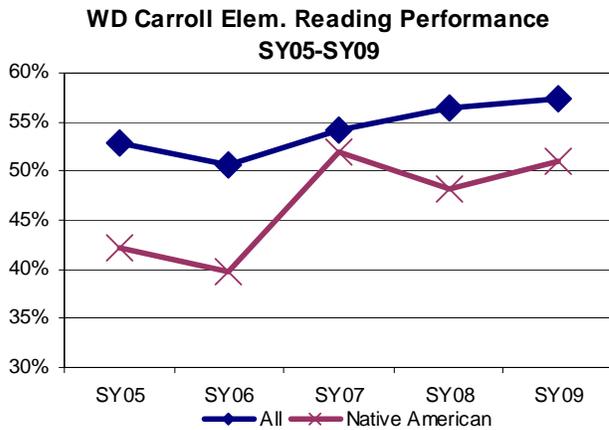
WD Carroll and Santo Domingo elementary schools have taken different paths over the past five years with student performance. WD Carroll is a 3-5 elementary school within the town of Bernalillo and a student enrollment of 375 in SY09, of which 15 percent are Native American. The school has 10.6 students for every teacher FTE and spent about \$3.1 million or \$8,458 per student. Roosevelt primary school, along with the district's preschool initiative, feeds students into WD Carroll.

Santo Domingo elementary is located outside the Pueblo, about 20 miles north of WD Carroll and a student population of 255. Only 111 students were in third through fifth grade in SY09 and all were Native American. The school has 10 students for every teacher FTE and spent about \$2.7 million or \$10,812 per student.

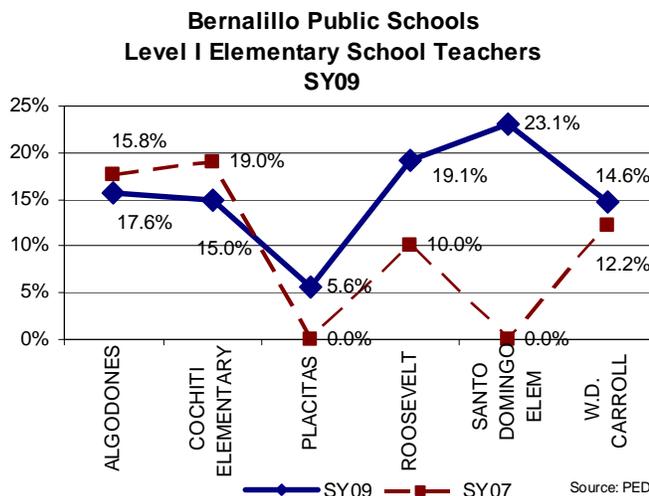
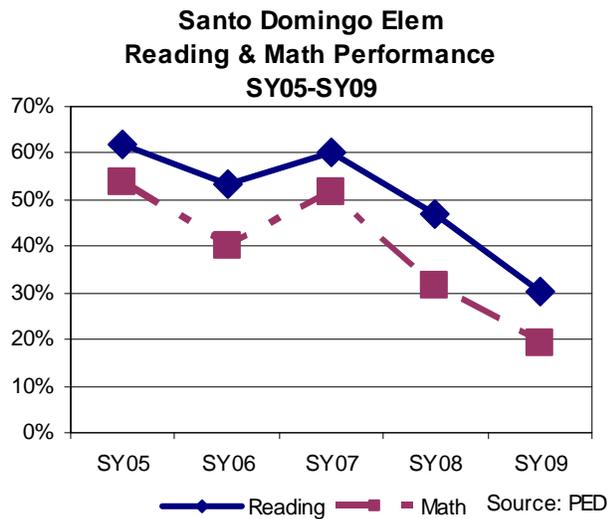
WD Carroll's student performance has increased at a rate of almost one point a year in reading and almost five in math between SY05-SY09. While reading scores have remained relatively flat, student's performance has remained over 50 percent. However, in math, scores jumped a total of 19 points, from 32 to 50 percent proficient and above in SY09. Performance of Native American students in reading increased almost nine points to just over 50 percent in SY09. Likewise, math scores have increased 26 points, from 14 to 40 percent proficient and above during the same time period, outpacing the all students category. Increases in special education student performance, though similar in pace, are not fast enough for the school to make "Adequate Yearly Progress" under the state and federal accountability labeling system. As a result, a relatively well performing school is labeled as "restructuring." Requirements under restructuring may undermine recent successes.

Factors that appear to contribute to the schools relative success include the following.

- High expectations for student learning from teachers, regardless of racial/ethnic make up of students.
- Stable school leadership that focuses and reinforces the use of data driven decision-making. For example, WD Carroll set aside an in-service training day before the SY10 school year to go over in-depth both at the school, grade and class level student performance information.
- Stable teacher workforce supportive of improving teaching practices and using data. The school has maintained a stable mix of Level I, II and III teachers and no longer has any unlicensed teachers.
- Efforts to align curriculum both horizontally and vertically. More emphasis is being placed on working with the primary and middle schools to ensure students are being prepared adequately for the next grade level. The configuration of separate schools and administrations for grades PK-5th creates additional challenges.



Santo Domingo performance has declined 32 points in reading and 35 in math since SY05. As recently as SY07, about 60 percent of students were proficient and above in reading and over 50 percent in math. Santo Domingo's performance levels in SY05 exceeded the much improved WD Carroll's SY09 performance.

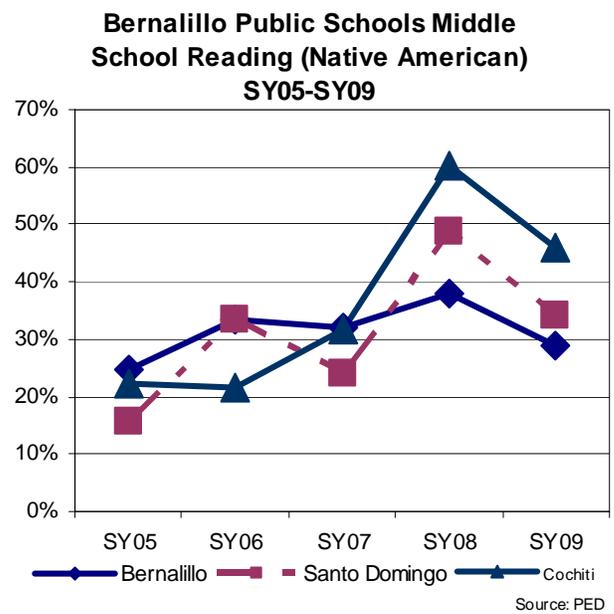
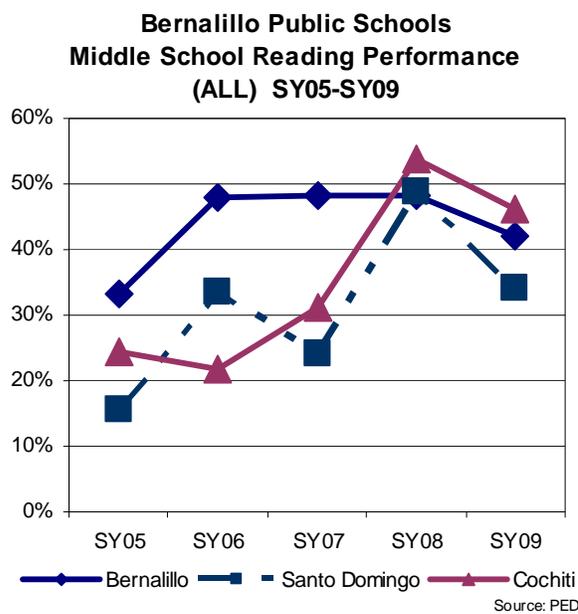


Factors that appear to have contributed to the decline include the following.

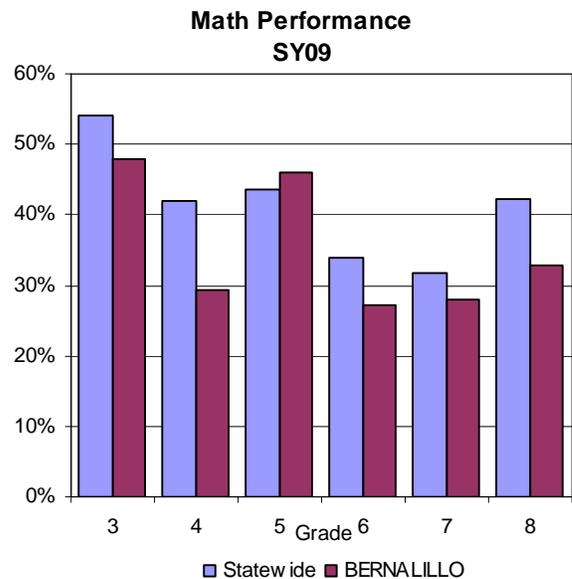
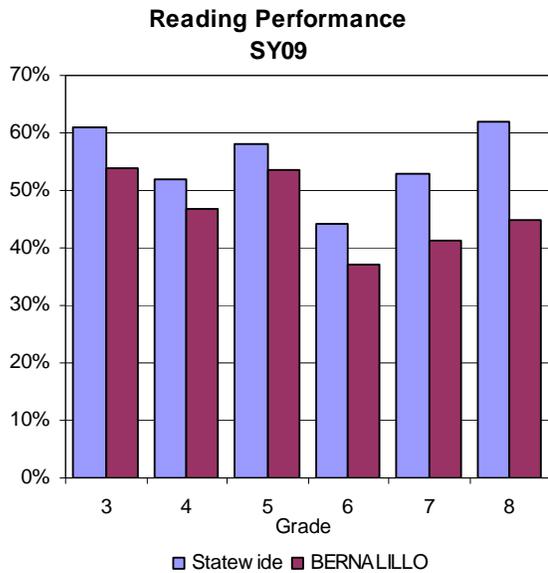
- Lack of attention to data driven decision-making. Up until SY07, the school was consistently using data extensively, but stopped with a change in school leadership.
- The school has its third principal in four years starting this fall.
- Turnover and increases in beginning teachers. Of the 25 teaching staff at Santo Domingo elementary in SY07, only 10 remained as of SY09. Level I teachers increased by six from 0 to 23 percent of the faculty. This school had the greatest increase in beginning teachers among elementary schools.
- High teacher absenteeism. Santo Domingo has the highest rate of leave in the district.

Middle school performance improved, including among Native American student, between SY05-SY09. The district experienced strong growth in improved proficiency levels across reading and math in its middle schools up until SY08. SY09 scores dropped district-wide and across both subjects. District officials were caught off-guard by the less than expected performance, in part because short cycle exam results showed growth on the NWEA-MAPS. However, if district officials were only using growth as a predictor and not proficiency status of students then the MAPS would provide misleading data.

Math performance has improved as much as 21.5 points at Santo Domingo, 18 at Bernalillo and 11 at Cochiti between SY05-SY09. However, none of the three schools has reached 30 percent proficiency and above.

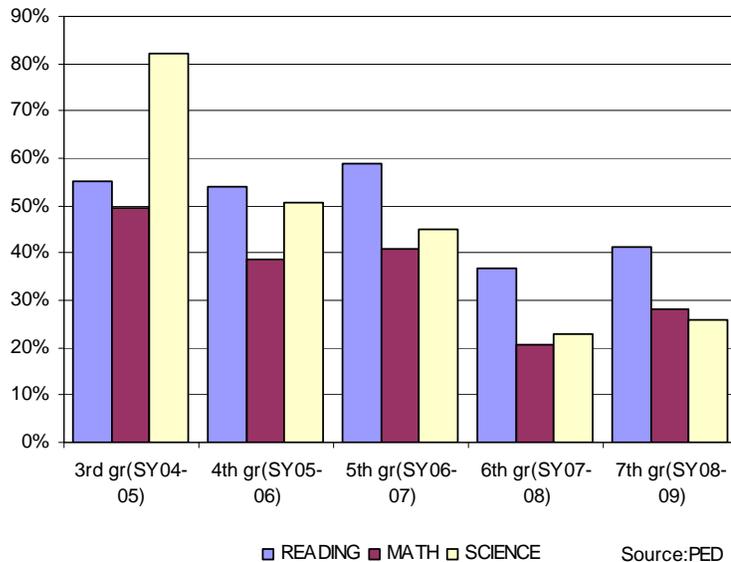


Performance across grades follows statewide trends from 3-8 grades, however the district's performance gap widens at middle school grades. The district's demographic and socioeconomic status of its student appears consistent and does not appear to explain the widening middle school performance gap with the state average.



Fewer students within a class demonstrate proficiency as they advance grade levels. For example, proficiency levels in science and math showed a steady decrease starting with the 3rd graders in SY05. Reading levels showed the students in this pseudo-cohort maintained proficiency until dropping in sixth grade, which is a statewide trend.

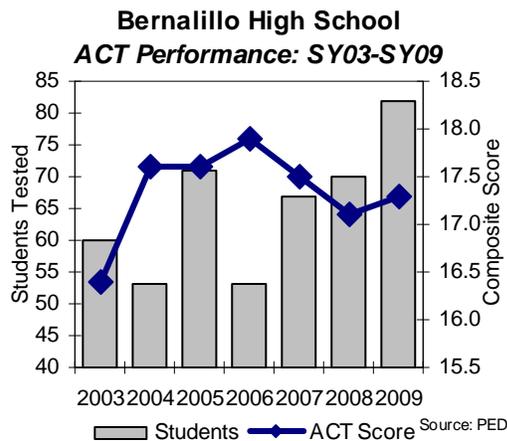
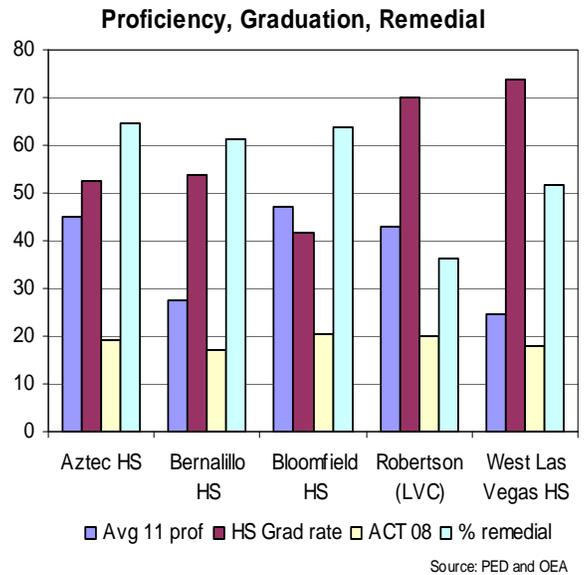
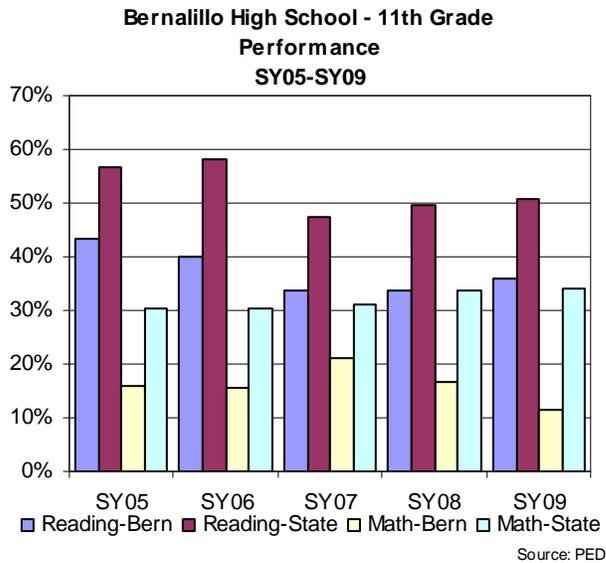
Bernalillo - Student Path - Proficient or above



Bernalillo High School (BHS) struggles with performance and graduation rates, but mirrors trends statewide. Reading and math performance have declined since SY05 at BHS, but so has performance statewide. Reading performance appeared to bottom out in SY07. However, after peaking in SY07, BHS math performance has dropped nine points to 12 percent proficient, whereas statewide Math performance has slowly improved three points. Other than performance

on the 11th grade NMSBA, BHS had similar results in terms of graduation rates, ACT scores and college remediation coursework for graduates.

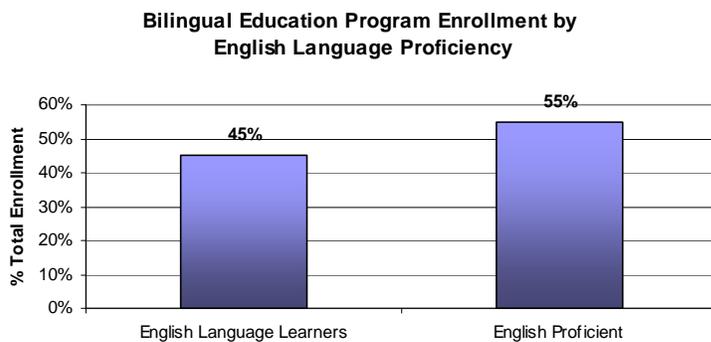
Since SY06, an increasing number of students have taken the ACT, which could explain some of the drop in average scores.



Performance of BPS bilingual program has improved, but has experienced sharp declines in enrollment and stable funding. About 72 percent of BPS students were participating in bilingual programs between SY06-SY09. The district had a net increase in formula funding increase for the program of about 1.2 percent. During this period BPS averaged about \$1.2 million per year in funding. However, during the same time period student enrollment in bilingual programs decreased about 11 percent and the district generate had about a 17 percent decline in formula units. School site visits revealed that students participating in the one hour funded bilingual program only participate for 45 minutes raising concerns over whether the district is in compliance with state regulations.

In SY09, the district generated about \$1.19 million in formula funding from its bilingual program and spent a reported \$55 thousand from operational and a total of \$587 thousand across all funds. The district maintains a local cost center to track program expenditures. However, historically the district has reported expenditures for its bilingual program far in excess of what appears to be tracked in its internal accounting system records. The district reported to PED bilingual expenditures totaling \$1.4 million in SY08 but it is unclear how this figure was calculated or its accuracy. The district pays \$700 for a teacher endorsement in TESOL and \$2,100 for bilingual instructors using special revenue funding and operational funding.

About 55 percent of students enrolled in bilingual education were proficient in English. All students enrolled in bilingual education receive from one-to-two hours of instruction in either



Spanish or an Indigenous language. Students classified as English Language Learners (ELL) also typically receive an additional hour of English as a Second Language (ESL) instruction.

During SY 08, 89 percent of ELL students were enrolled in bilingual education. While the district average of ELL students enrolled in bilingual education outpaces the state average of

53 percent for SY08, the district should continue its efforts to ensure that all ELL students receive appropriate English language acquisition instruction as required by the state constitution and federal regulations.

In general, Bernalillo students outperform statewide averages for Spanish fluency, ELL student proficiency in English; the achievement gap is narrowing. Appendix D includes graphs depicting student performance.

- While, BPS students continue to outperform their peers statewide, Spanish Language Fluency gains have remained flat in recent years at about 30 percent. The district administers the Spanish Language Assessment annually to all students receiving instruction in Spanish.
- Bernalillo ELL students have traditionally outperformed their peers statewide in terms of English language proficiency, with over 30 percent proficient in SY08. Between SY06 and SY08, ELL students improved at a slightly higher rate than their statewide peers.
- The achievement gap between ELL students in reading and math proficiency outpaced closed slightly between SY06-SY09, decreasing by three points in reading and five points in math. Disaggregating ELL from non-ELL may, however, reveal different performance given that ELL students comprise over three-quarters of test-takers.

Between SY05-SY09, an average of 20 percent of Bernalillo students generated special education funding; funding averaged about \$5 million per year. The district generated \$5.2 million in SY09 in formula funding and reported spending about \$2.29 from its operational fund and another \$700 thousand from special revenue funds such as federal IDEA-B. Major expenditures included \$3.2 million for salaries and benefits of 44 teachers and 24 assistants and \$1.5 million in therapists. The district spent about 17 percent, or \$123 thousand, on administration out of its IDEA-B federal grant. About \$83 thousand or 13 percent of all spending was for “general supplies and materials.” This line item also had \$52 thousand in unexpended budget balance. Bernalillo also spent over half of its discretionary IDEA-B grant on computer software, about \$16 thousand.

While the district was not meeting state performance goals for students with individual education programs (IEPs), there was improvement. Proficiency levels remain below state goals, however. Bernalillo did achieve over 56 percent graduation rate of students with IEPs (excluding gifted) in SY08.

Percent of Bernalillo Students with IEP's Proficient or Above on NMSBA and Participation

Participation	District				State Goals			
	District		State Goals		District		State Goals	
	Read	Math	Read	Math	Read	Math	Read	Math
2005-06	96.26%	98.56%	94.90%	95.10%	14.51%	6.94%	20.00%	13.00%
2006-07	91.39%	91.94%	95.00%	95.20%	14.98%	10.39%	24.00%	17.00%
2007-08	97.67%	96.68%	95.10%	95.30%	15.28%	11.63%	28.00%	22.00%

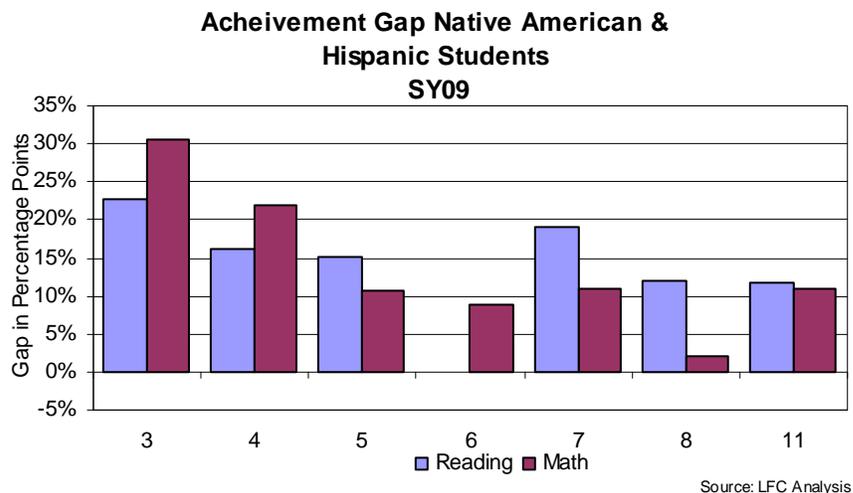
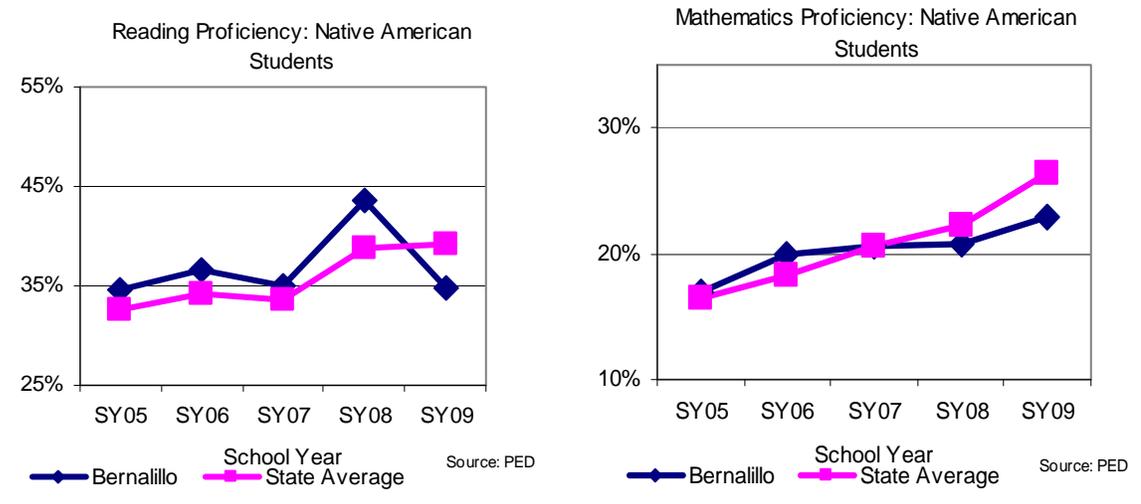
Source: PED Special Education Bureau

In SY09, about 59 percent of Bernalillo’s special education students spent 50 percent or more of their day in non-inclusion settings (level C or D), higher than other district’s reviewed. By comparison, Aztec and Bloomfield had about 42 and 33 percent, respectively. Outlier categories of students included, students with emotional disturbance (73 percent); speech/language (47 percent) and specific learning disability (67 percent). Bernalillo had about 9.5 percent of its special education students identified as gifted, compared to 13 percent in Aztec, 23.5 percent in Bloomfield and 22 percent in Las Vegas City.

While Native American students in Bernalillo have performed at or above the state average, performance has slipped; achievement gaps appear in middle school and do not recover. In SY09, Native American students comprised about 41 percent of the district’s enrollment. Students from about thirteen different tribes are represented in Bernalillo. However most students are from Cochiti, Santo Domingo, San Felipe and Santa Ana pueblos. The district provides tribal liaisons to help with attendance and cultural issues, 45 minutes/day instruction in Keres, as well as after school tutoring for its Native American students. The district does not have a comprehensive system in place to evaluate its success in these areas. For example, administrators routinely cited attendance as a major barrier to improving Native American student performance, but do not track this information to determine whether it may or may not have an impact. As recently as SY07, students from Santo Domingo demonstrated proficiency levels of about 60 percent in reading and 50 percent in math – some of the highest performance in the state. The types of services provided at that school have not changed dramatically. What

did change was in how district adults delivered services, including the departure of best practices in leadership, data driven decisions and an almost complete turnover in staff.

Since SY07, Native American student performance has started to slip compared to peers statewide. This change is primarily due to significant drops in performance at Santo Domingo, the school with the district's largest Native American population. Some grades have show large drop offs, with others showing slight gains. For example, 3rd grade reading scores dropped from 62 percent proficient in SY05 to 38 percent in SY09. However, 6th grade reading scores increased from 17 percent to 35 percent proficient and above. The achievement gap between Hispanic and Native American students ranges from 30 points in 3rd grad math to about even in 6th grade reading. The 2008 class of Native American students graduated at a slightly higher rate, 55 percent, than All students, 54 percent, in Bernalillo. Statewide about 50 percent of Native American students graduated within four years Appendix D provides additional performance detail.



Bernalillo spends over \$2.4 million in special grant funding for services to Native American students, but has had large unexpended budget balances in those funds as well. Over 51 percent of these grant funds budgets went unspent in SY07, or about \$1.9 million. By SY09, Bernalillo had started spending its funds, reducing the unexpended budget balance to about 38 percent, or \$1.5 million SY09. Impact Aid Indian Education constitutes the largest program, providing non-categorical support to the district for students on federally impacted land. In general, the district uses these grant funds for instructional assistants and school support liaisons. Appendix E includes additional financial information.

Bernalillo Public Schools - Grant Funding for Indian Education SY07-SY09

Program (Fund)	SY07	SY08	SY09
Impact Aid Indian Education (25147)	\$929,535	\$1,057,189	\$1,201,723
Impact Aid Special Education (25145)	\$178,813	\$227,612	\$293,431
Indian Education Formula Grant (25184)	\$268,180	\$218,325	\$222,226
Indian Education Act (27150)	\$34,401	\$48,914	\$42,071
Native American Program (25248)	\$453,691	\$543,206	\$454,904
Navajo Red Road Project (25111)	\$0	\$190,452	\$192,242
Total	\$1,864,620	\$2,285,699	\$2,406,597

Source: PED

Recommendations.

Review the district’s stipend policies for bilingual education to ensure this type of differential pay is actually helping recruit and retain qualified teachers.

Review identification practices of special education students and placement decisions to ensure the district is not over identifying children and to ensure placement in least restrictive environment.

Track attendance rates of Native American students and others and report this information to district administrators and board regularly.

Provide Santo Domingo with intensive central office support to improve performance and stability of effective teachers.

Reassess district spending practices using Native American grants to ensure they are aligned with district goals.



**BERNALILLO PUBLIC
SCHOOLS**

224 N. Camino del Pueblo
Bernalillo, NM 87004

Barbara Vigil-Lowder
Superintendent

Phone: (505) 867-2317
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Board of Education
Jack Torres
Ray H. Trujillo
Nancy Walker
Olivia Calabaza
Errol Chavez

John M. Ryan
Executive Director Of
Accountability And
Human Resources

Anna Torres
Executive Director Of
Elementary Education

Allan Tapia
Executive Director Of
Secondary Education

Denise Irion
Director of Finance

November 16, 2009

David Abbey, Director
Legislative Finance Committee
State Capitol Building, Suite 101
Santa Fe, NM 87501

Dear Mr. Abbey:

Bernalillo Public Schools received the LFC District Evaluation on November 12, 2009. The review was very extensive and entailed all aspects of the district. Although the timing of the review made it challenging for my staff (district was starting off the school year; working with auditors to complete that process; preparations for both Bilingual and USDA audits), I want to commend my staff for making every effort to fully cooperate and provide the requested information in a timely manner. Your staff worked diligently to understand the intricacies of the district and was most professional throughout the process.

I have outlined the district responses below. We have learned a lot from this process and will incorporate the information into our continuous improvement process.

Sincerely,

Barbara Vigil-Lowder
Superintendent

FINANCIAL SPENDING, PLANNING AND INTERNAL CONTROLS

- The LFC recommendations state that the district should provide school board members with training on district financial information, provide monthly status reports and monthly credit card tracking reports. We essentially agree with these statements. The Director of Finance for BPS is currently implementing procedures for credit card usage. These procedures include a credit card log to provide justification of the credit card purchase. The procedures also include that an approved purchase order must be issued prior to the credit card purchase occurring in accordance with the state procurement code. This will also allow for system generated reports to be produced for the board that details the expenditures that occurred on the credit cards. Operational Budget Reports are being written by the Director of Finance to address the budget review by the board.
- A 5-year strategic plan for district operations and instructional programs is recommended. The district is in favor of this recommendation and is currently in the process of moving towards a 5-year strategic plan that includes the annual Educational Plans for Student Success (EPSS). The district has established Goal Teams that are incorporated into the EPSS and include instruction, financial and operational goals. These Goal Teams will be the conduit for strategic planning that will also involve parents and board members. These plans will include timetables for remedying financial audit findings as well as the operational and instructional findings and recommendations. The Director of Finance is incorporating the Committee of Sponsoring Organizations (COSO) internal control integrated framework which consists of five critical elements that must be present in carrying out the achievement objectives of the organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring.
- One of the recommendations is to implement review base spending. The district is currently utilizing School Dude to evaluate and analyze our maintenance and utility costs. Enhancement in this area is necessary to gain the full benefit of the program. The district is currently preparing for the next budget cycle and will implement tools for review by school sites and departments to ensure costs and budgets are reasonable and appropriately helping the district achieve its goals.
- The district has experienced decreased membership and T&E index over the last five years. As a result, FY10 budget realized \$1.3 million decrease in the amount of formula funding. The district expects the trend to continue based upon the 40th day count and is currently analyzing the projected reduction in funding in preparation for the FY11 budget. During the FY10 budget process Pupil Teacher Ratios (PTR) were reviewed for all school sites to determine staffing levels. Since our salaries and benefits comprise approximately 85% of our overall budget, the district is reviewing all additional compensation to ensure these expenditures are reasonable and appropriate to help the district achieve its goals. The district is working in conjunction with their local union to ensure all aspects of additional compensation are addressed.
- The Director of Finance and Executive Director of Human Resources and Accountability are currently writing procedures to ensure all proper authorizations are obtained for additional compensation and that these additional amounts fit within the districts goals.

- Prior to the LFC review the district recognized internal control issues and has implemented measures to enhance review and oversight of fiscal processes. Some of these improved processes include the implementation of professional services and purchased services contract procedures, bank reconciliation review, fixed asset procedures for inventory and construction in progress, reduction in open purchase orders and fiscal training for bookkeepers and secretaries. Procedures are in draft for additional compensation, increased cash control and credit card usage.
- The district will review spending for supplies and materials throughout the district and work closely with program directors to maximize budgets and eliminate waste. This will provide for a more equitable distribution of funds throughout the district.
- LFC states there are questionable expenditures in the Title I program. The district will be conducting a review of the program to assure: 1) expenditures are allowable within the grant; 2) align with the district/school goals; 3) assist toward the goal of increasing student academic achievement.

GOVERNANCE PRACTICES

- The School Board currently has a policy governing their annual self-evaluation. The Superintendent will work with the board president to schedule.
- LFC recommends the school board use the conflict of interest disclosure form. The administration is drafting an updated conflict of interest policy to address the concerns disclosed in the report pertaining to conflict of interest.
- LFC recommends the school board implement a framework for reviewing superintendent's performance that is objective, aligned with district strategic goals, and utilizes performance measures. The board has developed an assessment tool for evaluation. The superintendent will work with the board to assure the recommendation is fully implemented.
- LFC recommends the accountability reports should extend to other operations of the district besides just the school reports. A process is being implemented to assure the board receives reports from the various departments in the district and has the opportunity to provide input.

STUDENT PERFORMANCE

- Prior to the LFC review, the district recognized the need to provide additional assistance from Central Office at Santo Domingo School, especially with the change in the school administration. The Central Office administration, which includes the superintendent, the executive directors, and the program directors are working with the school administration to review the current Alternative Governance Plan (AGP), the Educational Plan for Student Success (EPSS) and the operation and maintenance of the school to make the necessary adjustments. The District utilizes the Data Driven Classroom software to track the data for students (SBA and short-cycle assessments) and works with teachers to understand the data and adjust lesson plans and teaching strategies for effective learning. This process is completed throughout the district. The school is now reinstating the continuous improvement model using the PDSA (Plan, Do, Study, Act) process. They have implemented

Goal Teams at the site and participating in the district vertical articulation process. Central Office staff is at the school site every week to provide the needed assistance. The district has provided a mentor for each of the principals who communicate via face-to-face, email, and telephone daily. New teachers to the school site have also been assigned a teacher mentor.

- The district will review the placement of teachers to assure the majority of beginning teachers are not located at any one specific school.
- Bernalillo Public Schools, through the continuous improvement process, incorporates proven strategies throughout the district assuring alignment. The district has a School Improvement Coordinator employed to work on this process and to be of support to schools. The district has identified areas of strength, best practices, and model classrooms and through the PDP process assures staff is not only receiving the needed support, but also monitors the progress.
- The district hired a new Director of Bilingual Education this year who is assuring there is alignment in bilingual education district-wide and providing the necessary professional development to incorporate the New Mexico English Language Development Standards Pre-K through 12. The district is reviewing enrollment in the programs and making any changes needed at semester to properly place students. The district will also review the stipend policy.
- The Director of Special Education is reviewing procedures regarding identification and appropriate placement of students.
- The district gathers data on our Native American students which include attendance rates. This information will be provided to the school board as per LFC recommendation. The district also provides this information to Pueblo Governors, Indian Education Directors, schools and parents. The district recently held a Summit to discuss achievement of our Native American students and to develop strategies that the district, Pueblo, Indian Education Directors, Parents and Communities will utilize to improve the achievement of these students.
- The superintendent, along with students, Native American Education Director, district Administrative Liaison, teachers, and counselor, recently attended Governor Richardson's Native American Summit. The Superintendent, along with appropriate staff, always attends the Government to Government meetings.
- The district has recently partnered with Santo Domingo Pueblo and PED on a behavioral health initiative for our students.
- The district will be reviewing all Native American grants to assure compliance of grant intent and to assure alignment with district goals.
- LFC report references performance and graduation rates at the high school. Bernalillo High School has instituted an Alternative to Suspension program to keep students in school. In addition, the district has three (3) MOAs with institutions of higher education for Dual Enrollment. The high school's credit recovery program is available to students during the school day, after school, and on Saturday mornings. Early reports and data at the high school indicate that the change in principal is positive and the school is showing improvements in the areas of attendance, student discipline, grades, parental involvement and expectations. The school has implemented the "Power of I" policy to focus on mathematics at the 9th grade level, with a five-year implementation throughout the school. The high school is also a High Schools That Work (HSTW) site.

APPENDIX A: History of the Unit Value

History of the Unit Value

School Year	Initial Unit Value	Final Unit Value	Percent Change Year to Year
1975-1976		\$703.00	
1976-1977		\$800.00	13.80%
1977-1978		\$905.00	13.13%
1978-1979		\$1,020.00	12.71%
1979-1980		\$1,145.00	12.25%
1980-1981		\$1,250.00	9.17%
1981-1982		\$1,405.00	12.40%
1982-1983	\$1,540.00	\$1,511.33	7.57%
1983-1984		\$1,486.00	-1.68%
1984-1985		\$1,583.50	6.56%
1985-1986	\$1,608.00	\$1,618.87	2.23%
1986-1987		\$1,612.51	-0.39%
1987-1988		\$1,689.00	4.74%
1988-1989		\$1,737.78	2.89%
1989-1990		\$1,811.51	4.24%
1990-1991		\$1,883.74	3.99%
1991-1992		\$1,866.00	-0.94%
1992-1993	\$1,851.73	\$1,867.96	0.11%
1993-1994	\$1,927.27	\$1,935.99	3.64%
1994-1995	\$2,015.70	\$2,029.00	4.80%
1995-1996	\$2,113.00	\$2,113.00	4.14%
1996-1997	\$2,125.83	\$2,149.11	1.71%
1997-1998	\$2,175.00	\$2,175.00	1.20%
1998-1999	\$2,322.00	\$2,344.09	7.77%
1999-2000	\$2,460.00	\$2,460.00	4.94%
2000-2001	\$2,632.32	\$2,647.56	7.62%
2001-2002	\$2,868.72	\$2,871.01	8.44%
2002-2003	\$2,896.01	\$2,889.89	0.66%
2003-2004	\$2,977.23	\$2,976.20	2.99%
2004-2005	\$3,035.15	\$3,068.70	3.11%
2005-2006	\$3,165.02	\$3,198.01	4.21%
2006-2007	\$3,444.35	\$3,446.44	7.77%
2007-2008	\$3,645.77	\$3,674.26	6.61%
2008-2009	\$3,892.47	\$3,871.79	5.38%
2009-2010*	\$3,862.79		-0.23%

Source: PED

*Preliminary Unit Value. Includes \$256.39 federal Stimulus SEG.

APPENDIX B: Selected Credit Card Expenditures

*As recorded in district files (SIC).

Elementary Education Credit Card Use – Sample Expenditures SY09

Amount	Description
\$110.09	Lunch for staff attending Bilingual awards Day @ NMPED Rio Chama Steakhouse 013009
\$417.00	DRAZ training Abuelita's 100208
\$51.40	Working Lunch Flying Star 093008
\$232.55	Even Start staff development La Cosecha Dual Language @ Gabriel's Restaurant 111408
\$66.39	Lunch for 5 district employees after Operat for Placitas @ La Fonda Del Bosque 040809
\$38.59	ARRA Title I stimulus workshop on @ St. Clair Winery Bistro 041609
\$72.14	Working Luncheon w/office staff - Flying Star 071008
\$36.68	Title I working lunch La Casita 082608
\$38.06	Title I staff luncheon La Casita 100108
\$79.36	Title I working lunch La Casita 091608
\$61.50	Working lunch-Title I office staff Flying Star 070208
\$62.95	Working lunch-Title I office staff Flying Star 070708
\$32.40	Working Lunch 21st CCLC prgrm @ La Casita Cafe 050509
\$87.58	Working lunch for ECE staff @ Roosevelt from Davidos 031709
\$50.00	Title I gift certificate to teacher @ flying Star 12172008

Source: BPS

Secondary Education Credit Card Use – Sample Expenditures SY09

Amount	Description
\$82.94	BHS matrix meeting/admin staff from Quiznos 060309
\$74.57	BHS Principal interview committee meal from Quiznos 052709
\$17.34	BHS Principal interviews refreshments from Walgreens 052709
\$31.29	District BBQ supplies from Target 052509
\$22.05	Retirement Dr. Abeyta from Walmart 060209
\$750.00	Truancy Prevention incentive gifts from Barnes & Nobel 051409
\$750.00	Truancy Prevention incentive gifts from Walmart 061409
\$585.00	Truancy prevention incentive gifts from Target 052609
\$109.86	Interview Committe Indian Ed Director meals - Quiznos 072108
\$21.07	Interview Committee Indian Ed Director refreshments - Walgreens 072108
\$18.27	Transportaton Meeting @ la Hacienda 012209
\$43.00	Athletic luncheon @ La Casita 022509
\$59.60	Quiznos 021709
\$45.60	School Imprv lunch appreciation Chili's 110708

Source: BPS

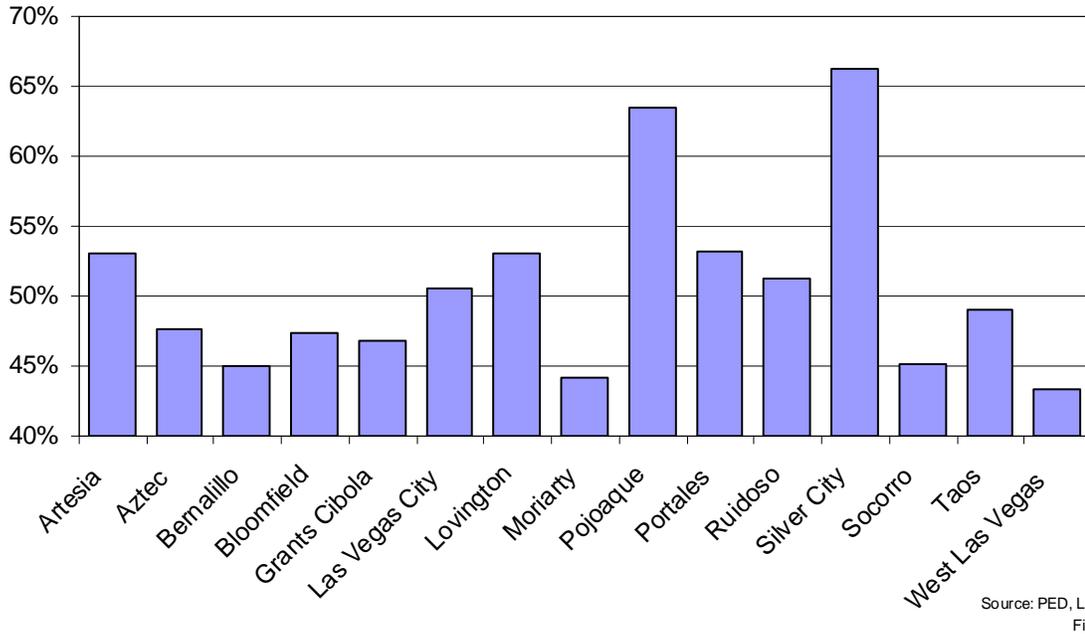
Superintendent Credit Card Use – Sample Expenditures SY09

Amount	Description
\$27.48	Luncheon meeting @ La Fonda Del Bosque 040709
\$63.24	Meals at High Noon 040109
\$155.72	Student group meetnig @ Flying Star 032609
\$12.16	Administrator's study group @ Flying Star 042309
\$94.90	Administrator's study group @ Flying Star 042309
\$110.00	Study group meeting @ Flying Star 052809
\$45.61	Meeting w/exec. directors & superintendent @ La Casita 121608
\$63.79	Administrators @ Gabriels 030209
\$130.95	Administrators Study Group @ Flying Star 022609
\$59.09	Flower Arrangement for Colleague C Gonzales from Florist 030409
\$46.19	Meeting w/ Executive Directors @ The Range Cafe 021309
\$15.10	Morning Meeting w/Administrators @ flying Star 030509
\$21.33	Plants for Administrators @ Smiths 030509
\$207.00	Administrators retreat meals Villlage Subs 073008
\$155.80	Catered lunches Jason's deli 081508
\$85.50	Meeting w/administrators Pappadeaux Seafood 082508
\$167.63	NMCSA conf-lunch for 11 administrators High Noon Restaurant 072408
\$33.58	Luncheon meeting @ Flying Star 091708
\$29.87	Plants new directors Smiths 092408

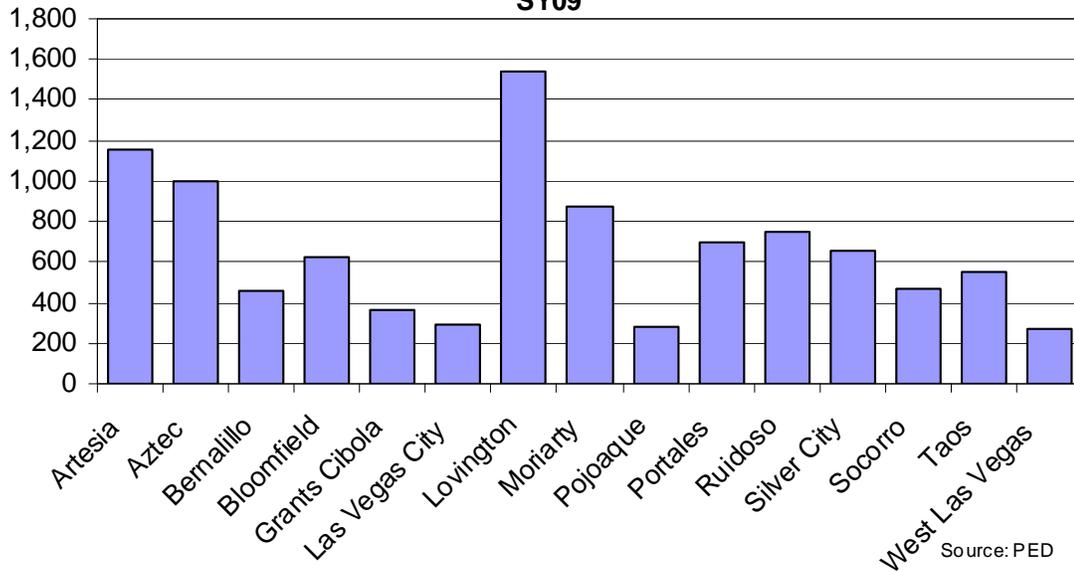
Source: BPS

APPENDIX C: Staffing Ratios

**Teachers as a Percent of Total Staff
SY09**

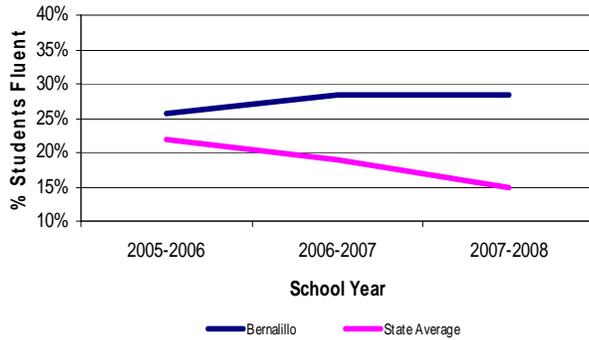


**Students per Administrator
SY09**

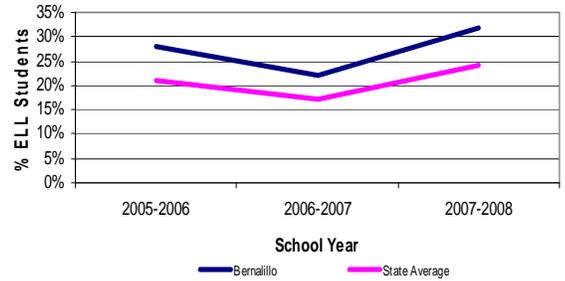


APPENDIX D: Bilingual Program Outcomes

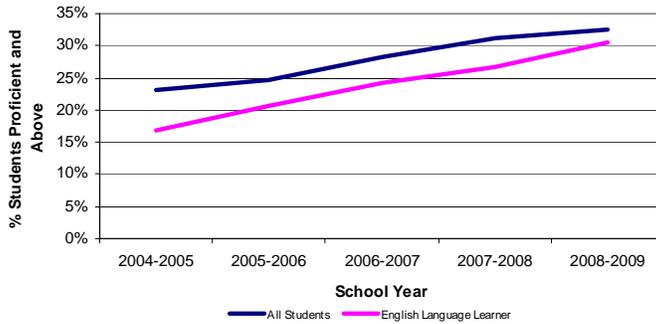
Percentage of Students (Grades K-12) Fluent in Spanish



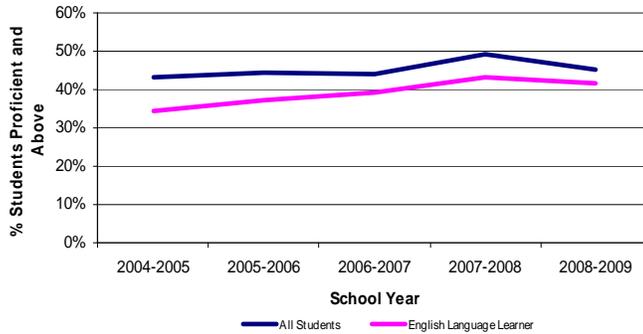
Percentage of ELL Students Proficient and Above in English (Grades K-12)



Percentage of ELL Students Proficient and Above in Mathematics

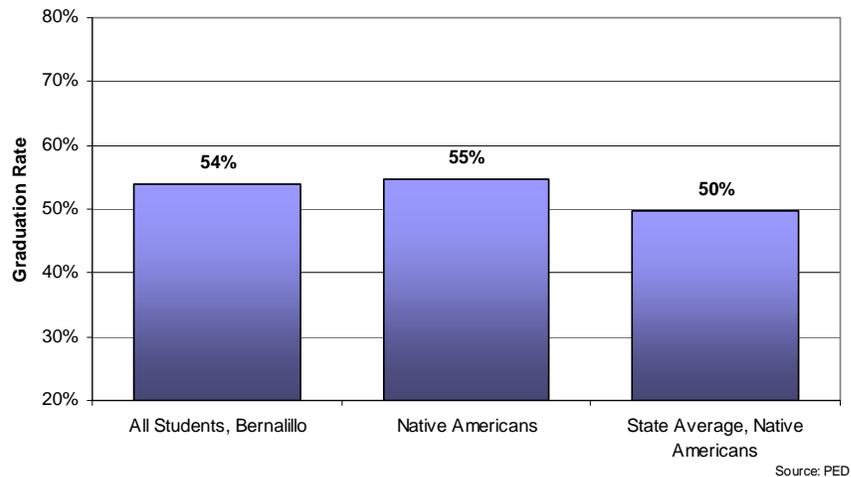


Percentage of ELL Students Proficient and Above in Reading



APPENDIX E: Native American Programs

Native American Graduation Rate, Class of 2008



Bernalillo Public Schools

Grade	SY05						SY09					
	Native American			Hispanic			Native American			Hispanic		
	Reading	Math	Science	Reading	Math	Science	Reading	Math	Science	Reading	Math	Science
3	62%	57%	85%	47%	43%	79%	38%	29%	82%	61%	59%	84%
4	39%	26%	43%	46%	28%	37%	35%	15%	28%	51%	37%	55%
5	51%	21%	28%	60%	27%	43%	42%	39%	40%	57%	50%	53%
6	17%	6%	11%	34%	15%	22%	35%	20%	15%	35%	29%	23%
7	27%	7%	5%	54%	13%	18%	29%	23%	10%	48%	34%	35%
8	34%	9%	8%	53%	20%	20%	36%	30%	8%	48%	32%	14%
11	38%	5%	~	48%	24%	~	28%	5%	9%	40%	16%	22%

Source: PED

Impact Aid - Indian Education (25147) Expenditures SY07-SY09

Function	SY07		SY08		SY09	
	Expenditure	FTE	Expenditure	FTE	Expenditure	FTE
Instruction	\$497,891	8	\$602,028	12.9	\$706,078	13.13
Support Services - Students	\$227,555	3.54	\$254,396	5.51	\$289,257	7
Support Services - Instruction	\$40,695	1	\$31,384	1	\$35,889	1
General Administration	\$110,709	1	\$135,545	1.4	\$146,133	1.33
School Administration	\$26,121	0.33	\$33,631	0.33	\$8,451	0
Central Services	\$26,563	0.4	\$205	0.01	\$15,916	0.4
Total	\$929,535	14.27	\$1,057,189	21.15	\$1,201,723	22.86
<i>Unexpended Budget Balance</i>	<i>\$1,601,974</i>		<i>\$1,377,308</i>		<i>\$1,133,988</i>	

Source: LFC Analysis

APPENDIX F: LFC Performance Index

LFC staff has developed a methodology for evaluating the performance of New Mexico public school districts, using the following equation:

$$a + \sqrt{(1-y)(b)} + \sum_{t=1}^4 [(P_{t+1} - P_t) / (1 - P_1)]$$

Where:

- a=district five-year (SY 05-SY 09) average of student proficiency rates in reading and mathematics for *all* students.
- (1-y)=weighted variable of average, five-year enrollment rates for district economically disadvantaged (ED) students relative to a demographic peer group average when:
 - $y=(x-x1)$, where x =demographic peer group average over five years for ED student enrollment, and $x1$ =district average over five years for ED student enrollment
- b=district five-year average student proficiency rates in reading and mathematics for ED students.
- $\sum_{t=1}^4 [(P_{t+1} - P_t) / (1 - P_1)]$ Represents a benchmark growth model that evaluates annual growth in district student proficiencies in reading and mathematics, to a base-proficiency benchmark (P1) and annual growth from that benchmark towards the eventual goal of reaching 100 percent proficiency among all students.

Based upon their performance on this index, districts generate an index score that allows for student performance comparisons across districts.

The LFC index (index) takes into account that school districts with above average ED populations face additional challenges given the demographic profile of their student population. Meeting the academic needs of these students is one of the prime challenges facing the state, as ED students comprise a majority of the current school-aged population.

The index also evaluates school districts on the basis of yearly growth in student proficiency rates. Unlike other methods of measuring school performance, however, the index does not evaluate school districts based upon their ability to reach certain annual performance benchmarks; but rather on the basis of their progress towards achieving 100 percent student proficiency rates.

Limitations. The index may over-estimate the weight that should be given to districts with large ED student populations. This problem stems from the composition of the *all* students category, which represents an aggregate measure for the performance of non-ED students as well as ED students.

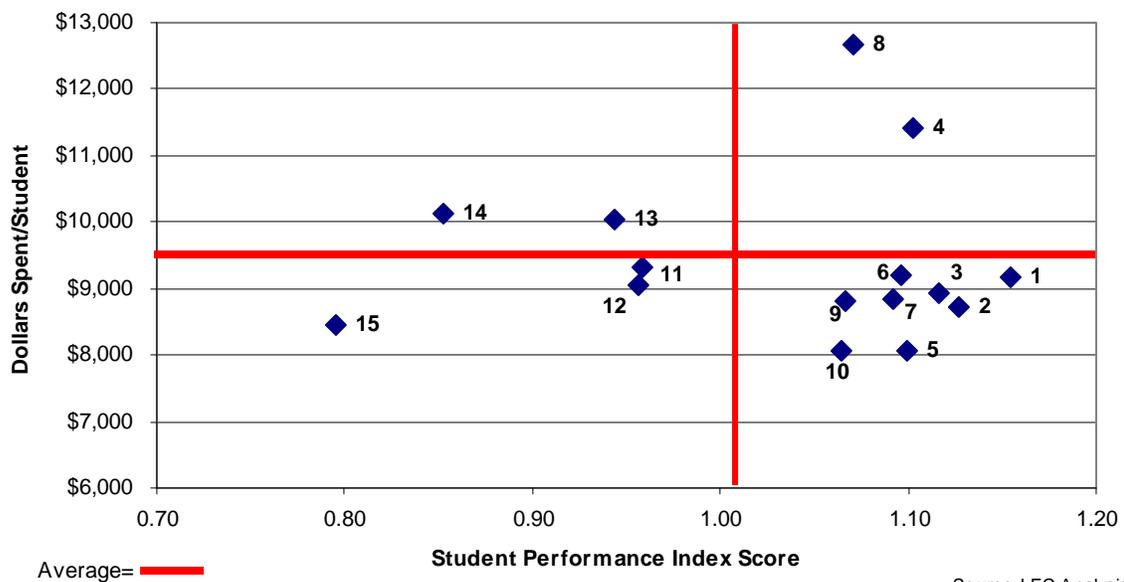
The benchmark growth model may underestimate the weight that should be given to schools with above-average growth. LFC staff will continue to evaluate this feature of the index, to ensure that proper weight is given to school districts that have consistently demonstrated high-levels of growth in student proficiency rates.

LFC staff used the index to evaluate the performance of 15 medium-sized school districts, including those districts currently under review. The results of this analysis are presented in table and chart 1.

Table 1. Student Demographic Weight

Ranking	DISTRICT	Cost/Mem	Index Score
1	Taos	\$9,178.26	1.16
2	Silver City	\$8,731.74	1.13
3	Portales	\$8,939.69	1.12
4	Bernalillo	\$11,399.78	1.11
5	Moriarty	\$8,053.73	1.11
6	Ruidoso	\$9,193.72	1.10
7	Bloomfield	\$8,836.36	1.10
8	West Las Vegas	\$12,663.92	1.08
9	Artesia	\$8,819.69	1.07
10	Aztec	\$8,051.35	1.07
11	Las Vegas City	\$9,311.27	0.96
12	Pojoaque	\$9,041.39	0.96
13	Grants Cibola	\$10,029.55	0.95
14	Socorro	\$10,117.46	0.86
15	Lovington	\$8,463.73	0.80
	Average	\$9,388.78	1.03

Chart 1. LFC Student Performance Index Relative to Avg. Cost/Student



Source: LFC Analysis

Excluding Student Demographics

When the ED student weighted variable is removed from the index, school districts are ranked based solely upon:

- District average five-year student performance in reading and mathematics;
- Annual percent growth in student proficiency rates.

This method is expressed by the following equation:

$$a + \sum_{t=1}^4 [(P_{t+1} - P_t) / (1 - P_1)]$$

As shown in table and chart 2, some district performance rankings shift when student demographics are excluded as an evaluative variable.

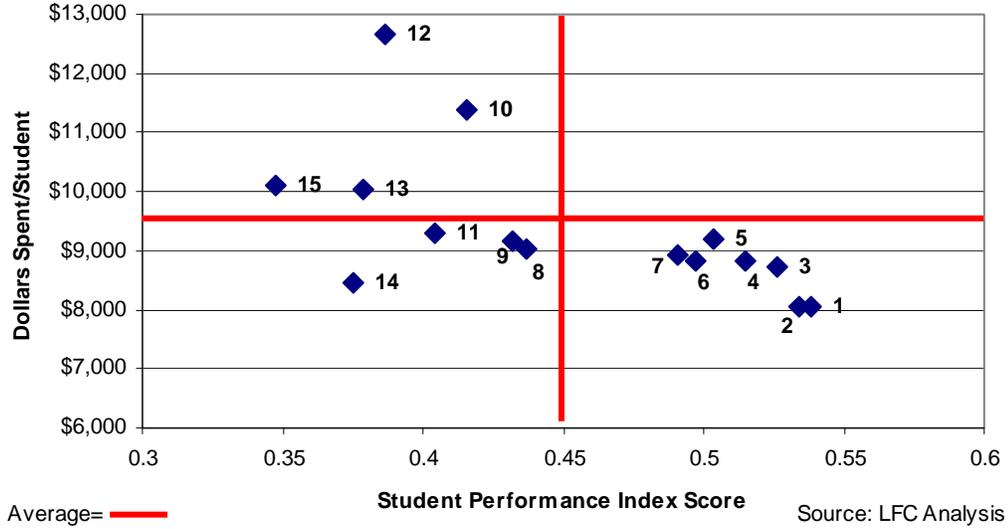
Table 2. No Student Demographic Weight

Ranking	DISTRICT	Cost/Mem	INDEX SCORE	% Low Income
1	Moriarty	\$8,053.73	0.54	48%
2	Aztec	\$8,051.35	0.53	41%
3	Silver City	\$8,731.74	0.53	55%
4	Artesia	\$8,819.69	0.52	45%
5	Ruidoso	\$9,193.72	0.50	60%
6	Bloomfield	\$8,836.36	0.50	58%
7	Portales	\$8,939.69	0.49	68%
8	Pojoaque	\$9,041.39	0.44	52%
9	Taos	\$9,178.26	0.43	99%
10	Bernalillo	\$11,399.78	0.42	96%
11	Las Vegas City	\$9,311.27	0.40	58%
12	West Las Vegas	\$12,663.92	0.39	99%
13	Grants Cibola	\$10,029.55	0.38	75%
14	Lovington	\$8,463.73	0.37	28%
15	Socorro	\$10,117.46	0.35	63%
	Average	\$9,388.78	0.45	63%

For instance, Bernalillo drops from 7th to 10th place in the LFC ranking, while Aztec rises in the ranking from 10th to 2nd place. These shifts are a result of the added weight that the amended formula places on student performance and growth in proficiency rates.

While excluding the demographic variable may alter district performance rankings, it does not alter the central finding that there appears to be little correlation between increased per-student expenditures and higher or improved student performance outcomes.

Chart 2. No Student Demographic Weight



As shown in chart 2, all school districts with above average performance also have below average per-student costs. Conversely, 50 percent of school districts with below average student performance have above average per student cost.