



**Report
to
The LEGISLATIVE FINANCE COMMITTEE**



**Program Evaluation: Global Summary
Aztec, Bernalillo, Bloomfield, Las Vegas City & West Las Vegas School Districts
November 19, 2009**

Report #10-02

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Manu Patel, CPA

PROGRAM EVALUATION TEAM

Jacob Candelaria
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State of New Mexico
LEGISLATIVE FINANCE COMMITTEE

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

David Abbey
Director

Senator John Arthur Smith
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November 19, 2009

Dr. Veronica Garcia, Secretary
Public Education Department
Jerry Apodaca Education Building
300 Don Gaspar
Santa Fe, NM 87501

Dear Dr. Garcia,

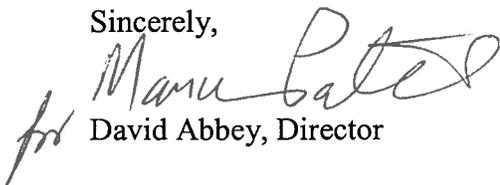
On behalf of the Legislative Finance Committee (Committee), I am pleased to transmit the *Global Evaluation Summary of Aztec, Bernalillo, Bloomfield, Las Vegas City, and West Las Vegas school districts*. Individual reports on each district will be issued at a later date.

The review team assessed these districts' governance and management best practices, the use of funding and cost-effectiveness of resource allocation decisions, the success of district efforts to improve student academic performance. The report will be 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 would like an action plan to address the findings and recommendations from the departments within 30-days from the date of the hearing. Staff will continuously monitor your progress.

I believe this report addresses issues the Committee asked us to review and hope the school districts benefit from our efforts. We very much appreciate the cooperation and assistance we received from the districts and your staff.

Sincerely,


David Abbey, Director

cc: Kirk Carpenter, Superintendent, Aztec Municipal Schools
Barbara Vigil-Lowder, Superintendent, Bernalillo Public Schools
Joe Rasor, Superintendent, Bloomfield Public Schools
Richard Romero, Superintendent, Las Vegas City Schools
James Abreu, Superintendent, West Las Vegas Schools

CJ/svb

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

	SY09	SY10	Chg	%
GF	\$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.

Changes in Students, Formula Units & Funding: SY06-SY09



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 SY04, to almost \$2.4 billion in SY09. Despite significant revenue shortfalls, the Legislature has maintained its commitment to public education by limiting reductions to the SEG by about \$44 million, or only 1.9 percent for SY10. This after accounting for federal fiscal stabilization funds and reduced employer retirement contributions. Also, between SY09 and SY10, school districts reported budget increases of \$102 million, or 3.2 percent, excluding capital outlay and debt service.

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.

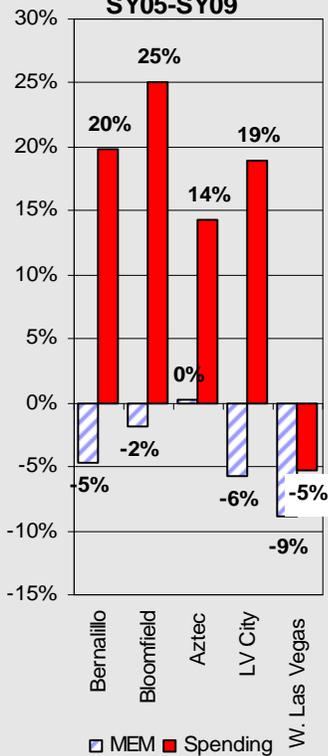
- **Governance.** Assess oversight of school districts and their use of governance and management best practices.
- **Spending.** Review the use of funding and cost-effectiveness of resource allocation decisions, including human resources.
- **Student Outcomes.** Review student academic performance and 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. Individual reports on each district will be issued at a later date.

Overall, each district has many talented individuals committed to improving student learning in their communities. Though varied, districts have shown progress in implementing New Mexico’s public school reforms, including the use of a continuous improvement process for their educational programs. However, districts need improved financial planning and accountability for performance for all district operations, not just teachers and principals. In addition, regular and robust attention should be placed on ensuring district expenditures are aligned with district goals and are truly necessary and affordable.

KEY FINDINGS

Districts Change in MEM & Spending* SY05-SY09



Source: LFC Analysis.
*General & Special Revenue Funds

W. Las Vegas maintains expensive custodial, maintenance and administrative costs. Spending on instruction remains low at 52%.

Operations & Maintenance, Costs/Sq Ft, SY 09



Source: LFC Analysis

Spending has increased 15 percent since SY05, despite a two percent decline in students; structural spending changes are necessary.

Overall, the five districts' had net spending increases of \$18.1 million or almost 15 percent across all funds, excluding capital outlay, from \$122 to \$140 million between SY05-SY09. A 21 percent increase in 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. Appendix A shows the history of the unit value. Between SY06-SY09, the five districts averaged a student membership decline of 1.2 percent, over a 10 percent decline in units generated from membership (such as special education) and a 5.6 percent decline in the total number of units generated through the state's funding formula. A flat, or slightly declining, unit value will now force more difficult budget decisions for districts.

Districts spend most of their funds on instruction, although the percentages vary. In SY09, the districts spent the following percent of the operational fund on instruction: Aztec 63.5 percent, Bernalillo 61.8 percent, Bloomfield 61.9 percent, Las Vegas City 59.4 percent, and West Las Vegas 52.1 percent. Relative to SY07, all of the districts increased the percent of the operational fund spent on instruction, except for Bloomfield which was essentially level. State funded teacher salary increases have resulted in more dollars directed to instruction.

Deference to locally controlled decisions in some cases negatively impacts state aid to other school districts.

Districts that generate additional units inappropriately under the state funding formula dilute the unit value and available funding for other districts.

Requests for emergency supplemental funds provided by West Las Vegas were often confusing, poorly justified and contained numbers that did not match actual budget documents.

West Las Vegas struggles to manage its budget, resulting in over \$1.5 million in emergency supplemental state funding since SY07 and PED taking over its Board of Finance. While West Las Vegas clearly faces challenges managing declining enrollment and loss of associated funding, it does not appear the district has taken sufficient steps to make necessary structural spending changes to continue to operate independently. The district maintains expensive custodial, maintenance and administrative costs, while spending on instruction remains low (52 percent) compared to similar districts; teachers only account for 43 percent of staff. In SY09, staffing levels for custodians and maintenance exceeded recommended standards by 12 full-time equivalents (FTEs), costing the district an estimated \$382 thousand in excess salary and benefits, which was more than emergency supplemental awards for that year.



West Las Vegas has not submitted a facilities master plan to PSFA, despite receiving state construction awards which were contingent on a plan being submitted.



Non-instructional spending accounts for over 40 percent of district spending.

Bernalillo and West Las Vegas generate an estimated \$746 thousand from small school size adjustment units for schools that should not be considered small under the formula. Las Vegas City has two small elementary schools separated by a parking lot. PED has approved separate K-5 and 6-8 grade schools in Bernalillo and West Las Vegas to qualify for size adjustment funding even though the schools operate in the same building and under a single administration. Bernalillo generates small school size funding for schools that should not be considered small, totaling over \$518 thousand in SY09. West Las Vegas generated over \$228 thousand for a school with the same situation in SY09. Most Las Vegas City elementary schools generated small school size adjustments in SY09, including two schools separated by a parking lot.

Districts have inflated utility budgets by budgeting cash balances in these line items, some as high as 50 percent. This practice unnecessarily increases costs to the state for the SEG “opening the doors” budget calculations.

Strategic planning and performance-based budgeting would help districts ensure all operations support goals and extend accountability measures. A longer term view of district finances and operations would help districts ensure alignment of generally declining enrollment and student needs within available funding. However, the five districts lack long-term financial planning to deal with pending structural changes in revenue due to decreasing enrollment and students’ needs.

Districts do not regularly link financial and educational or operational planning to ensure spending decisions support district goals. The districts use a traditional annual incremental budget process. Districts tend to wait until after the legislative session to begin budget planning, which exacerbates the “base plus” incremental budgeting process and limits time available to the public and board to participate in its development. State requirements for districts to develop five-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 develop a similar, albeit more limited, strategic planning for its operations and delivery of instructional services to students. Non-instructional spending accounts for over 40 percent of district spending.

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.

Adjustments to the timing of the administration of the Standards Based Assessment (NMSBA) and return of results has helped districts, but it appears the new test contract may be too expensive. PED has made improvements by moving the testing window back by more than three weeks and taking steps to get the results to districts sooner. However, the new test contract has about doubled the cost and left school districts' with an unmet funding need for student assessments in SY10 of about \$3.4 million statewide, despite increased appropriations.

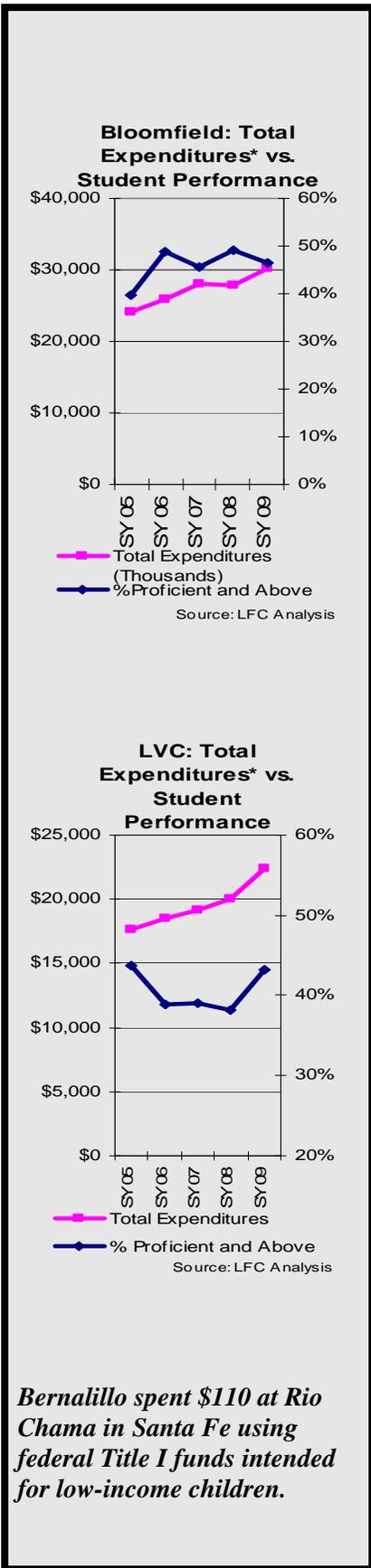
Poor financial management practices and flawed accounting systems unnecessarily expose districts to fraud, waste and abuse.

All districts, except Bloomfield, have struggled to consistently submit financial audits to the State Auditor on time. Late audits may indicate an organization struggles with preparing basic financial statements and accompanying documents, has internal or management weaknesses and is the first warning level for financial difficulties. Only one district regularly submitted timely audits over the past five years. A review of financial audit reports indicates some districts consistently struggle with implementing a strong financial management and internal control environment.

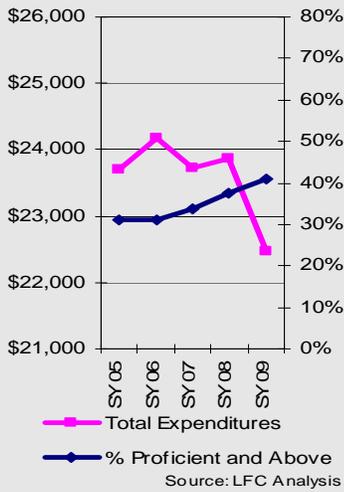
All district's accounting information systems need improvement and possibly replacement. LFC contracted for an information technology (IT) audit of districts' accounting systems. Districts have taken immediate actions to correct deficiencies based upon the audit's recommendations. However, the system's 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.

Oversight of district credit card use is lacking, resulting in questionable expenditures including administrator "in-town" dining expenses. Aztec, Bloomfield and Bernalillo use district issued credit cards for purchases, but lack policies, procedures or effective oversight tools to monitor their use. In SY09, Bloomfield spent about \$370 thousand, Aztec spent over \$324 thousand and Bernalillo spent about \$52 thousand using district credit cards. A cursory review found a number of questionable expenditures for administrator "in-town" dining and catered staff lunches, including \$110 at Rio Chama in Santa Fe using federal Title I funds intended for low-income children.

School districts' spending practices raise concerns and demonstrate need for better controls to ensure expenditures support district goals and student learning. For example, Bernalillo made a year-end



WLV: Total Expenditures* vs. Student Performance



West Las Vegas spent \$240,000 for energy management consultant services which it could have received for free by the state.

Five District Performance Average - Reading/Math SY05-SY09



N either PED, nor the districts, routinely audit vendor contract costs to ensure appropriateness and accuracy.

purchase (SY07) of an unnecessary service tow-truck by the transportation program for \$91 thousand and then sold it for \$75 thousand within the same year to Los Alamos Public Schools. The district also made a year-end purchase (SY08) of three sport-utility vehicles (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. Bloomfield spent \$11,178 on iPods and accessories and charged them to school administration. Aztec spent \$1,470 on ten iPods for students and seven \$40 gift cards from Lowes for staff.

Additional compensation in the form of bonuses, incentive pay, extra duty pay and stipends boosts district salaries by as much as eight percent in some districts. None of the districts had comprehensive policies governing additional compensation or regularly evaluated whether these payments were helping the district achieve its goals. Collective bargaining agreements were responsible for boosting some teacher pay; in other cases teachers can earn more by working more. For example, Bernalillo spending on additional compensation has increased over 145 percent since SY06 and boosts salaries in general by over five percent. The district spent over \$1 million on these payments in SY09 across all funds and in some cases, payments boost pay of some employees by as much as 39 percent.

Transportation services are often subsidized with operational funds and neither PED, nor the districts, routinely audit vendor contract costs to ensure appropriateness and accuracy.

In general, districts are making slow improvements in student performance but more work is needed, particularly for Native American students. Increased spending does not appear to guarantee higher or improved student performance, based on an analysis of five years of spending and achievement data for medium size school districts. Annually, student performance has increased about one percent in reading and two percent in math between SY05-SY09, but proficiency levels remain low in many cases. Some districts experienced very positive changes in student performance between SY05-SY09. Other district-wide performance showed flat, declining performance or a persistent achievement gap between SY05-SY09.

School boards need better financial oversight of districts, but generally function within their appropriate roles. Most board members understand their roles, responsibilities and limitations. The five boards do not typically receive comprehensive financial information, nor have they received sufficient training to be able to use it effectively.

In general, school district officials and administrators demonstrated a commitment to continuous improvement and data driven decision making. Some districts institutionalized strategic planning practices that other districts should consider adopting.

KEY RECOMMENDATIONS

The Legislature should consider the following:

- Revise the purpose and classification of small school size and district size adjustments and under what circumstances the additional units are warranted.
- Pull testing costs out of the SEG and make an appropriation to a new categorical program for testing costs combined with other PED budgeted testing costs.

PED should implement the following:

- Maintain control over West Las Vegas Board of Finance, and require the district to develop and implement a financial plan to make the necessary structural spending changes to eliminate the need for emergency supplemental funding, as originally required when PED took over the district in SY07.
- Reclassify Cochiti and Santo Domingo schools in Bernalillo and Valley in West Las Vegas in SY11 as single schools per state statute. This change would save an estimated \$746 thousand.
- Examine other districts' schools that generate small school units to ensure those schools meet statutory requirements and make adjustments as necessary.
- Require PED Office of Inspector General conduct special audits, as appropriate, of districts on issues identified in this report.
- Promulgate rules governing the use of school district credit cards, including adoption of de minimis meals criteria used by the State of New Mexico.

Aztec, Bernalillo, Bloomfield, Las Vegas City and West Las Vegas school districts should implement the following.

- Develop and implement longer range financial plans and a system of performance-based budgeting (PBB) for instruction and operations.
- Work with LFC staff and PED to study implementation of new accounting systems and implement recommendations of LFC IT audits.
- Implement additional compensation policies and revisit the amounts paid and the reasons for payment to ensure alignment with district goals.
- Request a special audit of additional compensation spending from the State Auditor's Office (Bernalillo).

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%).

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.

Evaluation Team.

Manu Patel, Deputy Director for Program Evaluation
Charles Sallee, Program Evaluation Manager, Lead Evaluator
Craig Johnson, Program Evaluator
David Craig, Program Evaluator
Jacob Candelaria, Program Evaluator
Lawrence Davis, Program Evaluator

Exit Conferences. The contents of this report were discussed with school district and Public Education Department officials as follows: Aztec, November 3, 2009; Bernalillo, November 12, 2009; Bloomfield, November 3, 2009; Las Vegas City, November 11, 2009; West Las Vegas, November 11, 2009; and PED, November 12, 2009.

Report Distribution. This report is intended for the information of the Office of the Governor, the Public Education Department, Aztec Municipal School District, Bernalillo Public School District, Bloomfield School District, Las Vegas City School District, West Las Vegas School District, 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, CPA
Deputy Director for Program Evaluation

FINDINGS AND RECOMMENDATIONS

SPENDING HAS INCREASED 15 PERCENT SINCE SY05, DESPITE A TWO PERCENT DECLINE IN STUDENTS; STRUCTURAL SPENDING CHANGES ARE NECESSARY.

Despite school districts experiencing declining or flat enrollment and units generated under the funding formula, funding and spending levels have increased significantly between SY05 and SY09. During this time period districts averaged between 1,883 students (MEM) in West Las Vegas to over 3,200 at Bernalillo. Spending levels across all funds, excluding capital outlay, varied from a low of an average of \$19.2 million per year at Las Vegas City to over \$35.6 million at Bernalillo.

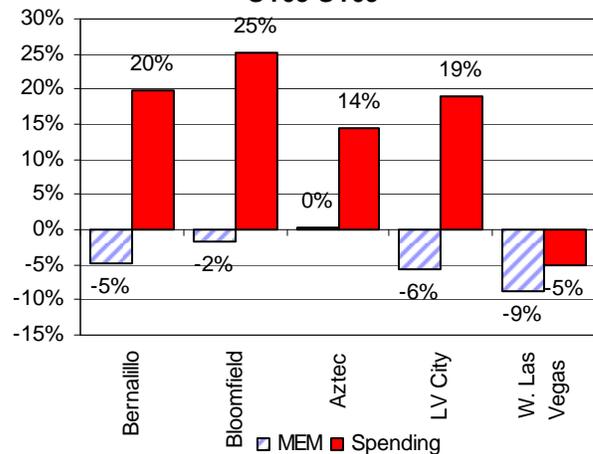
**Five Year District Averages: Student MEM & Total Spending
(Excluding Capital)
SY05-SY09**

	MEM	Spending	Spending/MEM
Aztec	3,132	\$24,901,420	\$8,051
Bernalillo	3,231	\$35,687,878	\$11,400
Bloomfield	3,089	\$26,492,992	\$8,836
Las Vegas City	2,082	\$19,255,965	\$9,311
W. Las Vegas	1,883	\$23,864,807	\$12,664

Source: LFC Analysis

Overall, the five districts' had net spending increases of \$18.1 million or almost 15 percent across all funds, excluding capital outlay, from \$122 to \$140 million between SY05-SY09. The combination of SEG, federal, state and local distributions and grant spending increased as high as 25 percent in Bloomfield, 20 percent in Bernalillo and 19 percent in Las Vegas City, despite drops in average student enrollment (MEM). Declines in student MEM ranged from -9 percent in West Las Vegas to flat in Aztec over the same time period. West Las Vegas was the only district to experience declines in spending, despite large emergency supplemental distributions and SEG payments in excess of program cost during this same period.

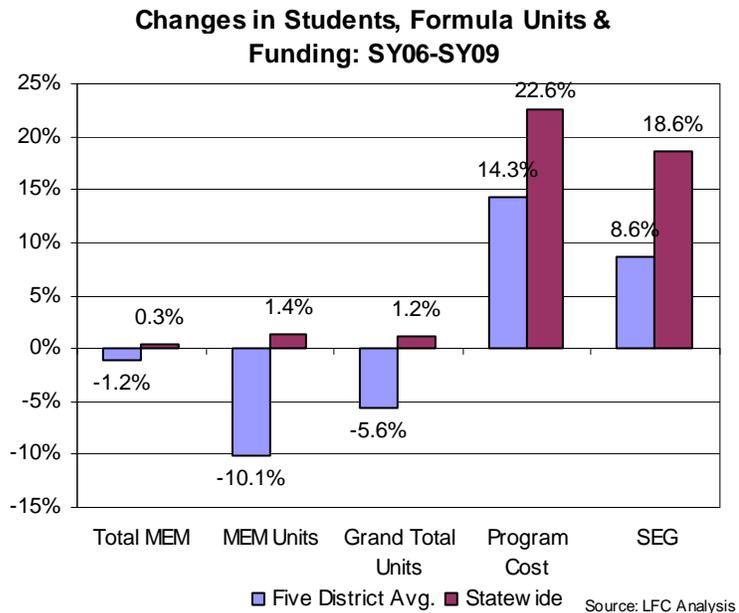
**Districts Change in MEM & Spending*
SY05-SY09**



A 21 percent increase in 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. Appendix A shows the history of the unit value. Between SY06-SY09, the five districts averaged a student membership decline of 1.2 percent, over a ten percent decline in units generated from membership (such as special education) and a 5.6 percent decline in the total number of units generated in the state's funding formula. Statewide trends were relatively flat.

However, program cost under the formula, and the state’s share (State Equalization Guarantee), increased over 14 and eight percent, respectively. Increased federal Impact Aid payments to Bernalillo, in particular, offset a greater portion of program cost which reduced the state’s SEG amount. The funding formula “program cost” is the total funding generated under the formula, while the SEG is the state’s share. Bernalillo’s SEG in SY09 was 82 percent of its formula program cost, down from 89 percent in SY06. By comparison West Las Vegas was over 99 percent. The SEG accounted for about 96 percent of formula program cost in SY09 statewide.

In SY09, districts generated about \$19.2 million from special education, up 17 percent from SY06. During the same period district special education MEM declined four percent and units three percent. As a percentage of total MEM, Bloomfield had the highest concentration of special education students, including gifted, at 25 percent. Remaining district statistics can be found in Appendix A.



A flat, or slightly declining, unit value will now force more difficult budget decisions for districts. For example, Bernalillo generated 222 fewer units through the funding formula, resulting in an estimated \$860 thousand in reduced program cost for SY10. Because the unit value declined by \$9.00 or about 0.23 percent from adjusted SY09 levels, the district felt the full brunt of its declining program cost. In addition to a five percent decline in student membership since SY05, Bernalillo has also experienced a 17 percent decline in bilingual units, a nine percent decline in special education units, a three percent decline in its “at-risk” index, and a three percent decline in the district’s teacher training and experience (T&E) index. During this same period, operational fund spending increased about 25 percent.

For West Las Vegas, the number of total funding formula units decreased by 736 between SY06-SY09, or about 16 percent. Fifty percent of the decline occurred between SY08 and SY09. The district’s formula program cost increased one percent or \$172 thousand during SY06-SY09. In SY06, the state provided additional funding in excess of district’s program costs for the new three-tiered licensure system. As a result, West Las Vegas SEG was 103 percent of its program cost. As the SEG to program cost ratio has smoothed out to appropriate levels there has been a three percent, or \$450 thousand, decline in SEG; driven mostly by declining units over the past two years. For SY10, the unit value reduction was only responsible for about \$32 thousand of West Las Vegas’ \$793 thousand drop in funding. The remaining amount was from declining units.

Districts spend most of their funds on instruction, although the percentages vary. In SY09, the districts spent the following percent of the operational fund on instruction: Aztec 63.5 percent, Bernalillo 61.8 percent, Bloomfield 61.9 percent, Las Vegas City 59.4 percent, West Las Vegas 52.1 percent. Relative to SY07, all of the districts increased the percent of the operational fund spent on instruction, except for Bloomfield which was essentially stable. State funded teacher salary increases have resulted in more dollars directed to instruction. In SY09, the percent of non-capital spending dedicated to salaries or additional compensation also varies from Aztec at about 60 percent to Bernalillo at over 73 percent. Given that the bulk of school district spending is dedicated to staff salaries, long range financial planning must include a careful examination of current human resource allocations as well as thoughtful anticipation of future human resource needs.

Recommendations.

None.

DEFERENCE TO LOCALLY CONTROLLED DECISIONS IN SOME CASES NEGATIVELY IMPACTS STATE AID TO OTHER SCHOOL DISTRICTS.

West Las Vegas struggles to manage its budget, resulting in over \$1.5 million in emergency supplemental state funding since SY07, some of which was not justified. While West Las Vegas clearly faces challenges managing declining enrollment and loss of associated funding, it does not appear the district has taken sufficient steps to make necessary structural spending changes to continue to operate independently. For example, since SY07, the Public Education Department (PED) has made continuing annual emergency supplemental awards and taken over its Board of Finance role.

West Las Vegas Emergency Supplemental Awards

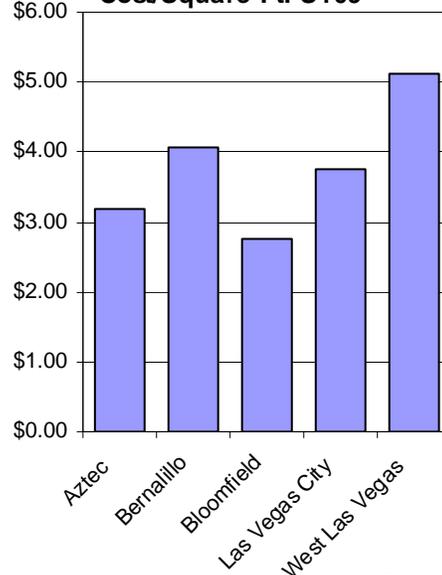
Year	SY07	SY08	SY09	SY10	TOTAL SY07-SY10
Amount	\$450,000	\$607,056	\$250,000	\$215,000	\$1,522,056

Source: PED

In SY09, the district spent only 52 percent of its operational fund on instruction, one of the lowest levels among medium size school districts, and only about 43 percent of staff were teachers with a classroom assignment. With declining enrollment the district has decreased teaching positions, but other spending practices continue to put upward pressure on spending, including the following.

- West Las Vegas spends almost 16 percent on administration and has the highest administrator to teacher and student ratio among medium sized districts. The district employs an administrator for every 17.3 teachers, whereas the peer group average was 43.9 teachers per administrator.
- The district Hired additional non-instructional staff during declining enrollment.
- The district maintained expensive custodial, maintenance and operating costs during declines in student enrollment. For example, in SY09 West Las Vegas staffing levels for custodians and maintenance staff exceeded recommended standard by 12 full-time equivalents (FTEs), costing the district an estimated \$382 thousand in excess salary and benefits. These costs alone exceeded the full emergency supplemental received from PED for SY09.
- The district has been subsidizing its transportation program from the operational fund, including about \$70 thousand in SY09, up 52 percent from SY08. These costs raise concerns over the cost-effectiveness of its hybrid district/owner-operator/contractor run bus arrangements and occurred in a year when the district knew its SEG would drop.

Operations & Maintenance Cost/Square Ft. SY09



Source: LFC Analysis

Requests for emergency supplemental funds provided by West Las Vegas were often confusing, poorly justified, and contained numbers that did not match actual budget documents. In one case, PED provided emergency supplemental awards in excess of what was requested. West Las Vegas also received funding in years it had almost 5 percent in unrestricted cash balances and a financial audit that was over 200 days late. Emergency supplemental funds can not be used for salary increases, however the district's justification in two of the past four years indicates funds would be used for salary increases. For example, in SY07, West Las Vegas requested an emergency supplemental for almost \$1.3 million with the following justification: "The West Las Vegas Schools is requesting funds to make up the loss of funds for size funding we had been receiving the past 8 years for the Family Partnership School, and also to meet mandated raises for Staff and Educational Assistants. The in Medical and Dental Insurance increased by 11.5%. The District does not sufficient funds to cover that costs for all operational staff matching portions. The Property Invoice is also increasing by \$250,905.00. The increase in total operational sources between 2005-06 and 2006-07 is only \$25,259. The increase between SEG 2005-06 to 2006-07 is \$78,323. As you can see we do not have sufficient funds to do as mandated. (sic)"

Bernalillo and West Las Vegas generate an estimated \$746 thousand from small school size adjustment units for schools that are not small, and Las Vegas City has two small schools separated by a parking lot. Small schools qualify for additional units as the funding formula recognizes scale inefficiencies (Section 22-8-23 NMSA 1978). Elementary or Middle (Junior High) schools with less than 200 MEM qualify. State law also provides additional units for districts with fewer than 4,000 MEM. All of the districts in this evaluation received district size adjustment units.

PED has approved K-8 schools in Bernalillo and West Las Vegas to qualify for size adjustment funding even though the schools operate in the same building and under one administration. This classification appears 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 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 generates small school size funding for schools that are not small, totaling over \$518 thousand in SY09. The district, with PED approval, classifies two of its 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. 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. The district also generated about \$372 thousand in district size adjustment funding in SY09.

West Las Vegas generated over \$228 thousand for one school that is not small in SY09. In SY09, West Las Vegas generated almost \$850 thousand in small school funding and \$574 thousand in district size adjustment units. However, Valley Elementary and Valley Middle School are in the same building, generating excess funding from small size adjustments as separate schools, about \$228 thousand in SY09. If properly classified, the school would still generate size adjustment funding of about \$128 thousand for 158 students. In addition, the district has two other schools that qualify, Don Cecilio and Tony Serna, which are in very close proximity (an estimated 1,500 feet) to each other. These schools generate over \$152 thousand each in size funding.

Most Las Vegas City elementary Schools generated small school size adjustments in SY09, including two schools separated by a parking lot. In SY09, the district generated about \$500 thousand in small school adjustment units and \$540 thousand from district size adjustment units. However, Sierra Vista and Los Ninos are two separate buildings on the same campus, separated by a parking lot. If considered a single school they would not generate the \$55 thousand in additional funding.

West Las Vegas has not submitted a facilities master plan to PSFA, despite receiving state construction funding; the award was contingent on a plan being submitted. For SY07, West Las Vegas received almost \$1.9 million for a construction project at Don Cecilio Martinez ES, which is nearing completion, and \$2.8 million for a design project at Tony Serna Elementary. These awards were contingent on board adoption of a final Facility Master Plan. The board has not approved an updated plan and the plan still has not been submitted to PSFA. Also, it is unclear why the state is providing capital outlay money for small schools in such close proximity to each other that generate questionable small school size adjustment units. This gap in planning will perpetuate additional costs to the state SEG, further diluting the unit value at the expense of other districts.

Districts have inflated utility budgets which increases costs to the state for the SEG “opening the doors” budget calculations. 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. 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 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 for heat, such as coal, wood, steam or fuel oil. It is unclear why the district budgets for these items.

Aztec had unexpended balances of over 50 percent in natural gas in SY09, or about \$131 thousand. The district had about \$100 thousand, or 20 percent unexpended balances for natural gas and water in SY08.

In SY08, Las Vegas City budgeted \$525 thousand in natural gas and spent only \$317 thousand, a difference of \$207 thousand. In SY09, Las Vegas City budgeted \$335 thousand and spent only \$276 thousand, a difference of \$58 thousand. For SY08 and SY09, Las Vegas City put \$266

thousand more in the budget than was actually spent, this artificially inflated ‘opening the doors’ costs.

In SY08, West Las Vegas budgeted \$395 thousand in natural gas and spent only \$186 thousand, a difference of \$209 thousand. In SY09, West Las Vegas budgeted \$232 thousand and spent only \$184 thousand, a difference of almost \$47 thousand.

Recommendations.

PED should maintain its control over West Las Vegas Board of Finance. The district should develop and implement a financial plan to make the necessary structural spending changes to eliminate the need for emergency supplemental funding, as originally required when PED took over the district in SY07.

For SY11, PED should reclassify Cochiti and Santo Domingo schools in Bernalillo and Valley in West Las Vegas as single schools per state statute. This change would save an estimated \$746 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.

PSFA should freeze funding for the planned renovations for Tony Serna Elementary and the Public School Capital Outlay Council should consider revoking its award until West Las Vegas complies with state law to have an approved facilities master plan.

STRATEGIC PLANNING AND PERFORMANCE-BASED BUDGETING WOULD HELP DISTRICTS ENSURE ALL OPERATIONS SUPPORT GOALS AND EXTEND ACCOUNTABILITY MEASURES.

A longer term view of district finances and operations would help districts ensure alignment of generally declining enrollment and student needs within available funding.

The five districts lack long-term financial planning to deal with pending structural changes in revenue due to decreasing enrollment and students' needs.

The districts use a traditional annual incremental budget process. Given the changes occurring in districts' workforce and student needs, a longer-term financial plan would help them 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, these five districts will experience more acute declines in funding as the formula reflects the true drop in student membership, units, and teacher training and experience index (T&E index) changes.

State requirements for districts to develop five-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 develop a similar, albeit more limited, strategic planning for its operations and delivery of instructional services to students.

Districts do not regularly link financial and educational or operational planning to ensure spending decisions support district 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. Non-instructional spending accounts for over 40 percent of district expenditures, excluding capital outlay. Special revenue funds from grants do not appear to be well coordinated financially or operationally in many cases. Instead, they tend to act as stand alone "silos" that have not been as integrated into district financial and operational planning as they could. In addition, the EPSS narrows district focus on two subject areas, reading and math, and tested grades at the expense of other important subjects, grade levels and enrichment programming. Finally, development of the EPSS occurs outside the normal budget process. These problems are evident in districts with strong EPSS processes such as Aztec and Las Vegas, and districts with strong strategic planning, such as Bloomfield. West Las Vegas struggles to implement an effective EPSS.

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. The state's chart of accounts provides a method to account for various programs, such as special education and bilingual education, for districts to categorize how they budget and spend additional resources generated through the funding formula and grants. Some of the districts have implemented local option cost centers within the state's chart of accounts to track other programmatic expenditures, such as athletics and Indian Education. However, even grouping expenditures, performance goals and measures at the function level (Instruction, student support, operations and maintenance) and major special

revenue funds would be better than the current method. Districts do not appear to fully use this information when developing budgets or discussing outcomes for students served in these programs. Districts primarily use local option cost centers for school-based budgets.

Districts tend 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. Districts in this review need 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 flat or declining per student funding. Waiting until PED sets the initial unit value after the legislative session also limits the time for board or public review of proposed budgets.

Adjustments to the timing of the administration of the Standards Based Assessment (NMSBA) and return of results has helped districts, but it appears the new test contract may be too expensive. Previous LFC evaluations have acknowledged school district concerns regarding the NMSBA. First, the early testing window limited the number of instructional days available before the test and secondly, the results were received too late to inform decisions. In response, PED has made improvements by moving the testing window back by more than three weeks and taking steps to get the results to districts sooner. PED recently selected a new contractor to develop the NMSBA. In the previous contract, PED paid more for the NMSBA than districts, however, with the current contract, districts will pay significantly more. The results of these negotiations and new requirements for college and workforce readiness assessments have substantially increased districts’ assessment costs. Despite the Legislature providing \$8.9 million in recurring funding through the SEG for student assessments in SY10, PED’s analysis of funding requirements presented to the LESC in August estimated school districts’ statewide still had an unmet funding need of about \$3.4 million for student assessments.

Recommendations.

Districts should begin developing and implementing longer range financial plans and a system of performance-based budgeting (PBB). The PBB system should use the current basic chart of accounts functions, local option cost centers or new cost centers. For example, transportation, operations and maintenance and district central services and administration could be grouped into separate programs with associated goals and performance measures. District EPSS plans would form the annual work-steps for instructional goals; however districts should incorporate other educational goals as appropriate.

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.

The Legislature should pull testing costs out of the SEG and make an appropriation to a new categorical program for testing costs combined with other PED budgeted testing costs.

POOR FINANCIAL MANAGEMENT PRACTICES AND FLAWED ACCOUNTING SYSTEMS UNNECESSARILY EXPOSES DISTRICTS TO FRAUD, WASTE AND ABUSE.

Some districts have struggled, except Bloomfield, to consistently submit financial audits to the State Auditor on time. Late audits may indicate an organization struggles with preparing basic financial statements and accompanying documents, has internal or management weaknesses and is the first warning level for financial difficulties. Only one district regularly submitted timely audits over the past five years. Late audits deny PED and other funding organizations necessary assurances that a districts finances are in order. The Legislature passed House Bill 321 (Varela) in 2009 to allow PED to withhold SEG payments to school districts not in compliance with timely audit requirements. During the course of this review, districts recognized the urgency of submitting timely audits and were working diligently to comply. In some years, locally authorized charter schools contributed to delays, but districts inability to produce such documents as fixed asset schedules also caused delays.

**Timeliness of School District Audits
FY04-FY08 (# Days Late)**

District	FY2004	FY2005	FY2006	FY2007	FY2008
Aztec	113	X	X	349	77
Bernalillo	X	X	324	347	136
Bloomfield	X	X	X	X	X
Las Vegas	242	196	161	593	227
West Las Vegas	X	X	X	202	X

X = Submitted on time.
Source: LFC Analysis of SAO Data

A review of financial audit reports indicates some districts consistently struggle with implementing a strong financial management and internal control environment. Past audits have found: spending exceeding budgets, expenditures were not approved, payroll duties performed by one person, no evidence of following the procurement code on a \$1 million contract, forged purchase orders (94) that resulted in misspending of \$15,000 in federal Title I funds, employees with multiple contracts or no contracts, and missing cash in activity funds or late deposits.

All district’s accounting information systems need improvement and possibly replacement.

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 took immediate steps to correct deficiencies based upon this audit's recommendations. However, 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.

Oversight of district credit card use is lacking, resulting in questionable expenditures including administrator "in-town" dining expenses. Aztec, Bloomfield and Bernalillo use district issued credit cards for purchases, but lack policies, procedures or effective oversight tools to monitor their use. For example, Board members do not receive regular credit card expense reports, administrators in Aztec and Bloomfield do not maintain a log of expenditures showing who made purchases, for what purpose and where in the budget the expense was charged to, unlike all other district purchases. Aztec and Bloomfield also allow employees to check out cards at schools, but logs are not well maintained making tracking expenditures to a specific individual difficult.

Also districts appeared to use the cards for administrators to purchase in-town dining, which 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."

PED does not have rules governing the use of credit cards, nor clear prohibitions on "in-town" dining or catered staff luncheons either. Appendix B includes a sample of expenditures.

Bloomfield spent about \$370 thousand using district credit cards. A cursory review of spending found the district's former Superintendent spent about \$16 thousand in SY09, with many questionable expenditures. Split purchases as well as one person making purchases for others' travel were also found. During the course of this LFC evaluation the district placed the Superintendent on administrative leave and he subsequently resigned. Large food purchases were noted for in-town dining, as well as the district practice of paying actual travel expenses for in-state travel.

Aztec spent over \$324 thousand on district credit cards. The district does not maintain a log of total credit card expenditures making oversight cumbersome. A review of two months of statements indicates administrator in-town dining totaling \$723 and \$1,470 in rewards purchases for students and staff, including ten iPods and seven \$40 gift cards from Lowes. Staff also found that supporting documentation and approval was lacking, including \$125 in pizza for staff; \$585 at an eatery for band; and \$308 for embroidered jackets. It is unclear whether any of these purchases received approval or helped to improve student performance.

Bernalillo spent about \$52 thousand using district credit cards, including \$110 at Rio Chama in Santa Fe using federal Title I funds intended for low-income children. 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."

School districts' spending practices raise concerns and demonstrate need for better controls to ensure expenditures support district goals and student learning. LFC evaluators reviewed a small sample of spending to better understand district purchasing processes, practices and what types of spending are charged to large line items such as “general supplies and materials.” Delays in information requests and turnover of West Las Vegas business manager prevented a more complete review of district spending practices. A review of Las Vegas City documentation did not reveal any questionable expenditures. However, the district should strive to ensure purchasing efforts help obtain better prices. LFC staff was also hampered by Aztec’s inability to easily pull supporting documentation.

Aztec’s decentralized purchasing process allows for blanket purchase orders that do not require prior approval for some businesses. For example, the district issued a \$12 thousand blanket purchase order for staff to purchase supplies and materials at the local Sam’s Club.

Bernalillo

- A year-end purchase (SY07) 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.
- A year-end purchase (SY08) of three sport-utility vehicles (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 questionable expenditures appear throughout Title I program spending, including \$528 on staff t-shirts, through regular purchasing processes. The Title I program also regularly paid for the director and what appears to be one or two others to have staff “working” lunches in eateries around Bernalillo. The program also regularly paid for staff lunches during professional development, such as \$700 in catered lunches. While lunches during professional development may fall within federal guidelines, it’s unclear whether this type of spending to benefit adults instead of low-income students continues to be warranted in difficult budget times.
- BPS misclassified over \$46 thousand in vehicle purchases using SB9 funding.
- The district also spent SB9 funding for about \$4,700 in bottled water for the EvenStart preschool program also funded by Title I, and almost \$400 in food purchases from Albertsons for maintenance staff. The district also made over \$4,400 in purchases of services and materials from its own schools, including \$3,000 to athletic teams and cheerleaders for picking weeds.

Bloomfield

- The district spent \$591 on candles, \$635 for poinsettias, \$543 for scholarship fees, \$660 for movie tickets, and \$715 for t-shirts for a memorial walk-a-thon charged to the food services operations items.
- The district used a special Legislative appropriation to purchase \$11,178 of iPods and accessories and charged them to school administration.
- The transportation department had a \$126 order from ETennisballs.com.
- The district spent \$232 in dresses for the choir from a “school improvement” account.

West Las Vegas

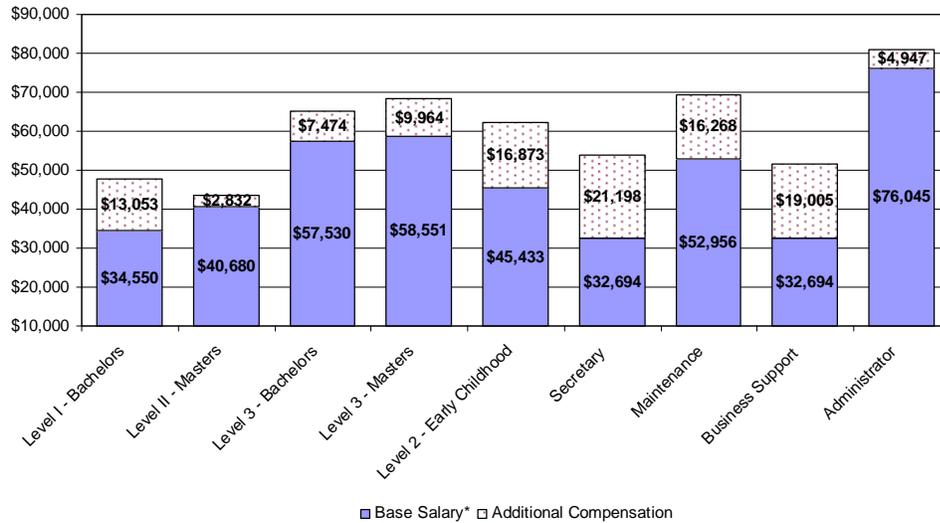
- The district spent \$240,000 for energy management consultant services which it could have received for free by the state. It is unclear how these expenditures align with the facilities master plan since there is no such plan.
- The district used **Early Reading First** program funding to buy Everyday **Math** materials [emphasis added].
- District officials sought to purchase six “smart boards” for its Head Start program. It is unclear how this amount of technology, particularly given the high cost, is justified for 3 and 4 year olds.

Additional compensation in the form of bonuses, incentive pay, extra duty pay and stipends boosts district salaries by as much as eight percent in some districts. Teachers can earn more if they work more. However, districts give out additional compensation for a wide variety of reasons. Bernalillo, Las Vegas City and West Las Vegas indicated that additional compensation payments typically are driven by collective bargaining agreements negotiated with unions, but expressed a willingness to reexamine this issue to ensure these expenditures were actually helping the districts achieve their goals for improved student learning.

Bernalillo spending on additional compensation (incentives, bonuses and extra duty pay) has increased over 145 percent since SY06 and boosts salaries by over 5 percent. The district spent over \$1 million on these payments in SY09 across all funds. In West Las Vegas, additional compensation amounted to over 8 percent of total compensation. In SY09, West Las Vegas spent \$1,078,812 on additional compensation in total and of that amount \$394,814 came from the operational fund. Las Vegas City spent over \$900 thousand a boost of about seven percent to salaries on additional compensation in SY09. Bloomfield spent about \$523 thousand and Aztec spent about \$363 thousand in SY09 across all funds. Aztec’s costs have increased over the past two years. Districts use a variety of funding sources for these payments.

None of the districts had comprehensive policies governing additional compensation or regularly evaluated whether these payments were helping the district achieve its goals. For example, districts appear to still pay Level III teachers stipends for activities such as mentoring despite state law clearly providing that in exchange for the recent boost in pay they would take on additional duties. In some cases, such as Bernalillo, payments could boost pay of various employees by as much as 39 percent.

Bernalillo Public Schools - Sample Employees Salary & Additional Compensation SY09



Transportation services are often subsidized with operational funds and not routinely monitored for effectiveness.

Of the five districts reviewed, Aztec, Las Vegas City, and West Las Vegas needed to supplement transportation funding by paying for transportation services with operational funds. None of the districts had performance measures in place that would evaluate the transportation function in an ongoing manner. Transportation services are a major cause of the increase in district expenditures on additional compensation. Neither PED nor the districts routinely request and review detailed cost information on operations and maintenance costs within vendor contracts to ensure appropriateness and accuracy. According to Section 22-16-2 (E) NMSA 1978, PED’s transportation division is required to “audit records of school bus contractors or school district-owned bus operations in accordance with regulations promulgated by the state transportation director.” However, PED has not conducted any transportation audits. In addition, districts do not conduct cost/benefit analyses that would guide the choice between district run, owner/operator, or contractor provided services.

Recommendations.

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.

Based on concerns throughout this report, PED should consider having its Office of Inspector General conduct special audits, as appropriate, of districts’ 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.

Districts should work with LFC staff and PED to study implementation of new accounting systems and implement recommendations of LFC IT audits.

Districts should implement additional compensation policies and revisit the amounts paid and the reasons for payment to ensure alignment with district goals.

Bernalillo should consider requesting 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.

IN GENERAL, DISTRICTS ARE MAKING SLOW IMPROVEMENTS IN STUDENT PERFORMANCE BUT MORE WORK IS NEEDED, PARTICULARLY FOR NATIVE AMERICAN STUDENTS.

Increased spending does not appear to guarantee higher or improved student performance.

LFC staff has developed a methodology for analyzing the performance of New Mexico school districts. This “LFC Performance Index” (index) serves as alternative way to view district performance from “adequate yearly progress” (AYP) under the federal No Child Left Behind Act (NCLB). The index takes into account all students’ performance, economically disadvantaged students’ performance, improvement over time in scores and takes into account the district’s student economic status. For example, the index assumes districts with lower than average rates of economically disadvantaged students should perform at higher levels, and visa versa. The performance index uses five years’ worth of student performance data for reading and math. A more detailed description of the index formula, rationale and methodology can be found in Appendix C and AYP status of district schools in Appendix D. Using the LFC index, student performance results and per-student costs from the five districts were compared to eleven other comparably sized school districts.

LFC Performance Index and Average Cost/MEM

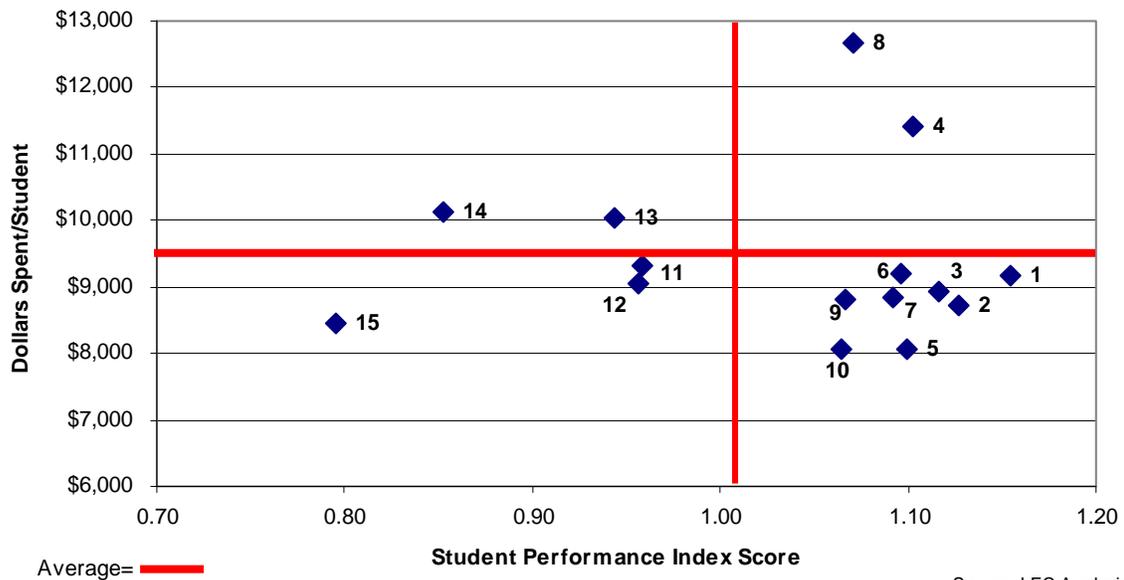
Ranking	District	Index Score	Cost/Mem
1	Taos	1.15	\$9,178.26
2	Silver City	1.13	\$8,731.74
3	Portales	1.12	\$8,939.69
4	Bernalillo	1.10	\$11,399.78
5	Moriarty	1.10	\$8,053.73
6	Ruidoso	1.10	\$9,193.72
7	Bloomfield	1.09	\$8,836.36
8	West Las Vegas	1.07	\$12,663.92
9	Artesia	1.07	\$8,819.69
10	Aztec	1.06	\$8,051.35
11	Las Vegas City	0.96	\$9,311.27
12	Pojoaque*	0.96	\$9,041.39
13	Grants Cibola	0.94	\$10,029.55
14	Socorro	0.85	\$10,117.46
15	Lovington	0.79	\$8,463.73
	Average	1.03	\$9,388.78

Source: LFC Analysis of PED Data.

*Excludes SY09 expenditures because they were unavailable at the time of this report.

As shown below, 80 percent of all districts with above average student performance have below average per student costs. Conversely, 40 percent of districts with below average student performance have above average per student costs. What these results suggest is that even when controlling for the socio economic profile of a district’s student population, increased financial investments do not appear to *guarantee* improvements in student outcomes.

LFC Student Performance Index Relative to Avg. Cost/Student

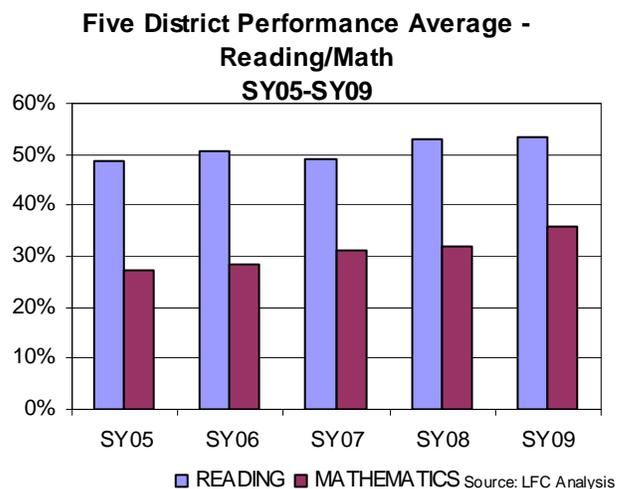


Source: LFC Analysis

Annually, student performance has increased about one percent in reading and two percent in math between SY05-SY09, but proficiency levels remain low in many cases. The five district average increased by five percentage points or about a 10.2 percent gain, from 49 to 54 percent in reading during this period. Math, following statewide trends, increased nine percentage points or about a 33.4 percent gain from 27 to 36 percent. Performance results varied across districts, schools and student groups.

Some districts experienced very positive changes in student performance between SY05-SY09.

- Aztec improved its district math performance 17 points, up to 48 percent. Hispanic and English Language Learner (ELL) students improved math scores by 24 and 23 points during this period. ELL students improved reading scores by 17 points, up to 38 percent proficient and above.
- Bernalillo improved math scores by nine points up to 32 percent and ELL reading scores by eight, up to 42 percent.
- Bloomfield improved reading scores by 11 points for all students to 55 percent; Native American students' scores increased 11 points to 39 percent.
- Las Vegas City improved its low-income students' scores by six points, up to 25 percent proficient and above.
- West Las Vegas improved reading scores seven points, up to 51 percent and math 12 points up to 30 percent. Given its high poverty rates, these are very positive improvements.

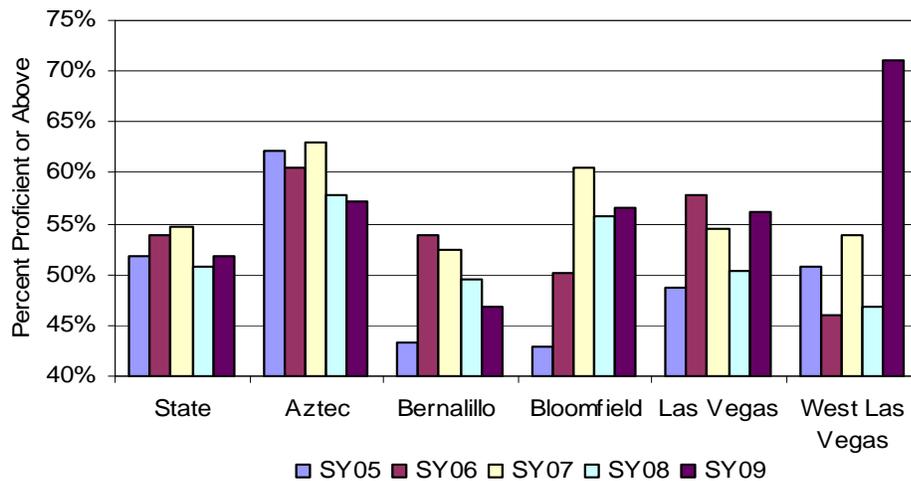


Source: LFC Analysis

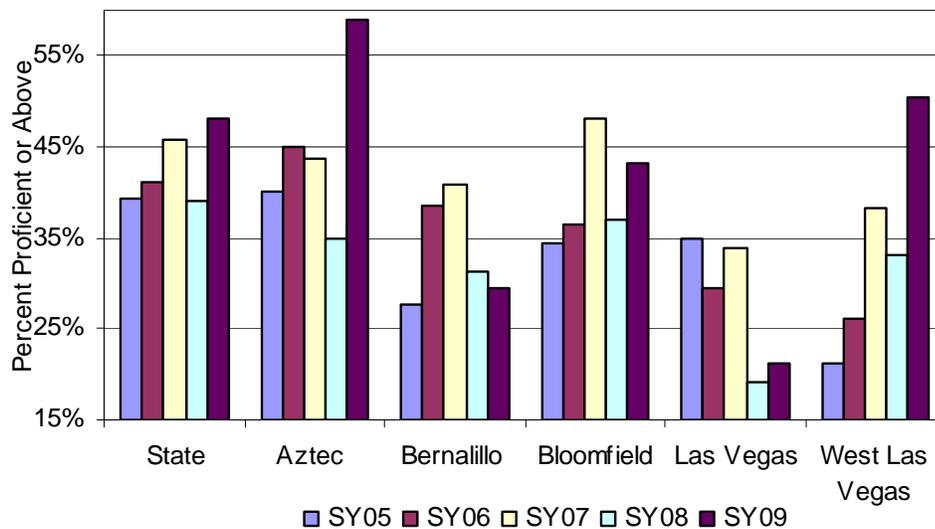
Other district-wide performance showed flat, declining performance or a persistent achievement gap between SY05-SY09. Bernalillo for example showed flat performance in reading across all sub-groups except ELL. Some schools in the district had very positive performance during this period, such as WD Carroll Elementary. However, other schools had declines, such as Santo Domingo which had over a 30 point decline. As a district Las Vegas City had generally flat or declining performance across most student groups.

District performance by grade showed performance varied widely. District 4th grade reading scores declined between SY05-SY09 in Aztec and Bernalillo, but improved steadily in Bloomfield and skyrocketed in West Las Vegas. Similar inconsistent trends appeared across districts in math.

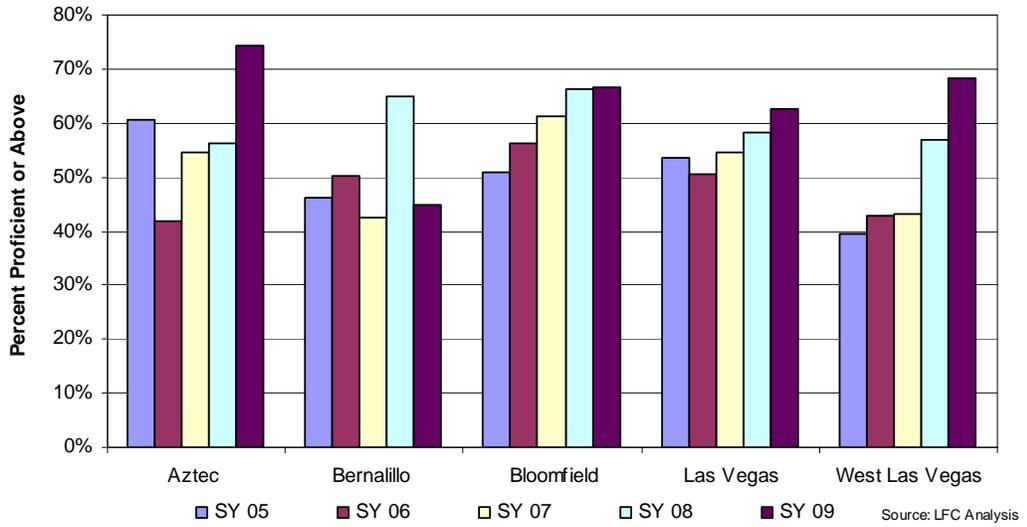
**Fourth Grade Reading District Comparison
(All Students)**



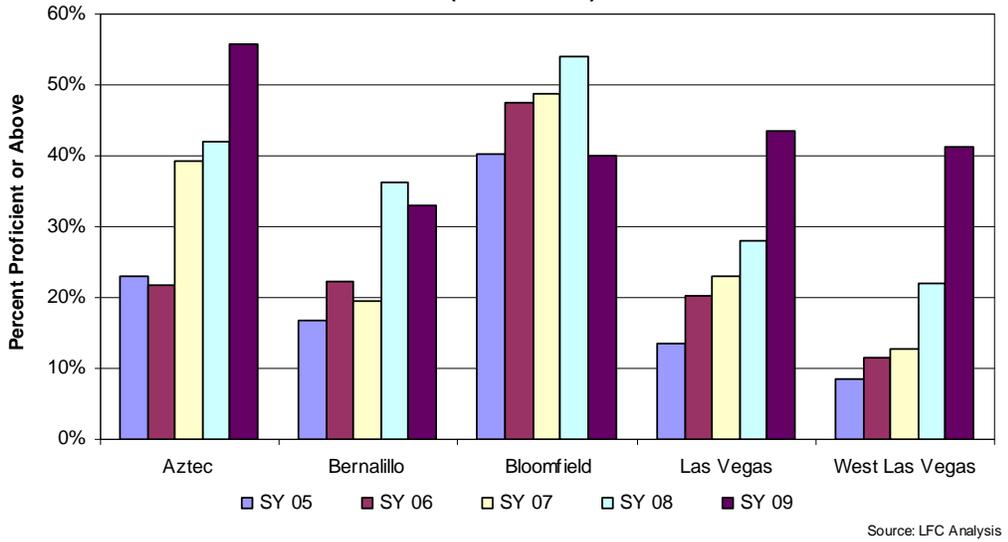
**Fourth Grade Math District Comparison
(All Students)**



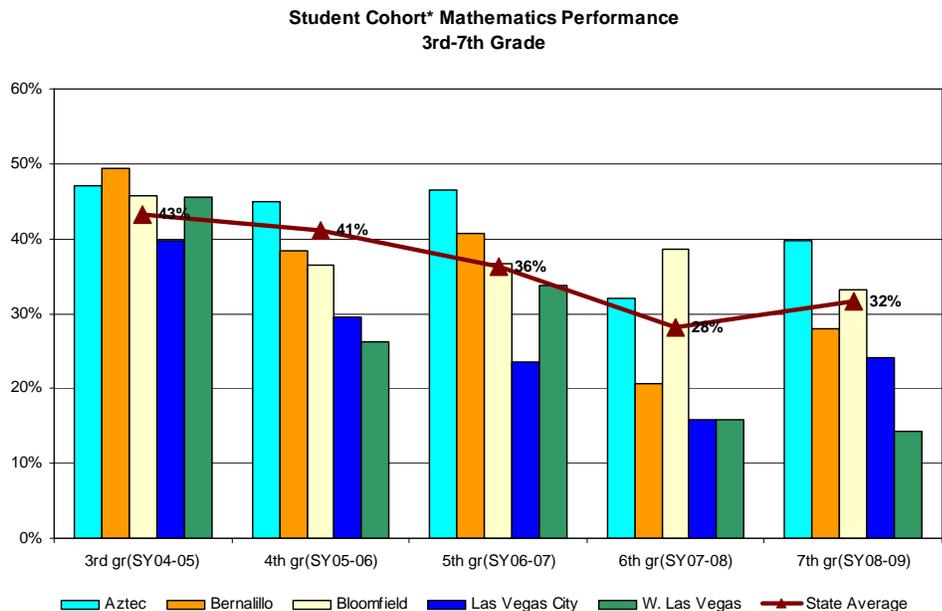
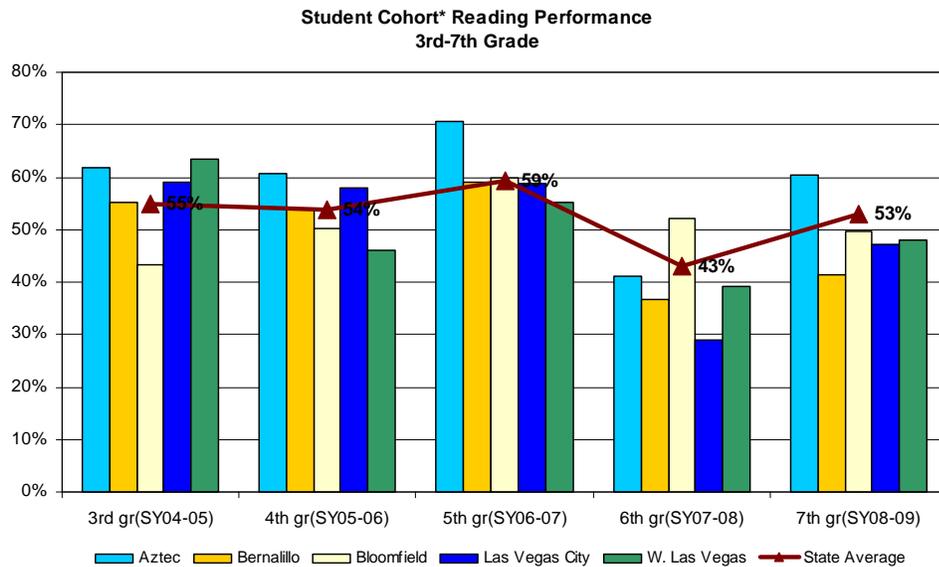
**Eighth Grade Reading District Comparison
(All Students)**



**Eighth Grade Math District Comparison
(All Students)**

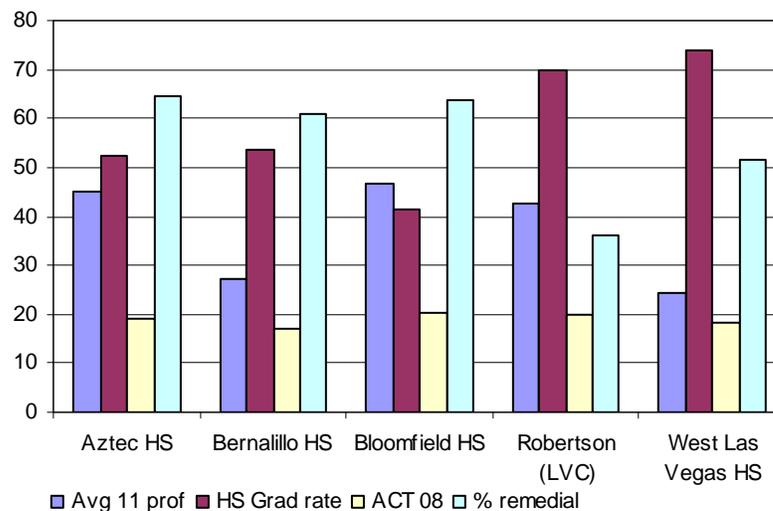


In general, more students fall behind as a class advances grade levels, though at different rates across districts. Bloomfield and Aztec showed the best performance among its SY05 cohort of 3rd graders. For example, about 41 percent of Bloomfield's 3rd graders were proficient in reading in SY05. By SY09, nearly 50 percent of Bloomfield's 7th graders were proficient in reading. For most districts, this pseudo cohort realized decreases in reading proficiency from SY05 to SY09.



High school performance varied in terms of relationships between graduation rates, test scores and college remediation. While the sample size is limited to only five high schools, it is noteworthy that high levels of proficiency do not always yield high graduation rates, ACT scores, or low levels of remediation. For example, 11th grade proficiency levels do not show a clear relationship to high school graduation. West Las Vegas had the lowest 11th grade proficiency but the highest graduation rate. ACT scores do not predict the need to take remedial classes in college. Bloomfield had the highest ACT scores and the second highest rate of remediation.

Proficiency, Graduation, Remedial



State investments in bilingual education have yielded mixed results, while program management shows room for improvement. The New Mexico Bilingual and Multicultural Education program aims to ensure that all students become bilingual and biliterate in English and a second language, and are able to meet state academic content standards and benchmarks in all subject areas. LFC conducted a review of the state’s bilingual program in FY04 and found similar results as this evaluation.

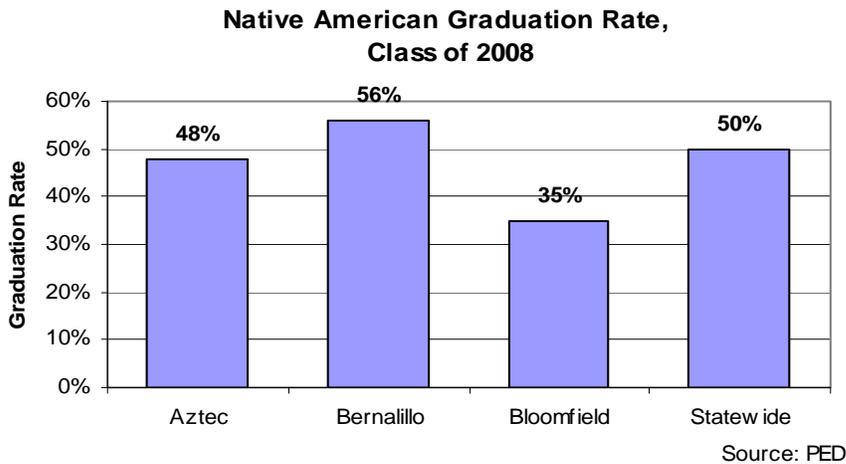
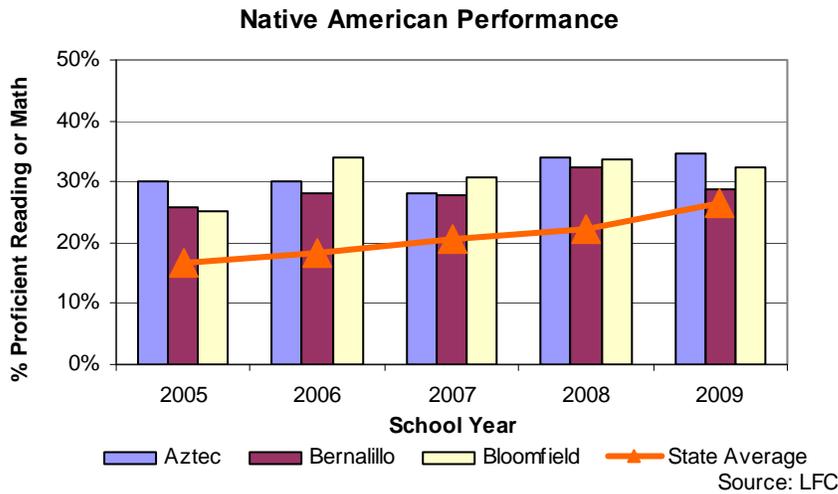
Four of the districts under review, Bernalillo, Bloomfield, Las Vegas and West Las Vegas, currently maintain state-funded bilingual education programs. In SY09, these districts generated \$3.2 million dollars through the funding formula. In SY09, 82 percent of West Las Vegas’ students generated bilingual funding, down from 92 percent in SY06. Remaining district participation rates vary from a low of 16 percent in Bloomfield to 66 percent in Las Vegas City and 67 percent in Bernalillo, which generated \$1.2 million.

- ***Some districts do not appear to be providing the full bilingual program that justifies formula funding.*** For example, PED found that students in West Las Vegas did not receive the total number of hours the district was claiming for funding in SY08, which would have impacted SY09 SEG amounts. It is unclear whether PED adjusted the district SEG. Bernalillo reports that students participate in a 45 minute “heritage” program despite claiming funding for a full hour. Clear standards are lacking for deciding which

level of program a student may need (1,2 or 3 hour), which could result in overfunding of districts.

- ***PED cannot accurately evaluate the impact of Bilingual Education on student English language acquisition or academic performance and routinely reports erroneous financial information.*** PED does not track the performance of students receiving bilingual education services relative to those who are not. PED accepts and reports expenditure data that is not supported, or may be inaccurate. For example, Las Vegas City has historically not allocated the cost of teachers' salaries, instead reporting the full amount as if that teacher provided bilingual services 100 percent of the time.
- ***Students have made limited progress towards Spanish language fluency.*** Most students participate in "heritage language" state funded bilingual programs. In SY08, only 12.5 percent of review-district students scored 'fluent' in Spanish. Student fluency rates ranged from 28 percent in Bernalillo, to zero percent in West Las Vegas and Las Vegas City. While the PED mandates Spanish language testing, it has yet to develop a framework for holding districts accountable for student Spanish language acquisition.

Native American students have made gains in reading and mathematics, but continue to underperform relative to their district peers. Native American students have traditionally



outperformed their ethnic peers statewide in both reading and mathematics. Between, Aztec, Bernalillo and Bloomfield, only Native American students in Bloomfield had student proficiency increases at the same rate as the state average. Between SY 05-SY 09, review-district Native American students made gains in both reading and mathematics. In Bloomfield, the achievement gap between Native American students and their district peers declined in both reading and mathematics. While the Native American reading-achievement gap also decreased in Aztec, Native American students fell further behind their district peers in mathematics. The Native American reading-achievement gap remained

relatively flat in Bernalillo, while that district's Native American students fell further behind their peers in mathematics.

Native American students experienced below average graduation and attendance rates. Graduation rates in Aztec and Bloomfield are below the state average for Native Americans. LFC analysis also indicates that Native American students in these districts also experience below average attendance rates at the high school level. Native American students in Bernalillo, however, experience above average graduation rates relative to both their district peers, as well as their ethnic peers statewide.

SCHOOL BOARDS NEED BETTER FINANCIAL OVERSIGHT OF DISTRICTS, BUT GENERALLY FUNCTION WITHIN THEIR APPROPRIATE ROLES.

School boards of the districts generally operate appropriately and administrators demonstrate varying commitment to using best practices. Most board members understand their roles, responsibilities and limitations. With the exception of West Las Vegas, key administrators expressed a commitment to continuous improvement and data driven decision making. Some districts institutionalized strategic planning practices that other districts should consider adopting. For example, Aztec implemented quarterly performance reviews to track progress towards goals. Las Vegas City requires administrators and schools to develop three-year strategic plans.

District administrators should continue, and enhance, budget development by starting discussions sooner with the board, presenting a breakdown of key operational areas' budgets, such as facilities, and use performance information to help guide budget decisions.

All districts' board members need regular budget status reports, budget adjustment requests, cash and investment reports, credit card expenditures and a list of voided checks to ensure a comprehensive package of financial information. The five boards do not typically receive this comprehensive information, nor have they received sufficient training to be able to use it effectively.

Recommendations

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, for districts that use them.

AZTEC MUNICIPAL SCHOOL DISTRICT

KEY FINDINGS

- More training in budget oversight responsibilities and more information presented to the board could improve monitoring of district activities.
- District leadership efforts match best practices.
- Aztec needs improvement of its internal controls and financial monitoring system.
- Board and district oversight over purchase card expenditures is lacking.
- Federal stimulus (ARRA) expenditures are budgeted for employee overhead costs and utilities.
- Transportation expenditures should not be supplemented with Operational funds.
- District costs for teachers and additional compensation are rising and new teachers are not allocated based on challenge of assignment.
- The transportation department needs performance targets and measures.
- Student performance data is not available in easy to use format at the school or classroom level.
- Use of student performance data to guide instruction varies between schools.
- Student data does not guide interventions aimed at economically disadvantaged students.
- Native American school attendance decreases significantly at the high school level.

KEY RECOMMENDATIONS

- Provide school board members with a cash report, the purchase card statement, quarterly updates from the instruction department, and training from district administration on how to view the financial status of the district.
- The district should create policies and procedures regarding food and rewards program expenditures. PED should require districts provide justification for food and school rewards programs expenditures.
- The district should work with LFC and PED to identify an alternate accounting system for future upgrades.
- Strengthen the control environment by increasing the monitoring of payroll.
- The district should take steps toward making NMSBA data more consumable at the school and classroom level.
- The PED should provide districts with guidance on the use of socio-demographic data at the school and classroom level.

DISTRICT SUMMARY

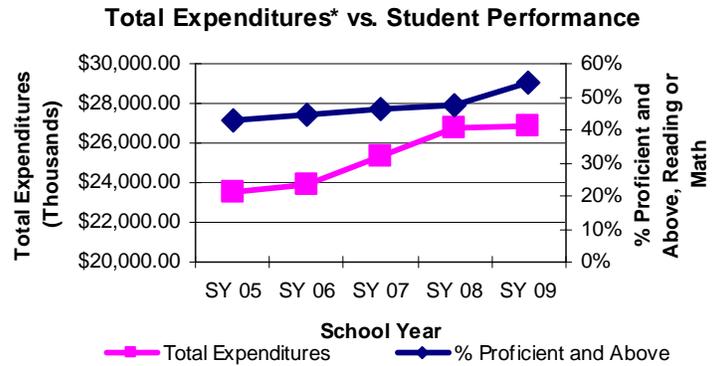
The school board has a minimal role in budget preparation and information provided by the administration limits its budget and operational oversight capabilities. The purchasing in Aztec is extremely decentralized with the central office providing only nominal monitoring and oversight. The control environment for payroll and credit cards is extremely weakened because of this monitoring deficiency, as demonstrated by a sample of the \$324,479 in SY09 credit card purchases. The district does not have uniform implementation of data-driven instruction and does not differentiate instruction for economically disadvantaged (ED) students despite

identifying them as a target population in the district's educational plan for student success (EPSS).

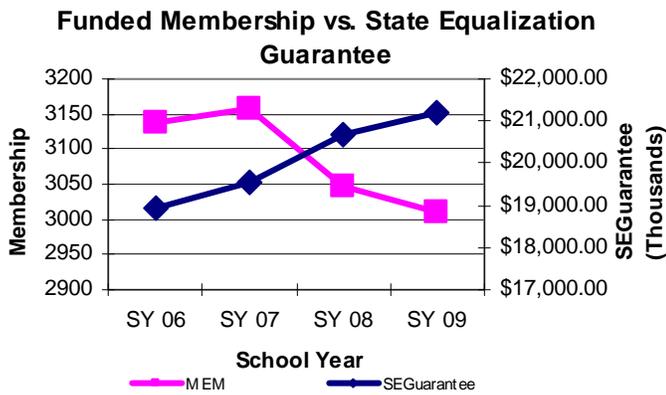
Aztec Municipal Schools
Mr. Kirk Carpenter, *Superintendent*

	Aztec		Statewide
Female	1578	49%	49%
Male	1656	51%	51%
Caucasian	1987	61%	29%
Hispanic	827	25%	56%
Native American	422	13%	10%
Black	18	1%	3%
Economically Disadvantaged	1418	43%	66%
English Language Learner	55	2%	23%
Students with Disabilities	263	8%	13%

Total Enrollment, SY 09: 3,270

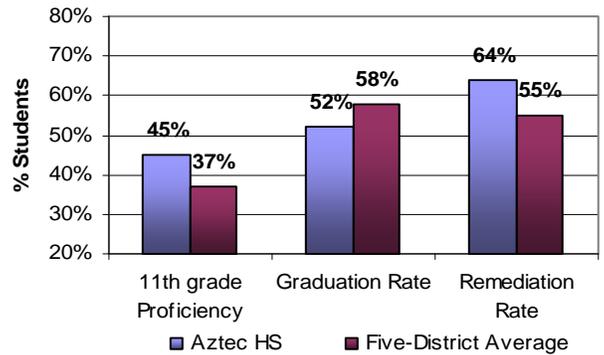


*All funds, not including capital or debt service expenditures



Total SEG Allocation, SY 09: \$21,202,120

Aztec Class of 2008 Achievement Profile



SY09-Operational and Transportation Funds Expenditures (Thousands)				
Fund	Function	Amount	% Total	
Operational	Instruction	\$13,901.80	63%	
	Student Support	\$2,059.03	9%	
	Instruct. Support	\$435.14	2%	
	Gen. Admin.	\$341.91	2%	
	School Admin.	\$1,713.13	8%	
	Central Services	\$569.07	3%	
	Opt./Maintenance	\$2,799.36	13%	
	Student Transport.	\$76.19	0%	
	Total		\$21,895.64	100%
	Transportation	Student Transport	\$1,775.18	100%
Total		\$1,775.18	100%	

District AYP Report		
School Site	SY 08-SY 09	SY 09-SY 10
Lydia Rippey	Not Met (Progressing)	Met (Progressing)
McCoy Avenue	Met (Progressing)	Met (Progressing)
Mosaic Academy	Not Met (Progressing)	Not Met (SI-1)
Park Avenue	Not Met (CA)	Not Met (SI-2)
C.V. Koogler Middle	Not Met (CA)	Not Met (R-1)
Aztec High School	Not Met (CA)	Not Met (CA)
Vista Nueva High	Not Met (Progressing)	Not Met (SI-1)

Aztec NMSBA Results SY 05-SY09					
	2005	2006	2007	2008	2009
Reading	55%	54%	54%	57%	61%
Mathematics	31%	34%	38%	38%	48%

Source: PED/LFC Analysis

BERNALILLO PUBLIC SCHOOLS

KEY FINDINGS

- Continued focus on performance and finances would improve governance practices and position Bernalillo to deal with pending challenges.
- Bernalillo lacks long-term financial planning to deal with changes in revenue due to decreasing enrollment and students needs.
- 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.
- 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 savings of \$518 thousand through the unit value.
- Develop policies and procedures governing additional compensation and review existing payments to ensure they are reasonable and appropriate.

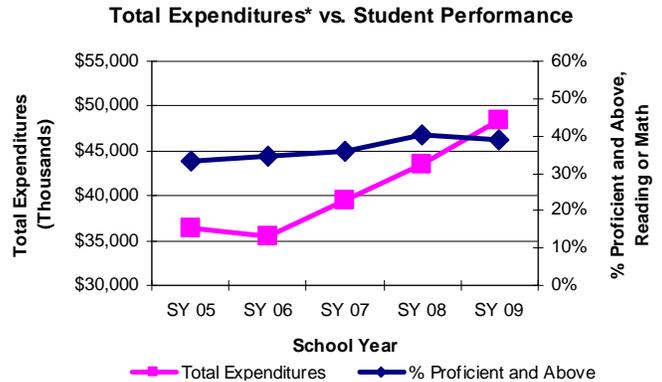
DISTRICT SUMMARY

In SY09, Bernalillo public schools 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 steep 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.

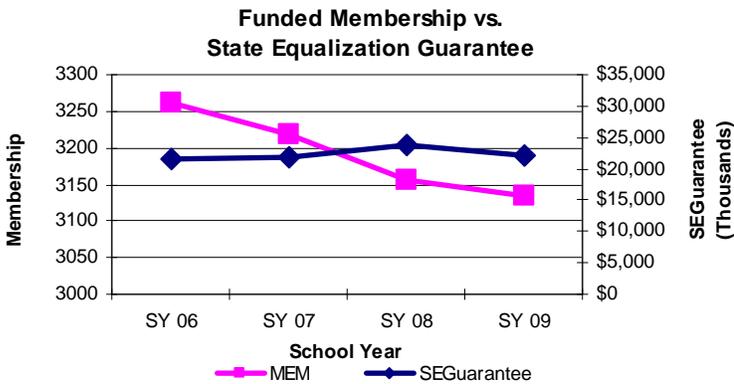
Bernalillo Public Schools
Ms. Barbara Vigil-Lowder, *Superintendent*

	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%

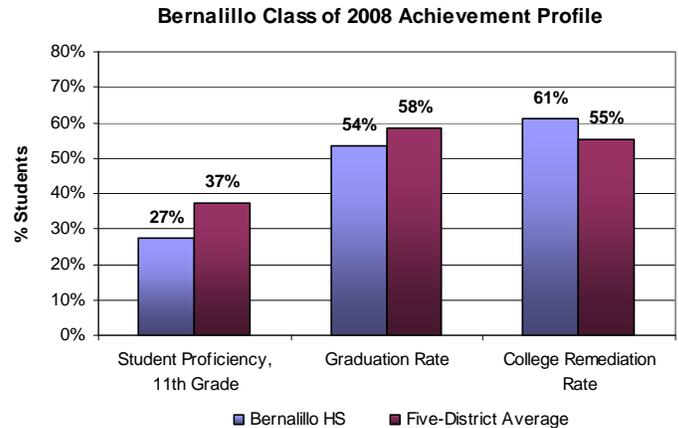
Total Enrollment, SY 09: 3,164



* All funds, not including capital or debt service expenditures



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



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%

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	Not Met (SI-1)
WDCarroll Elem	(progressing)	Not Met (R-2)
Bern. Middle	Not Met (R-1)	Not Met (R-2)
		Not Met (SI-2)
Cochiti Middle	Not Met (SI-2)	Delay
S. Domingo Mid	Not Met (R-2)	Not Met (R-2)
Village	Not Met (SI-1)	Not Met (SI-1)
Bern. HS	Not Met (R-1)	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%

Source: PED/LFC Analysis

BLOOMFIELD SCHOOL DISTRICT

KEY FINDINGS

- More training in budget oversight responsibilities and more information presented to the board could improve monitoring of district activities.
- The district's decentralized purchasing process accelerates purchasing at the expense of oversight and cost containment.
- Bloomfield's legacy accounting system and internal control deficiencies hamper efficient, effective and secure financial management.
- Operations and maintenance measurements were more efficient than review-district peers and facilities appear well maintained.
- The majority of new teaching staff is assigned to schools with low performance.
- Student proficiency data does not guide interventions aimed at economically disadvantaged students.
- The district has taken steps to address drops in student proficiency scores during the transition from elementary to middle school.
- High school students are less likely to graduate than their review-district peers, including Native Americans.
- The bilingual program has traditionally reported expenditures in excess of generated funds and maintains above average per-student costs.

KEY RECOMMENDATIONS

- Provide school board members with a monthly budget balance report, the purchase card statement, quarterly updates from the instruction department, and training from district administration on how to view the financial status of the district.
- The district should increase monitoring of payroll procedures to eliminate risk. PED should require districts provide justification for food expenditures.
- The district should work with LFC and PED to identify an alternate accounting system for future upgrades.
- The district should develop a comprehensive policy regarding how schools and teachers shall use student performance data to design instructional interventions and develop curricula.
- PED should provide school districts with guidance on the use of socio-demographic data such as economically disadvantaged student status at the school and classroom level.
- The district should create a bilingual program cost center to accurately track expenditures.

DISTRICT SUMMARY

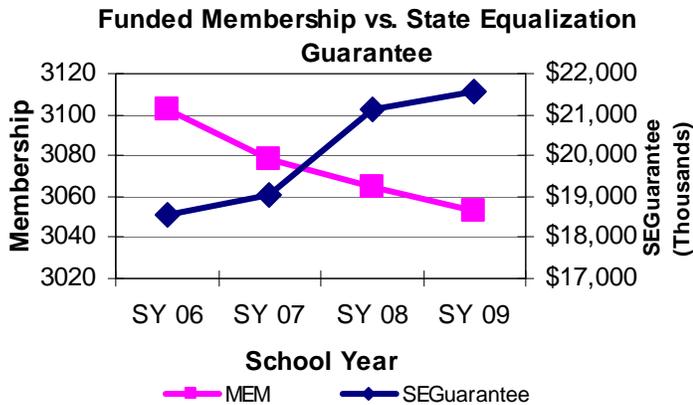
The school board had no input in budget development and lacks the ability to engage the administration during the budget approval process. Central administration financial monitoring is lax as evidenced by nearly \$371,652 in SY09 credit card purchases, including numerous questionable expenditures. The use of data in instruction in the district at school sites is decentralized, and NMSBA data does not play a primary role in individualizing instruction. Economically disadvantaged students are not identified in the data the schools use for conversations about instruction, and the graduation rates in Bloomfield are the worst of the five districts we reviewed.

Bloomfield Public Schools

Mr. Joe Rasor, *Interim Superintendent*

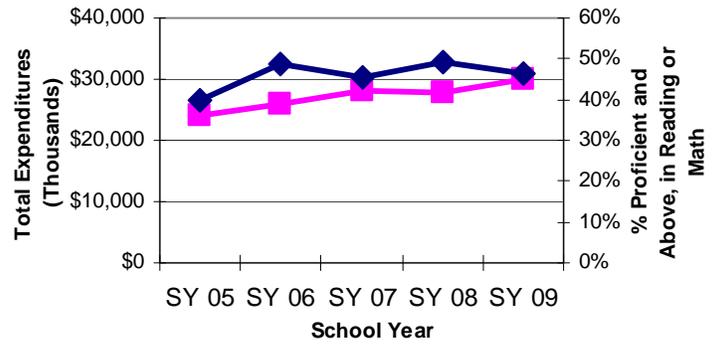
	Bloomfield		Statewide
Female	1465	49%	49%
Male	1544	51%	51%
Caucasian	1014	32%	29%
Hispanic	1092	35%	56%
Native American	1000	32%	10%
Black	19	1%	3%
Economically Disadvantaged	1829	58%	66%
English Language Learners	294	9%	23%
Students with Disabilities	231	7%	13%

Total Enrollment: 3,134



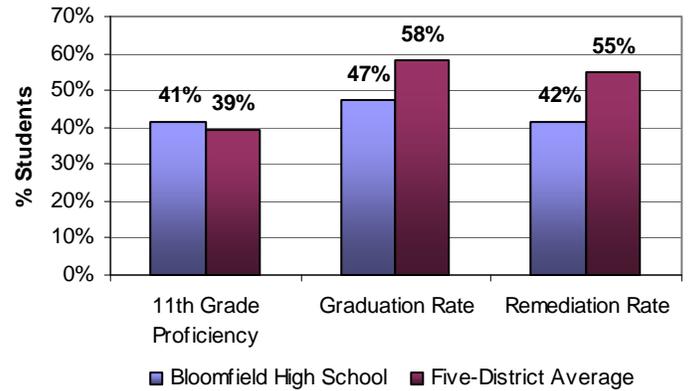
Total SEG Allocation, SY 09: \$21,554,310

Total Expenditures* vs. Student Performance



*All funds, not including capital or debt service expenditures.

Bloomfield Class of 2008 Achievement Profile



SY09 - Operational and Transportation Funds Expenditures (Thousands)

Fund	Function	Amount	% Total
Operational	Instruction	\$14,445.97	62%
	Student Support	\$1,925.31	8%
	Instruct. Support	\$602.55	3%
	Gen. Admin.	\$700.24	3%
	School Admin.	\$2,305.30	10%
	Central Services	\$524.23	2%
	Opt./Maintenance	\$2,844.61	12%
	Total		\$23,348.22
Transportation	Student Transport	\$1,258.72	100%
	Total	\$1,258.72	100%

District AYP Report

School site	2007-2008	2008-2009
Blanco	Met (progressing)	Met (progressing)
Bloomfield FLC	Met (progressing)	Met (progressing)
Central	Not Met	Not Met
Naaba Ani	(progressing)	(progressing)
Mesa Alta JHS	Met (CA-Delay)	Not Met (R-1)
CYB Alt.	Not Met (SI-2)	Not Met (CA)
Bloomfield HS	Not Met	Not Met (SI-1)
	(progressing)	Met (CA-Delay)

Bloomfield NMSBA Results SY05-SY09

	2005	2006	2007	2008	2009
Reading	44%	57%	51%	57%	55%
Mathematics	35%	41%	40%	41%	38%

Source: PED/LFC Analysis

LAS VEGAS CITY

KEY FINDINGS

- The school board routinely reviews policies and receives adequate financial and student performance information. District strategic planning and data analysis documents are indicative of administrators who are committed to data based decision making. With the Individual Plan for Student Success (IPSS) plan, the district has created new ways to track student performance.
- Per student funding has increased over the past few years as student enrollment has decreased slightly as SEG distributions continued to rise.
- In SY09, Las Vegas City spent over \$908,674.40 in additional compensation in SY08-09. Additional compensation accounts for more than 7% of total compensation.
- The district has subsidized transportation with almost \$100,000 from its operational budget in SY08 and SY09, driven largely by additional compensation.
- Las Vegas City administers duplicative short cycle assessments and needs to do more to control utility costs.
- Board expenses are twice that of peer districts. Administrative staff levels are twice as high as peer averages. From SY06-07 to SY08-09, the percentage of the operating budget spent on administration has increased.
- Financial Audits have been late every year since FY04. If LVC continues to submit late audits, their SEG distribution could be impacted.
- Las Vegas City Schools generated about \$1 million in funding formula size adjustments in both FY10 and FY09. The district's T&E index will likely decline as the district's experienced workforce enters retirement.
- In general, Las Vegas City has not achieved increases in proficiency levels from SY05 to SY09.

KEY RECOMMENDATIONS

- Las Vegas City should develop a long-term financial plan.
- Las Vegas City should reduce administrative staff levels.
- The district should administer only one short cycle assessment for each grade.
- PED should conduct an audit of T&E calculations and bilingual enrollment at Las Vegas City.

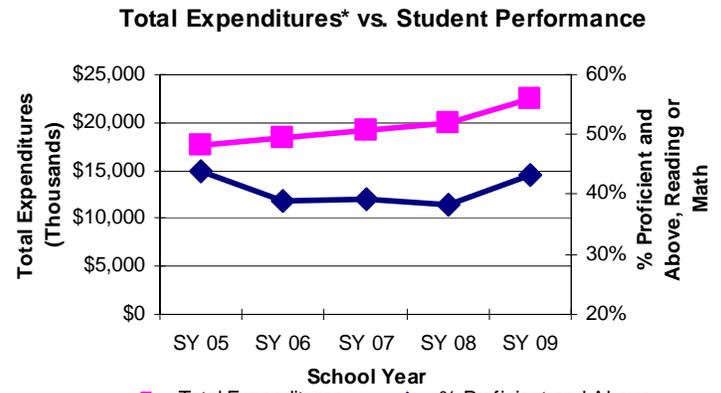
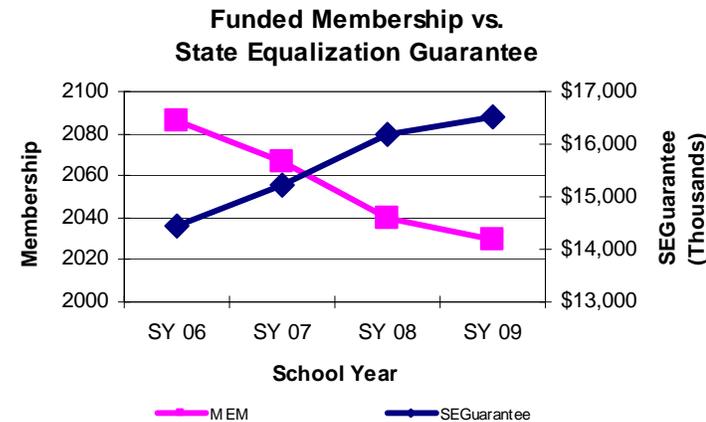
DISTRICT SUMMARY

Las Vegas City must develop a budget that anticipates declining revenues due to declines in student population. A five-year financial plan would help the district manage through what will be challenging times to ensure district costs remain in line with recurring revenues. As the state's per student funding (unit value) flattens or experiences slight declines, Las Vegas City will experience further declines in funding. Despite effective strategic planning and a more analytical approach to resource allocation, the district has not achieved improvement in student performance.

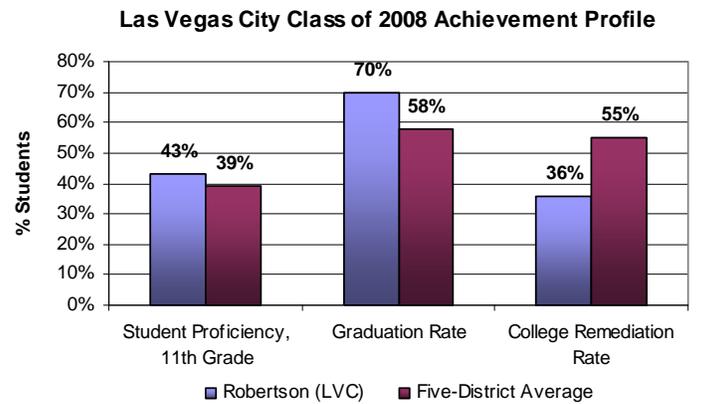
Las Vegas City Public Schools
Mr. Richard E. Romero, *Superintendent*

	Las Vegas		Statewide
Female	977	49%	49%
Male	1016	51%	51%
Caucasian	197	10%	29%
Hispanic	1750	87%	56%
Native American	26	1%	10%
Black	13	1%	3%
Economically Disadvantaged	1176	59%	66%
English Language Learner	234	12%	23%
Students with Disabilities	185	9%	13%

Total Enrollment, SY 09: 1,993



*All funds, not including capital or debt service expenditures



SY09-Operational and Transportation Funds Expenditures (Thousands)				
Fund	Function	Amount	% Total	
Operational	Instruction	\$10,195.16	59%	
	Student Support	\$1,332.77	8%	
	Instruct. Support	\$163.93	1%	
	Gen. Admin.	\$823.78	5%	
	School Admin.	\$1,296.86	8%	
	Central Services	\$510.82	3%	
	Opt./Maintenance	\$2,798.11	16%	
	Student Transport	\$36.85	0%	
	Total		\$17,158.28	100%
	Transport	Student Transport	\$939.86	100%
Total		\$939.86	100%	

District AYP Report		
School Site	2008-2009	2009-2010
LUCS	Not Met (SI-2)	Met (SI-2 Delay)
Legion Park	Not Met (SI-2)	Not Met (CA)
Los Ninos	Not Met (progressing)	Not Met (SI-1)
Mike Sena	Not Met (progressing)	Not Met (SI-1)
PD Henry	Not Met (SI-2)	Met (SI-2 Delay)
Sierra Vista	Not Met (CA)	Not Met (RI-1)
Memorial	Not Met (RI-1)	Not Met (R-2)
RHS	Met (SI-2 Delay)	Not Met (CA)

LVC NMSBA Results SY 05-SY09					
	2005	2006	2007	2008	2009
Reading	58%	54%	51%	52%	55%
Mathematics	30%	24%	27%	25%	31%

Source: PED/LFC Analysis

WEST LAS VEGAS

KEY FINDINGS

- The school board does not routinely review policies and does not receive adequate financial or student performance information.
- District administrators need improvement in strategic planning and data analysis. Expenditure decisions do not appear to be linked to an analysis of student needs.
- In general, per student funding has increased over the past few years because student enrollment is decreasing at a faster rate than SEG funding.
- The district routinely requests emergency supplemental appropriations with deficient justification and considerable cash balances.
- West Las Vegas generated \$1.3 million in the funding formula through size adjustments, including more than \$228,000 for two schools in the same building.
- In SY09, West Las Vegas spent over \$1 million in additional compensation
- West Las Vegas administers duplicative short cycle assessments.
- Areas of potential financial risk include the lack of a stable business manager and discrepancies in T&E documents.
- Administrative staff levels are excessive. The district shifted spending from student support and school administration to central services and instructional support.
- From SY05 to SY09, the percent of students achieving proficiency increased modestly. Neither the board nor the administration can clearly articulate specific goals for student performance beyond general improvement.

KEY RECOMMENDATIONS

- The district should provide the board with monthly budget status reports including year-to-date revenue and expense information and routine student performance reports. Board agendas and minutes should be posted online.
- West Las Vegas should develop a long-term financial plan.
- West Las Vegas should reduce administrative staff levels.
- The district should administer only one short cycle assessment for each grade.
- PED should increase the review of emergency supplemental requests
- PED should conduct a T&E audit of West Las Vegas.
- West Las Vegas should develop specific and attainable goals for student performance and monitor progress towards the goals.

DISTRICT SUMMARY

West Las Vegas must develop a budget that anticipates declining revenue due to declines in student population. The district must restructure its costs to live within available revenue and cease requesting emergency supplemental appropriations. A five-year financial plan would help the district manage through what will be challenging times to ensure district costs remain in line with recurring revenues. As the state's per student funding (unit value) flattens or experiences slight declines, West Las Vegas will experience further declines in funding. Despite the lack of an effective strategic planning and a more analytical approach to resource allocation, the district has achieved modest improvement in student performance.

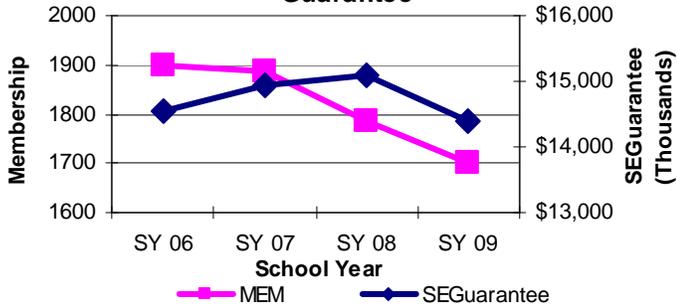
West Las Vegas Public Schools

Dr. Jim Abreu, Superintendent

	WLV		Statewide
Female	858	49%	49%
Male	884	51%	51%
Caucasian	97	6%	29%
Hispanic	1624	93%	56%
Native American	13	1%	10%
Black	17	1%	3%
Economically Disadvantaged	1608	92%	66%
English Language Learner	100	6%	23%
Students with Disabilities	345	20%	13%

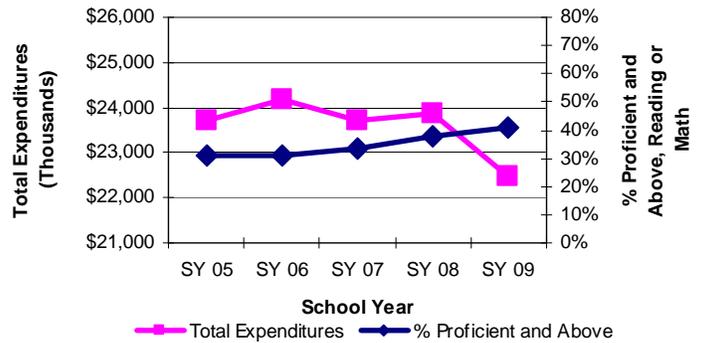
Total Enrollment, SY 09: 1,751

Funded Membership vs. State Equalization Guarantee



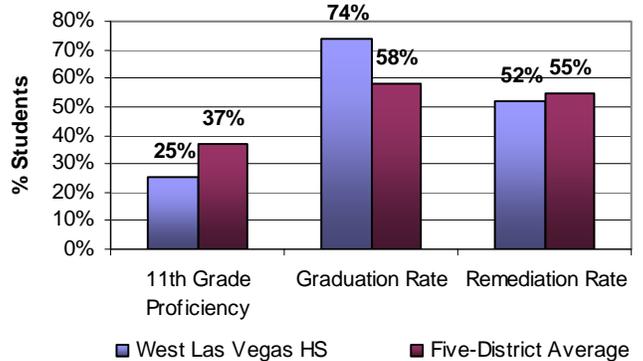
Total SEG Allocation, SY 09: \$14,408,454

Total Expenditures* vs. Student Performance



*All funds, not including capital or debt service

WLV Class of 2008 Achievement Profile



SY09, Operational and Transportation Funds, Expenditures (Thousands)

Fund	Function	Amount	% Total	
Operational	Instruction	\$8,008.37	52%	
	Student Support	\$1,530.71	10%	
	Instruct. Support	\$650.61	4%	
	Gen. Admin.	\$626.51	4%	
	School Admin.	\$1,241.90	8%	
	Gen Services	\$525.07	3%	
	Opt./Maintenance	\$2,697.99	18%	
	Student Transport	\$70.37	0%	
	Total		\$15,351.53	100%
	Transport	Student Transport	\$785.76	100%
Total		\$785.76	100%	

District AYP Report

School Site	2008-2009	2009-2010
D.C. Martinez	Met (progressing) Not Met	Met (progressing)
L.E. Armijo	(progressing)	Met (progressing)
Rio Galinas	Met (progressing) Not Met	Met (progressing)
T. Serna Jr. Union	(Progressing) Met (progressing)	Not Met (SI-1) Met (progressing)
Valley Elem.	Met (progressing)	(progressing)
Valley Middle	Not Met (CA)	Not Met (RI-1)
WLV Middle	Not Met (R-2)	Not Met (R-2)
WLV High	Not Met (CA)	Not Met (R-1)
WF Partnership	Not Met (SI-2)	Not Met (CA)

WLV NMSBA Results SY 05-SY09

	2005	2006	2007	2008	2009
Reading	44%	44%	45%	50%	51%
Mathematics	18%	18%	22%	25%	30%

Source: PED/LFC Analysis

PUBLIC EDUCATION DEPARTMENT RESPONSE



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

DR. VERONICA C. GARCÍA
SECRETARY OF EDUCATION

BILL RICHARDSON
Governor

November 17, 2009

MEMORANDUM

TO: Manu Patel, Deputy Director, Legislative Finance Committee

FROM: Veronica C. García, Ed.D. *Veronica C. Garcia*
Secretary of Education

RE: **PED RESPONSE TO LFC SCHOOL DISTRICT EVALUATIONS**

The LFC is to be complimented for its thorough evaluation of five school districts – Aztec Municipal Schools, Bernalillo Public Schools, Bloomfield Schools, Las Vegas East Public Schools and West Las Vegas Public Schools.

The Public Education Department (PED) has long been committed to equity of funding resources and investing more dollars in students, not in bureaucracy.

While it is clear from the evaluation that each district spends the majority of its dollars on instruction, the evaluation has placed an important spotlight on district accountability for school funding. While this report is a composite, and detailed reports on each district have yet to be released, I encourage the boards in these school districts to thoughtfully consider the findings and recommendations and act quickly to ensure that each dollar they oversee supports their districts' educational strategies and goals. I am encouraged to see in your evaluation report that districts have begun to correct deficiencies based on the LFC's recommendations. But more must be done.

With that stated, I want to briefly highlight a few areas in the report as follows:

Emergency Supplemental

The Legislature has generously provided emergency dollars to supplement the State Equalization Guarantee (SEG). We take our role seriously when distributing these funds. The report

The PED has a clear process regarding emergency supplemental and requires that districts and charter schools address four important components when requesting funding:

1. Clear explanation of justification for the need for emergency supplemental;
2. At least a three-year membership trend;
3. At least a three-year actual cash balance trend, and;
4. Districts must include the incremental increase or decrease in program cost comparing the previous year's funded program cost to the current year's final funded program cost (if available).

Districts and charter schools must provide any changes in FTE and provide information on new programs that have been added. A codicil is placed on the district/charter school operating budget as a reinforcement to submit a financial analysis report within 30 days after submitting their December revenue/expenditure and cash report. The codicil specifies that the amount budgeted may change as a result of the December financial analysis review.

Specific to West Las Vegas' request for emergency supplemental, the PED followed the above process. The evaluation sites incorrectly that "emergency supplemental funds can not be used for salary increases". West Las Vegas has not exceed the mandated salary increases in the General Appropriations Act. Beginning in 2005, the legislature began appropriating funds in section five of the General Appropriations Act for districts experiencing budgetary shortfalls for districts experiencing declining enrollment and economies of scale issues. In addition, the amount of emergency supplemental budgeted by West Las Vegas has consistently decreased every year for the past four years.

School District Audits

We know that those school districts that are six months to a year behind in submitting audit reports to the State Auditor's Office (SAO) are not in the majority. But we also know that oftentimes those entities that fail to submit audits to the state auditor within a reasonable timeframe are found to have serious financial issues. These include poor internal controls and lack of reconciling funds each month. It makes our job especially difficult when determining a district's financial status.

In 2009, the Legislature passed Executive-sponsored legislation, carried by LFC Chairman Rep. Lucky Varela, to require, beginning on July 1, 2010, that the State Auditor's Office must notify the PED when a school district, charter school or regional education cooperative fails to submit an annual audit within 90 days of the due date specified by the SAO. This bill establishes progressive sanctions against school districts and charter schools for not submitting timely audit

reports and provides the PED with much-needed authority to tie serious consequences to districts that are negligent in their duties.

Let me be clear: Should a school district or charter school not submit a timely audit report in accordance with SAO regulations after 270 days from the due date, that entity will face a reduction in its SEG allocation of up to seven percent. This, in turn, would reduce their operating budget. In most school districts and charter schools, the SEG funds over 95% of their resources for daily operations. This is a serious consequence.

Specific to West Las Vegas, on August 10, 2006, I suspended the district's Board of Finance due to very serious concerns that had risen and continued to be raised regarding the fiscal management and accountability of the district. The district's Board of Finance will not be returned until I determine that the West Las Vegas Board of Education is capable of acting as a board of finance.

PED staff continues to work with the district on better financial controls, better management and oversight and adherence to generally accepted accounting practices. But there has been a lack of consistency in the district. Our goal has been, and continues to be, moving the district forward to strengthen student success in an environment of fiscal accountability.

Small School Size Adjustments

Specific to the schools in Bernalillo and Las Vegas that the LFC considers to be essentially two schools in one, the PED does not have the authority to reclassify schools unless a reorganization is requested by the district. The classifications of these as two schools are long-standing and may be in need of a review however, the rationale to request a reorganization is typically programmatic and not budgetary. The PED will encourage the Bernalillo Public Schools and the Las Vegas City Schools to review the schools mentioned in the evaluation. The PED will also review the close locations of schools receiving small school size adjustments in West Las Vegas. Ultimately, these are local autonomy decisions.

Inflating District Budgets and Financial Recommendation

The PED joins with the LFC in its concern over districts placing cash under "opening the doors," as this inflates their budgets. Our preference is for districts to move to using "actuals" versus "budgeted" when setting budgets. In addition, we encourage districts to go to zero-based budgeting and move away from using incremental budgeting. We continue to work with districts in making these financial changes across the state.

We agree with the LFC that district administrators should continue, and enhance, budget development by starting discussions sooner with their boards, presenting a breakdown of key operational areas' budgets, such as facilities, and use performance information to help guide budget decisions. The PED will include a session at the 2010 Spring Budget Workshop on this, which will address the need for districts to prepare their budgets in early winter, in advance of the workshop.

All districts' board members need regular budget status reports, budget adjustment requests, cash reports, credit card expenditures and a list of voided checks to ensure a comprehensive package of financial information. District administrators should provide critical training with board members on how to decipher district financial information and reports. The PED provides local school board members with annual training on their financial role but more is needed at the local level to follow up on that training.

Further, the PED has under review the LFC's recommendation regarding performance-based budgeting. We believe that the *Web EPSS*, described below, will move the PED, school districts and charter schools further in the direction of linking performance to finance. Further, the PED finance and program staffs are working closer in budget reviews so that outcomes for students become central to funding decisions.

However, more must be done. The PED welcomes the opportunity to work with districts and the LFC on ensuring effective accounting systems.

Educational Plans for Student Success (EPSS)

Regarding the EPSS, the PED believes and is committed to the principle that all kids can learn. It's our job to find the keys to unlock their capacity to succeed. That is why the PED is launching the *Web EPSS* Plan and Monitoring Tool, with the support of the Southwest Comprehensive Center at WestEd and the California Comprehensive Center. *Web EPSS* is a web-based tool designed to streamline program monitoring, and track the implementation and evaluate the effectiveness of school district and charter school improvement plans. With *Web EPSS*, there is one tool for managing and streamlining these two activities. Right now, the *Web EPSS* is not linked to OBMS but it can plan and review the use of available funds.

Having a solid funding plan is key to having a successful improvement plan. Through the *Web EPSS*, districts and charter schools make a list of the budget sources and amounts of money they have available to allocate to each activity planned.

We believe that our work on the *Web EPSS* will ultimately provide sufficient financial controls. It should be noted that Title III/bilingual is one of four areas of monitoring with the pilot web system.

Credit Cards

Clearly, the LFC evaluation has brought forth grave concerns with the use and misuse of credit cards. Again, as stated in my opening paragraph, the boards in these school districts must act quickly to ensure that each dollar they oversee supports their districts' educational strategies and goals and adhere to standards for fiscal responsibility and management. The LFC's evaluation report addresses critical changes that these districts can make relating to logs, split purchases, large food and business food purchases, etc. Ultimately the local school boards have the responsibility for a districts finances. The PED will encourage local school boards to adopt board policies that specifically address the LFC's recommendations regarding the use of school district credit cards. We believe that a balance is needed between blanket purchases orders and credit card use but again, the responsibility is that of the local school boards.

Title I Spending, Other

While food purchases are allowed by Title I, clearly the purchases documented in the LFC's evaluation report are out of balance. Our Title I staff will be meeting with officials in Bernalillo, in particular, to further investigate the use of Title I dollars in this regard. It may be that PED should require districts to provide justification for food and school rewards' program expenditures.

The LFC recommends that PED should consider having its Office of Inspector General conduct special audits, as appropriate, of these districts' Title I programs, K3 Plus programs, 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. Special audits may be warranted; however, this recommendation must be balanced against staff and resource limitations at the PED. Should any special audit be undertaken, it will occur only after the PED prioritizes those considered most warranted in light of our current limitations.

The bottom line is that we must get the most from each education dollar.

Bilingual and Multicultural Education

Regarding conclusions reached by the LFC for bilingual education, please note the following:

Regarding SEG funding to West Las Vegas: PED did not adjust the West Las Vegas' SEG because after the Technical Assistance and Focused Monitoring visit an action plan was developed and implemented by the district and is being implemented by PED. The issue was resolved and the numbers of students in each program hour are monitored through worksheets #3-#4 of the applications and STARS data.

Regarding progress in Spanish language acquisition: Heritage language students statewide participate in one/two or three hours based on the English Language Proficiency, program needs and teacher endorsement availability. Each year PED revises the Technical Assistance (TA) Manual for Implementing Bilingual/Title III Programs and provides training to district bilingual directors about program requirements and instructional time. The TA Manual, on page 14, states: "*Time allotment means actual time spent by students in the learning process. For funding purposes, time allotted for instruction in the home language must be equivalent to the time provided for English Language Arts and it must be consecutive in nature (that is, not fragmented throughout the day).*" Therefore, if the instructional time in English Language Arts is 45 minutes there must be 45 minutes in Spanish Language Arts.

The PED annually calculates and analyzes data to ensure that program needs are met. The following data are reviewed and addressed in improvement plans:

- Annual Measurable Achievement Objectives (AMAOs) for English Language Learners in Bilingual/Title III programs (AMAO 1: Making Progress in Learning English; AMAO 2: Attaining Proficiency in English; and AMAO 3: AYP)
- AYP data for districts and schools participating in Bilingual Education
- Home Language proficiency data (Spanish).

Currently, PED and state stakeholders are developing a framework to develop the Spanish Language Arts Standards, which will be the foundation to select a new Spanish Language Proficiency Assessment to be in place next academic school year.

Transportation Spending

Specific to transportation, the LFC's evaluation report states that neither PED nor the districts routinely request and review detailed cost information on operations and maintenance costs within vendor contracts to ensure appropriateness and accuracy nor conduct cost/benefit analyses that would guide the choice between district run, owner/operator or contractor provided services.

The PED is unable to provide this detailed oversight in each of the state's 89 districts due to staff limitations.

The School Transportation Bureau (STB) authorizes school district Budget Adjustment Requests after the school district orders equipment and or supplies for purchases that are encumbered from the previous year. The Public Education Department (PED) does not review or authorize these purchases; this is a local school district responsibility. This portion of transportation funds could not be considered by PED as cash balance since there was a purchase obligation made by the Bernalillo Public Schools. Purchases that occur during the year are made at the school district level provided that they are within the school districts approved transportation budget.

The PED STB did question the need for the type of service vehicle purchased and worked with the Bernalillo Public Schools to sell this vehicle. The PED STB was not aware that another school had purchased this vehicle. This service vehicle was ordered by a previous transportation manager and not by the current staff that brought this to STB attention.

The vehicles purchased for the school transportation administration at the end of the year from an out of state provider may appear to be a higher amount. These purchases were made from a Cooperative Education Service (CES) price agreement. School districts have the option of purchasing from the GSA price agreement, obtaining three price quotes or using price agreements established by CES. The PED STB had inquired to find out that the GSA price agreement had no vehicles available to meet the school district need.

It is common to find vehicle purchases for transportation management. The Bernalillo Public Schools has a satellite operation in Santo Domingo which is staffed by management and two managers in the Bernalillo operation. If the Bernalillo Public Schools did not have a satellite operation in Santo Domingo; their operational costs could be higher by having the school buses

travel from Bernalillo and back daily. The eighteen mile one-way trip would also increase mileage and wear and tear on school buses unnecessarily.

The PED STB requires school districts and contractors to submit expenditure reports annually. It is the responsibility of the school district to review the accuracy of the information provided by contractors. The PED STB does not require contractors to submit receipts with their expenditure report. It is also the responsibility of the local school district to determine how services will be provided in accordance with Section 22-16-3 NMSA 1978. School Districts have the option of contracting and/or operating their school transportation services. The PED STB reviews all of the district and contractor expenditures for reasonableness.

The sampling of school district reviews made by the LFC are primarily school owned and operated school transportation systems. Aztec, Bernalillo and Bloomfield are 100% owned and operated by the district; Las Vegas City is 58% school operated and 42% contract operated; and West Las Vegas is 37% school operated and 63% contract operated. The indication that some operations are subsidized by the SEG may be an indication that transportation funds have been reduced to a level that more of this will occur on a statewide basis.

The PED STB has worked with the West Las Vegas School District at their request to review cost needs and as a result of STB input the district has absorbed six buses between FY07 and FY08. The analysis at that time demonstrated that the school district costs were higher than the contractor costs for school transportation services. The district absorbed part of their fleet as a result. The PED STB has also provided similar information to the Espanola School District (also at the request of the district) and the district was able to absorb fourteen school buses between FY07 and FY09.

It is important to note that PED STB does not have staff with auditing background and as stated earlier, any special audits requested of the PED's Inspector General must be balanced against staff and resource limitations. Should any special audit be undertaken, it will occur only after the PED prioritizes those considered most warranted in light of our current limitations.

School Performance Index

Regarding the LFC's finding linking funding to school performance, there are important variables that are not referenced in the report. These include leadership, political will, parent and community involvement, school culture, aligned curriculum, school time management, student support systems and quality professional development. All these variables are difficult to put on a performance index. However, the EPSS does represent a transparent system of accountability. Further, it does take time to remediate students who do not start school ready to learn.

Regarding the LFC's indexing formula, a thorough study of the indexing methods in use by other states is needed. Percentages will fluctuate widely based on very few students. Please note the following concerns with the LFC's indexing formula:

1. The growth component will be problematic for schools with narrow grade spans (like K-3 schools). A single-grade school will not have the student as long as a multi-grade school and the opportunity to attribute improvement to that school is less strong. Schools should be

matched by grade range. High schools must be exempted from the use of growth. The reason is that we only test one grade – grade 11 – in high school.

2. The statistical phenomenon, regression toward the mean, will benefit low-performing schools by artificially improving scores. If people score on a test at one extreme or the other then the chances are higher that the next time they take the test they will score closer to the group average. This is a concern when making judgments about the performance of low-performing schools.
3. The PED views free-and-reduced lunch (FRL) as an imperfect proxy for poverty. For Provision II schools, in which all students are designated as FRL, all students may not be FRL.

It is tempting to base conclusions on a tiny subset of a population, but that is the reason for the evolution of statistics, so one doesn't try to measure random variation and attribute meaning to it.

Regarding assessment costs, due to insufficient funding for student assessments in the school districts, the fall 2009 administrations of the College Readiness Assessment and the Workforce Readiness Assessment were cancelled. The PED has since negotiated cost-saving measures beginning in FY10 in contract amendments for the New Mexico Standards Based Assessment and the New Mexico High School Competency Exam. With those cost reductions, school districts are underfunded for student assessments in FY10 by an estimated \$550,400.

Regarding the LFC's conclusions that high levels of proficiency do not always yield high graduation rates, ACT scores or low levels of remediation, the PED would need to review the methodology that led to this conclusion. Absent that, we are unable to determine or comment on the accuracy of that conclusion.

Conclusion

The PED has long considered the need for licensing of school district business officials. The LFC's evaluation is further evidence of the need for business officials to meet minimum requirements and standards. But licensing is only a first step. We also believe that each school board should have a finance committee to assist with financial oversight.

As with past audits, once again it is important to note the local control that exists with regard to local school boards.

The PED is fully committed to using the financial controls available to the department and the Secretary to ensure fiscal accountability in school districts. School administrators and local school boards can meet the PED's expectations and requirements by ensuring that spending is aligned with student outcomes and invested in student success.

Thank you.

VCG/rmw

cc: The Honorable Lucky Varela, Chairman, Legislative Finance Committee

The Honorable John Arthur Smith, Vice-Chairman, Legislative Finance Committee
David Abbey, Director, Legislative Finance Committee
Frances Maestas, Director, Legislative Education Study Committee
Brian Condit, Chief of Staff, Office of the Governor
Dr. Peter Winograd, Education Policy Advisor, Office of the Governor
Dr. Catherine Cross Maple, Deputy Secretary, Public Education Department
Don Moya, Deputy Secretary, Public Education Department
Dr. Sheila Hyde, Assistant Secretary, Public Education Department
Gilbert Perea, Assistant Secretary, Public Education Department
Ruth Williams, Manager, Public Education Department

SCHOOL DISTRICT RESPONSES



AZTEC MUNICIPAL SCHOOLS

"Building a Foundation for Success"
Office of the Superintendent

1118 W. Aztec Boulevard
(505) 334-9474

Aztec, New Mexico 87410
Fax: (505) 334-9861

November 16, 2009

Mr. David Abbey, Director
Legislative Finance Committee

Dear Mr. Abbey:

Please accept this letter as the Aztec Municipal School District's (AMSD) response to the Legislative Finance Committee's (LFC) programmatic audit. We have some general comments and some specific action items that the district has implemented.

In the opening paragraphs of this report, the LFC staff indicate that "Despite school districts experiencing declining or flat enrollment and units generated under the funding formula, funding and spending levels have increased significantly between SY05 and SY09." What the report does not make clear is the financial impact of the legislative mandate for three-tiered licensure for teachers and other school employees. AMSD has experienced declining enrollment, in part due to the opening of a charter school serving 180 students, and the district has cut 13 positions over a two year period in response to the decline in enrollment.

The bulk of our increase spending levels is a direct result of implementing the legislative mandate for three-tiered licensure for teachers and other school employees, as evidenced by the fact that AMDS spends 63.5% of its operational budget on instruction.

AMSD does not receive state bilingual funds, small school size adjustments or emergency supplemental funds; this contributes to the lower spending per member.

The AMDS financial audits have been late three of the past five years and we accept full responsibility for this and have taken steps to ensure that our audits are presented on time from now on. The lateness of the FY07 and FY08 audits is due, in part, to working with the PSFA to correct data.

AMSD has a strong commitment to continuous improvement in all areas; the following action items have been implemented to address key recommendations of this audit.

1. The Superintendent and Board of Education have scheduled a Retreat in December 2009 to discuss these audit recommendations in detail and determine appropriate next steps. The Superintendent has also contact the district's policy service to begin discussions on pertinent changes to board policy.
2. The FY09 Audit has been submitted to the state auditor on time.
3. AMSD has a complete and up to date fixed asset inventory that will be maintained electronically, verified by our financial auditors on October 30, 2009.
4. AMSD scheduled in August 2009 the conversion to a more secure financial accounting system to be implemented in spring 2010.
5. AMSD significantly changed the "to and from school" transportation schedule for the entire school district beginning in August 2009 to move to a more cost-effective transportation model. We returned eight buses to the Public Education Department and eliminated ten positions in the Transportation Department. Further, we have moved several activities into the regular work day that previously required overtime payments for transportation staff.

In closing, we appreciate the professionalism and politeness of the LFC staff who spent time in Aztec as well as worked with us over the phone and electronically.

Sincerely,

Kirk M. Carpenter

Mr. Kirk M. Carpenter
Superintendent

xc Senator Steve Neville
 Representative Paul Bandy



**BERNALILLO PUBLIC
SCHOOLS**

224 N. Camino del Pueblo
Bernalillo, NM 87004

Barbara Vigil-Lowder
Superintendent

Phone: (505) 867-2317
www.bernalillo-schools.org

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 1" 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.

BLOOMFIELD SCHOOL DISTRICT RESPONSES

Response to the draft LFC Audit Report from the Bloomfield School District Superintendent

Many of the concerns of the Legislative Audit Team need to be given viewed in terms of internal district events. In August of this calendar year the superintendent was placed on administrative leave while his performance was being evaluated.

Resulting from this review, specific procedures to monitor the use of purchase cards are being developed with strong administrative and board oversight being developed to insure against potential misuse. Currently, there has already been a drastic reduction in such expenditures.

In terms of persons overspending on travel or training trips, the paying of exact expenses is being discouraged in favor of the state per diem rate for instate travel. Room sharing is also being encouraged with staff being instructed that should you decide to exceed the per diem rate, the excess cost will be paid from the employees personal funds. In the event that exact expenses are necessary I have capped exact expense expenditure to a maximum not to exceed a total \$150 for room and meals.

I will be working with our Director of Finance to implement sound practices and procedures that were identified as areas of concern in this report.

In response to the concern that the Central Office has added 2.95 FTE in administration, we added a Director of Human Resources to a department where all HR duties were previously performed by a clerk. This addition enables us to manage employees' issues more quickly and efficiently. In the first month of employment the HR Director was put in charge of an EEO complaint but because we had appropriate documentation in place the complaint was not allowed. In addition, the HR Director has assumed responsibility for professional development which includes training for supervisors, non-certified staff, substitute teachers, etc. The HR Director has also assumed responsibility for staff safety which includes overseeing the loss control component and workers' compensation.

One of the LFC report's concerns was the management of staff entering and leaving the district. The HR Director ensures that all applications are handled in a professional and timely manner. Because of our multiethnic student population the Director continuously seeks candidates reflecting the cultural makeup of our populations. This addition allows for confidential professional investigation of all complaints. She has also established exit records for employees leaving the district so this data can now be tracked.

It is my understanding that the national SHRM Metric of HR/employee ratio is approximately 1 hr person for every 100 employees. Using this comparison to Bloomfield Schools we are providing services with fewer HR staff as recommended by this national group.

Another addition is in the area of technology. The previous Technology Coordinator resigned leaving the department after the initial installation of the STARS student data system. With the increased requirements by the state department for data reports and submissions one person could not efficiently manage the technology requirements of the district.

One person could not manage the increased technology demands from the PED, report deadlines, repairing equipment, purchasing and inventory of all technology equipment and provide classroom IT assistance that is essential for student instructional emphasis.

With the addition of the second technology employee, we gave the department a person to manage all testing, short cycle assessment and test data reports so that schools could have reliable data in a more efficient and timely manner. This allows the teacher to use current student assessment data to drive instruction. The addition of this person gives the classroom teacher the use of current data, program maintenance, upkeep of programs and immediate trouble shooting of technological issues in a on a short notice. Previously these services were placed on a “wait list” with priority given to larger district issues and the classroom was given lower priority. This addition refocuses our efforts to drive instruction at the student level.

The third position was the establishment of a Medicaid Billing Coordinator position to assist in locating and billing the Medicaid program so that we could strengthen our nursing services at every school. This action allows us to hire more nursing staff which is part of the districts strategic long range plan. This position generates funds to pay for the position and help pay for additional nursing services.

In response to the concern of new staff being assigned to low performing schools, it is essential that you realize that when we employ teachers, they must meet the highly qualified requirement for all employees at these schools. All employees have met this requirement. Employees at these schools are required to do extra work, attend more training and are held to higher scrutiny than succeeding schools. The burn out rate of teachers at these schools appears to be higher. On the 40th day of the 09-10 school year, we are 100% highly qualified.

Classroom interventions for the Economically Disadvantaged students is not driven by individually identified testing data because ED information provided by parents is highly protected and to share information at the classroom level would be a violation of this protected information. However, these students are not ignored. We design programs, differentiate instruction, build instructional strategies based on results from our short cycle assessments which in no way are tied to ED information. NMSBA tells us that we have instructional issues so we assess using the NWEA to build specific programs and interventions for the children.

In terms of our 47% graduation rate, while we are not pleased, we do have some explanation as to how this may have occurred. IN 2004 the high school principal decided to reclassify students by a new method. As a result, by changing the number of credits needed to classify for a specific grade a large group of older students were reclassified as freshmen and drove our cohort numbers to almost 400. This created a false image of enrolling freshmen. Historically, we have around 200 – 250 entering freshmen. That year with the reclassification of students, the reports showed us to have about 400 students. This administrative change created havoc with the numbers of the cohort group. While this explains some of the low graduation rate, the schools are still taking the graduation rate very seriously. They are refocusing their efforts on better data management and tracking of students and what they need to graduate. This tracking will give better oversight for all students but especially our ethnic students. We expect to see better graduation rates as these efforts are put into place and monitored.

Lastly, regarding the recommendations for identification and placement of special education, the school district has made significant strides to reduce the over identification and placement of special needs students. All state and federal guidelines are followed while diagnostic staff meets regularly to review assessment process and tests to insure that evaluations are being done correctly.

The most telling strides in improving our student identification process is our use of the RTI program. We have made a concerted effort to get a strong SAT/RtI process established. We have been extremely effective in the process to the point that our coordinator has been used by other districts as a RtI consultant. While not at perfection, our efforts have reduced the number of level 3 referrals drastically. While not required at the secondary level both our high school and junior high are in the process of applying many of the RtI practices and are focusing more effort on individual learners. This paradigm shift from a teaching to a learning model at the secondary level shows a great deal of potential for change for the better.

LFC AUDIT RESPONSE FROM BLOOMFIELD SCHOOL DISTRICT BOARD OF EDUCATION

1. The Board will establish regularly scheduled budget training to increase oversight on the District's finances. The Board will establish a Board Finance Committee for financial oversight.
2. The Board will work with the Finance and Human Resources departments to receive monthly reports by department on budget status and personnel. The Board has received personnel reports in the past whenever requested.
3. The Board will conduct a Self Evaluation in January, 2010. The current Policy Manual that contains the Board Self Evaluation policy was approved summer 2009.
4. The Board has completed formal superintendent evaluations every year except 2009. The formal evaluations will be reinstated in January, 2010. The Board is commencing a superintendent search right away. We will be working with the Interim Superintendent for the academic year 2009-2010.
5. To date, the Board president is not aware of any Conflict of Interest situations. We will call this to the members' attention and will ensure that future situations are covered with the appropriate documentation by using the forms in policy.

LFC AUDIT RESPONSE FROM BLOOMFIELD SCHOOL DISTRICT BUSINESS OFFICE

The district should continue to implement the findings of the IT audit contracted by LFC. Further, the district should work with LFC and PED to identify an alternate accounting system for future upgrades. *Response: The district will implement security enhancements where feasible per the IT audit report. The district has been in search of an alternate accounting system and in fact purchased a system in 2005. The system was not installed due to the vendor*

selling off the software to three separate entities. The district chose not to continue implementation and have to deal with multiple vendors. We did receive a full refund of all monies spent. Other systems were reviewed but either our specifications were not met or the systems were too expensive.

The district should increase the monitoring of payroll procedures to eliminate the possibility of fraud or abuse regarding payroll funds. The district should develop a management report reconciling salaries expenses to fund balances and canceled checks. *Response: The district will review the internal controls in place and modify as needed. The district will have our independent auditors review any changes made to the internal controls.*

The district should formally adopt the procurement code into its policies and procedures. We recommend site administrator and business office staff approve expenditures by signature. *Response: The district will adopt the procurement code into its policies and procedures. The district already requires signatures on expenditures. We were unable to determine why this is an issue.*

The business office staff should verify expenditures are allowable and monitor expenses to reduce costs. Further, the district should consider reimbursing employees for travel expenditures using the State guideline for *per diem* reimbursement. *Response: The business office currently verifies expenditures are allowable in district policies and procedures. We were unable to determine why this is an issue. The district will require the per diem rates be used for travel unless the circumstances show that per diem rates would impose a financial hardship on the employee.*

The district should consider restricting the use of pre-approved blanket purchase orders and retiring the use of manual purchase orders to maintain centralized control over purchases. *Response: The district will review its practices for blanket and manual purchase orders to ensure that their use is necessary based on the situation.*

The district should use the performance data generated by FIMS to create and track performance measures for the maintenance division activities and identify areas in need of improvement. *Response: The district's maintenance department will develop performance measures in conjunction with PSFA.*

The district should update its policies and procedures to ensure all new purchases or assets are entered into the maintenance management system and are assigned a preventative maintenance schedule. *Response: The district's maintenance department will develop procedures and controls to ensure that new assets are added to the maintenance management system and assigned a PM schedule. The district will provide additional training for all maintenance staff members on the software to improve the accuracy of the data.*

The district should create and implement district policy for additional compensation. At a minimum, the policy should document the details of the duties performed and justifications for compensation. *Response: The district will review the current policies and procedures for additional compensation and make changes as necessary.*

The district should establish performance measures and targets such as: cost per mile and cost per rider, timely arrival, and school administration and parent satisfaction and report results to the school board on a quarterly basis. *Response: The district will develop appropriate performance measures and reports for the transportation department.*

LFC AUDIT RESPONSE FROM BLOOMFIELD SCHOOL DISTRICT CURRICULUM DEPARTMENT

The report is a very comprehensive review of all aspects of Bloomfield Schools. The Strategic Planning process will provide the vehicle for moving forward to build on the strengths that were identified and to remedy the weaknesses. We have instituted a framework, Response to Intervention, which uses student performance data to identify and design individual student intervention and curricula. We have begun to use specific student data to plan professional development through the Response to Intervention process.(p.22) In the past, we have used NMSBA—AYP data to determine professional development for sub-populations not meeting AYP, which is a generalized approach. We use the data from NMSBA at the standards level to identify weak areas. We are moving to the specific using RtI to address the needs of individual students through professional development for teachers. The framework for the Response to Intervention will need to become procedural policy for the process to become the same at every school site. Addressing the needs of the Economically Disadvantaged students will be a challenge because identifying the students for intervention is prohibited by law. We feel that through the RTI process; we are addressing the approximately 70% of our population that is ED.(p.18) See attached description.

While we have several areas to improve on such as the graduation rate, closing the achievement gap, ELL student performance, performance in math and several other areas; we are willing to address the issues and move forward for our students to be successful. Bloomfield High School is in the process of changing their schedule to provide a period for intervention and a professional meeting time to solve critical issues such as the graduation rate, ELL, and Native American performance p.21. We are also using the RtI to identify specific interventions for ELL and Native American students to help close the achievement gap. We understand the need for students to make significantly more than one year of growth on the NMSBA and the short cycle assessment to close the achievement gap (p.24-25-26).

As part of the Strategic Planning process, we must decide upon student performance indicators that reflect our mission, beliefs, parameters and action plans of our district. To address long term strategic thinking, we will look beyond making AYP in 2014.

The performance indicators we will be investigating:

1. Increasing the number of students taking the ACT while increasing the average.
2. 80% of the third grade students will be on grade level
3. Reduce the number of remedial classes taken by Bloomfield graduates at two year institutions.

The district should develop a comprehensive policy regarding how schools and teachers shall use student performance data to design instructional interventions and develop curricula.

Tier 1: Students *performing below the 20th percentile on two consecutive short cycle assessments* are referred to Tier 2.

Tier 2: The student assistance team (SAT) conducts a problem solving process. If an intervention plan is warranted, *scientific research based interventions are prescribed and progress monitored weekly using curriculum based measures*. Interventions are provided in addition to core instruction. *Review of the student's response to intervention is conducted regularly by the SAT and RTI building teams utilizing Tier2 weekly progress monitoring data as well as all available data markers (i.e., intervention fidelity measures, attendance records, disciplinary records.)*

Tier 3: Students at Tier 2 who demonstrate poor response to intervention *evidenced by multiple Tier 1 and Tier2 progress monitor assessments over time* are referred for possible Tier 3 placement.

The district should develop a comprehensive policy regarding the use of student performance data as a tool for guiding professional development programming for both teachers and administrators.

Tier 1: *If fewer than 80% of a school or grade perform above the 20th percentile on core short cycle assessments, core instruction must be reviewed and corrected.*

Tier 2 and 3: *Review of progress monitoring data will be conducted yearly to identify intervention strategy weaknesses and strengths.*

LFC AUDIT RESPONSE FROM BLOOMFIELD SCHOOL DISTRICT RESPONSE TO BILINGUAL RECOMMENDATIONS

- 1.) THE DISTRICT SHOULD CREATE A BILINGUAL PROGRAM COST CENTER TO ACCURATELY TRACK EXPENDITURES: Bloomfield School District does track bilingual expenditures in the charter of accounts. Bilingual expenditures are identified through the program code of 4010 and the tracking code of 470. (Page 1)
- 2.) BILINGUAL EXPENDITURE FOR 2006-2007: For school year the bilingual funded membership was 399.00, the amount generated was \$185,521.87. The LFC reported expenditures was at \$73,013.00, making a difference of \$112,508.87. The Bilingual expenditure report sent to PED documents expenditures at \$804,473, making a difference of (\$621,951). Program models, school participation and teacher qualifications are variables that affect the number of students counted for bilingual funding. (Page 23)
- 3.) The Navajo Nation in collaboration with New Mexico public schools implementing the Navajo Language programs have developed and administered the new Oral Dine Language Assessment beginning with school year 09-10. The Oral Dine Language Assessment will be used for reporting to PED. (bottom Page 23)

- 4.) Tribal community members are given the opportunity annually to address the Native American achievement gap through the annual Indian Policies and Procedures (IPP), The district has an established District American Indian Parent Committee. (page 27)

**LFC AUDIT RESPONSE FROM
BLOOMFIELD SCHOOL DISTRICT SPECIAL EDUCATION DEPARTMENT**

The district should evaluate its identification and placement of children to make sure that they are being appropriately placed. The district should also evaluate how it will improve special education proficiency rates by determining whether steps recommended in its EPSS plans resulted in improved special education outcomes.

The district has implemented a weekly peer review of evaluation procedures and best practices. Further, the district has implemented a systematic response to intervention program to include the requirement of the dual discrepancy model of evaluation as required by the NMPED in July 2009.

In regard to evaluation of EPSS plans to improve special education outcomes:
As reported by the Secretary of Education, Dr. Veronica Garcia, on November 6, 2009, Bloomfield Schools have corrected non-compliance with Indicator 11. One area of non-compliance remains, Indicator 13. It is noted that while the compliance target is 100%, the district exceeded the 'Substantial Compliance Target' of 95% with a District Rate of 96.2%. Current EPSS plans to improve Indicator 13 performance are recently been revised via consultation with the SPPIP educational consultant, Juan Portley, Ph.D. The district continues to work with Dr. Portley on this Indicator.

RESPONSE: LAS VEGAS CITY

November 12, 2009

MEMORANDUM

TO: Manu Patel, Deputy Director, Legislative Finance Committee

FROM: Richard E. Romero, Superintendent

RE: District Response to Global LFC Audit Review

I want to begin this response by first thanking the members of the review team for undertaking a fair and impartial audit of the Las Vegas City Schools. The audit responses allowed the district to examine those best practices that we are implementing well, so that we may continue to strengthen those practices, and implementation. The review has also allowed us to examine those practices that are less than best, and examine strategies that we can use to improve those parts of our operations in order to more fully maximize the district's valuable resources.

The first section on **Spending and Funding** cite that the school district surveyed are experiencing flat or declining enrollment.

- While the district agrees overall with this assumption, the district within the last four years has experienced growth in 2007-2008 by 26 students, and again in 2009-2010 saw an increase from the year before by 36 students. This yoyo effect is not unusual for a school district that has more than one school within the community, which affords many students with the option of transferring back and forth.
- While the district agrees overall with the assumption that net spending has increased by as much as 19% over the last four years, the amount needed each year has increased appropriate to the implementation of statutory mandated salary increases for teachers, instructional assistants and principals.
- The district also agrees with the overall assumption that spending on administrative functions has grown, creating a ratio of 1 administrator to 21.1 teachers. Each year the Public Education Department publishes a document entitled, "Calendar of Reports", which provides school districts with the dates upon which some 77 reports are due to Santa Fe. Of these 77 reports, at least 57 are required to be submitted at least once a year, while the remainder of the 20 reports are due 2 to 5 times within the calendar year. This year, the Federal Government has also instituted its own reporting requirements for the funding received through the American Recovery and Reinvestment Act. In addition, administrators are asked to assess and evaluate a minimum of 21.1 teachers, at least once a year, and in most cases 2 or more times in a year, as well as be and instructional leader, lead professional development activities, handle maintenance and operations issues to effectively manage their facilities, handle student issues and their subsequent parent issues, attend after-school student activities, etc. However, a critical review of administrative staffing will take place immediately to determine if administration should be part of the current 1-2% budget cut.
- The school district does agree that it takes full advantage of the small school adjustment

factor. The one suggestion that states, “two small schools separated by a parking lot”, describes Los Niños Elementary and Sierra Vista Elementary. Each school has a grade 1 to grade 5 configuration, however, Los Niños provides dual language instruction, and is a Spanish Immersion School, providing a very different instructional program than the school across the parking lot (Sierra Vista). Like most communities, the Las Vegas City Schools has successfully built and provides neighborhood schools to its community members. The value of these neighborhood schools goes well beyond a funding differential. Each school in the Las Vegas City Schools, operates as a separate entity, governed by a separate administrator or head teacher, and taught by separate teaching staffs. The only instructional programs that are shared are the “Specials” Art, Music and Physical Education.

- The Las Vegas City Schools is very cognizant of its budgeted and expended costs for utilities. The district is presently upgrading the heating system at Robertson High School, providing new individualized boilers for each building, versus the one large boiler that existed for the last thirty plus years. The district also applied for the Photovoltaic Solar Energy Grant, and will continue to implement energy savings strategies throughout the district in order to reduce consumption.
- LVCS has experienced a 0.89% decrease in enrollment during the past 7 years (2003-04 through 2009-10) and a 0.37 % decrease in enrollment for the past 3 years (2006-07 through 2009-10)
- Duplication of Short Cycle assessments: DIBELS is required for Reading First Schools and Full Day Kindergarten programs. School that are neither Reading First or have Full Day Kinder programs are Sierra Vista and Memorial Middle School. Although LVCS does not need to do DIBLES testing at these sites, we have expanded DIBLES testing to these schools for continuity in grades K-6 to provide teachers with quick assessments and progress monitoring capabilities of student reading skills. Progress monitoring is completed for students who are at the “Intensive” level every two weeks and once per month for students at the “Strategic” and “Benchmark” levels using DIBELS. DIBLES at these schools primarily tests reading fluency. LVCS SCA is NWEA MAP which tests Reading and Math skills at K-1 (for Primary Grades) and Math, Language Arts, Science and Reading for grades 2-11.
- DIBELS does not test the same skills as NWEA MAP but does provide the teacher and parents with frequent assessments as to the student’s reading skills. DIBELS scores are shared with parents and also documented in student progress binders providing reference for teachers from preceding grades.
- The additional cost for DIBELS testing for Sierra Vista and Memorial Middle School is approximately \$3,481. All other LVCS are either Reading First or have full day kindergarten programs in which DIBLES is a requirement by PED.

The district agrees with the LFC Audit recommendation that **Strategic Planning and Performance-Based Budgeting** will help the district ensure that all operations and support goals are met, and that overall, greater accountability measures should be put in place.

- The district agrees with the premise that long-term financial planning is needed to deal with structural changes in revenue due to decreasing enrollment and student’s needs, and that we need to look beyond the present, “Incremental Budgeting Process”. We agree that this process has become insufficient for the current economic climate, and will take the advice of

the audit to reexamine our past spending practices and look at fundamental changing as to how our budget is developed for the 2010-2011 school year. We will look to the LFC and other state agencies for assistance in gaining knowledge of, and addressing performance-based budgeting, and an implementation cycle of at least five years.

- Throughout the last year, the district has worked hard to develop a sound Educational Plan for Student Success, however, its 211 pages can be quite overwhelming, and difficult when using as a plan for instructional improvement. But it is the document, and format required by the Public Education Department.

The district agrees with the assumption that poor **Financial Planning Practices** and flawed **Accounting Systems** unnecessarily expose districts to fraud, waste and abuse. But like all forms of technology, they are all controlled by people, and its people who create the fraud, waste and abuse.

- The district is aware that beginning with this school year, it was behind by two years on its fiscal audits. However, during the 2008-2009 school year, the district successfully completed its audits for 2006-2007, and 2007-2008. And began its audit for fiscal year 2008-2009 a month ago. The Las Vegas City Schools anticipates having the audit for 2008-2009 completed by January 30, 2010.
- The audit for the Las Vegas City Schools for the year ended June 30, 2009 has run into delays due to the following issues:
 - The School has not provided a final trial balance to the auditors as of October 23, 2009. This is mainly due to the fact that the District has converted to a new accounting software system and the District's 2008 audit, performed by another auditor, was not completed until August 2009. The District is still attempting to reconcile beginning balances in the new accounting system. These issues have affected the District's ability to provide financial information timely. In addition, the district is awaiting information needed from the previous auditor needed for the reconciliation of fixed assets, accounts payable, and payroll clearing. The District's current auditors, Griego Professional Services, LLC, have performed some compliance procedures, but cannot complete the audit until the District is able to provide the trial balance.
 - Due to the issues above, the District has elected to submit the audit report late to provide sufficient time to process accurate information for the auditor.
 - The District and Griego Professional Services, LLC are eager to complete the 2009 audit and we will submit the audit as soon as possible. The District has indicated to the auditor that a trial balance will be available by the end of November 2009. Griego Professional Services has indicated that the audit can be completed 60-90 days after receipt of a final trial balance for both the student activity and general funds accounting systems. If the District's audit incurs further delays, we will notify the State Auditor's Office.
- Based on the information provided by the LFC from their security audit of the district's financial software, the district is very concerned and agrees with the LFC assumption that the security issues with the software need to be resolved —BY THE CONTRACTOR, AT THE CONTRACTORS EXPENSE, or be replaced. And if replaced, the Public Education Department supported through the State Legislature needs to provide the resources to replace this existing program. Each school district should not encumber this financial burden.
- The Las Vegas City Schools does provide funding for additional compensation in all fund

accounts associated with personnel. The school district is currently auditing these functions and will look at reductions in each line item to help meet the 1-2% reduction resulting from the Special Session in October. And will continue to look critically at these line items as it begins to develop its 5-Year Financial Plan beginning with the 2010-2011 school year.

The district agrees with the general assumption that **School Boards Function Well**, but would gain from better information to guide decision-making. This assumption will vary from district to district from board to board, and is generally influenced by the individual board members perception of what he/she believes is their responsibility. The determination of how well a “board” functions is largely proportional to the relationship that it has with its superintendent, and the support the superintendent perceives he/she has from the board.

- The present administration has worked very hard to create transparent leadership with the board of education. Providing comprehensive financial, student, personnel, instructional and assessment data at all regular monthly board meetings.
- The board of education with the assistance of the district administration has been reviewing its board policy documents in an effort to codify and update all policies. Upon approval, each series will be placed on the school district’s website for public access.
- As of the date of this response, the district has provided all school board meeting agenda and minutes for all board meetings beginning July 2009.
- The present administration has worked very hard to provide comprehensive financial information each year as part of a budget process beginning as early as January of each budget cycle.
- The administration will work with the board to develop a finance sub-committee of the board to provide a monthly or bi-weekly review of bills for payment, check registers, banks statements and other financial review necessary to support an extensive review of monthly fiscal procedures.
- The administration will work with the board to review past and present “board expenses” to ensure that expenditures are aligned with goals identified in the district’s Educational Plan for Student Success. While the district agrees with the financial data provided for “board expenses” we caution the LFC from taking these figures at face value. Each district will report expenses differently, while we are all expected to report revenues and expenditures through procedures outlined in the Chart of Accounts, each district has the autonomy to report expenses based on how they set up their revenues. A snap shot of board expenses for the 2006-2007 are as follows
 - \$11, 550 for meeting reimbursement (\$75.00/mtg.)
 - \$1,701 for travel reimbursement
 - \$3,897.96 Publications for Legal Ads (Notice of Meetings—Local Newspaper)
 - \$1,442.92 for retirement reception & plaques for faculty and staff retirement
 - \$7,128.25 for State and National membership dues
 - \$345.83 for Board Supplies
 - \$2,192.34 for registration fees for State and National conferences/meetings
 - \$1,550 for donations made from board to assist student travel
 - \$881.04 for meals for Monthly Board Work Sessions

The district agrees with the assumption that the district is making **Slow Improvements in Students Performance** but more work is needed.

- Beginning with the 2008-2009 school year, the district implemented a form called an Individual Profile for Student Success, which is used to organize assessment data in a single document for teachers to use to assist students with individualized instruction.
- The 2008-2009 school year began a considerable effort within the school district to use data to drive instruction. Each year in August, assessment data is received from the New Mexico Standards-Based Assessments administered in the Spring. Once data is received it is disaggregated for each school based on each assessment for each child paying particular attention to scale scores and how students performed on each standard/benchmark for the subject area. Teachers are expected to use the disaggregated data to complete the IPSS, and identify needed growth areas for all students, thus developing Individualized Academic Plans for each student for each lesson.
- Bilingual funds are used to support Heritage Language Revitalization Programs at 7 of our 8 schools in the district; one Dual Language Immersion School and Enrichment Programs at the Middle and High Schools.
- For the exception of Los Niños Elementary, there is a 2-3 hr. program at district elementary schools. Los Niños is funded for a 3 hr. program. Most students at MMS and RHS receive a 1 hr program. ELLs in appropriate program at MMS and RHS receive a 2 hr. program.
- LVCS welcomes an enrollment audit of our program numbers. Within the past two years we have established procedures to ascertain that enrollment counts reported in STARS align with Worksheets #3 and #4 which are submitted to BMEB. These enrollment counts also align with JMAC, our district student management system.
- There are 56 teachers who provide services for the Spanish component of our bilingual programs. Also, 72 teachers provide services for the English Language Development component of our Bilingual Programs. Las Vegas City Schools will work with its Business Office to pro-rate and code teacher salaries appropriately to the bilingual program.
- Spanish Language fluency data and norms have been researched for SY 2006-2007 and SY 2008-2009. It appears that coding errors have been made in classifying proficient students. Numerous students, in particular at Los Niños Elementary, have been classified as NSP or LSP that should have been classified as FSP. As of last year, Spanish Language fluency data has been made available to parents, teachers and administrators.
- In an effort to increase English and Spanish Language proficiency, schools are required to identify EPSS goals for Bilingual and ELLs in addition to Reading, Math, and Parent Involvement. EPSS goals must align with Title III and State Bilingual Applications. Schools have developed performance targets for student Spanish language fluency gains. These performance targets are indicated in BOX 6 of the State Bilingual Application. An Improvement Plan for attaining AMAOs (Annual Measurable Achievement Objectives) for ELLs was required for some schools as part of the Title III and State Bilingual Application. These Improvement Plans have been submitted and approved as part of the applications.

The district agrees in part with the statement, “**Transportation Services are often Subsidized with Operational Funds**, but disagrees with the statement that those funds are not routinely monitored for effectiveness.

- The Transportation Funding is being supplemented by Operational dollars for 07-08 in the amount of \$59,465.76 which paid for a new secretary for the transportation and maintenance department. The salary for the Transportation Coordinator and secretary are split between operational (11000) and transportation (13000) because their duties and FTE are split between, transportation, maintenance, and activity transportation. For example: The

Transportation Coordinator is .69 FTE in Operational Transportation (11000) that is non to and from driving, Transportation (13000) .21 FTE for to and from, and Operational Maintenance (11000) .10 FTE to coordinate maintenance/custodial duties. Other school districts might pay their transportation coordinator at a 1.0 FTE because they do not have split duties.

- The Transportation Funding was decreased from being supplemented by Operational dollars for 08-09 in the amount of \$22,615.73 to the amount of \$36,850.03. This is due to the reclassification of the transportation/maintenance/custodial secretary and the transportation coordinator. The salary for the Transportation Coordinator is split between operational (11000) and transportation (13000) because their duties and FTE are split between, transportation, maintenance, and activity transportation. For example: The Transportation Coordinator is .69 FTE in Operational Transportation (11000) that is non to and from driving, Transportation (13000) .21 FTE for to and from, and Operational Maintenance (11000) .10 FTE to coordinate maintenance/custodial duties. Other school districts might pay their transportation coordinator at a 1.0 FTE because they do not have split duties.
- The Las Vegas City School District monitors its performance measures for the transportation function by holding periodic meetings with the Transportation Coordinator, Support Services Secretary, and Finance Director. The meetings are held to discuss funding availability for employee salaries and contracted bus drivers. In addition, budget is reviewed often support upcoming inspections and training for drivers, and maintenance for to and from school buses. The districts reviews its cash balance each quarter to ensure that it does not need supplemental funding. The PED has not asked the district for a detailed cost of its expenditures. They only require the annual 40th day and expenditures report in summary every quarter.
- The Las Vegas City Schools Transportation and Coordinator, Support Services Secretary, and Finance Director meet with Contractors annually to review their expenditures in detail to decide on annual contract amounts. Specifically they review operational and maintenance costs, fuel, and salary costs. Any increases to contractors are first determined upon the balance sheet of the contractor which reflects actual expenditures for all costs. The contracts are also based upon funding from the PED for contractors. The PED transportation bureau has not audited the school bus contractor or school district owned bus operations in over 15 years. The district requires the contractors to bring in a detailed expense report every year. The Transportation Coordinator and Finance Director review the reports in detail. The district will begin to provide cost analysis to the Superintendent of the benefit of choosing to run the district bus runs either school owed, or contractor provided.

West Las Vegas Key Findings – Global Summary

The school board does not routinely review policies and does not receive adequate financial or student performance information.

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of
Education

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Vice-Chairman
Gary Gold

Secretary
Caroline López

Member
Kenny Luján

Member
David Romero

Board reviews policies often and subscribes to a policy service that makes regular thorough legally reviewed recommendations to update policies. It must be noted that to begin to thoroughly review and revise Board policy, resources will be needed to accomplish this monumental task. Selected policies are routinely revised to meet certain changes in the state regulations etc., however, training on appropriate language to use and the legal aspects, may require the services of additional personnel including the use of legal services. NMSBA will be a resource that the district may use as well. The District assures this committee that policy revision activities will begin as soon as is possible. School board training and professional development on the specific items that should be included will also be a part of the effort.

Currently the staff and administration are determining what PED report formats would be most useful to distribute to the Board of Education. Further, PED is re-designing the "Cash Report" as a Task Force has been meeting to update and revise the current format. One of our consultants resides on that committee. It must be noted that the information currently being distributed, including format and content, is routinely distributed by other business offices across the state to their Boards' of Education.

In the future the District Leadership Team will present data in a more detailed manner noting student performance and progress. These presentations will be placed on a schedule to keep all interested persons informed so that decisions can be made on program and budget.

District Administration need improvement in strategic planning and data analysis.

Professional development and financial instruction is available through the New Mexico School Boards Association, the State Purchasing Office, the New Mexico Association of School Business Officials and other entities. With NMASBO, topics include Budget Preparation and Maintenance, Internal Control, and Capital Projects, just to name a few. Issues relating to all Governmental accounting standards, practices, and procedures are also presented. These sessions are open to all groups including school board members. The Business office staff currently attends these workshops and gain PED/NMASBO endorsed certifications. West Las Vegas staff intends to continue this valuable program of professional development.

Staff is aware of the requirement to gain Board approval of a district's EPSS. Meetings were held to gain input (see attached), and, West Las Vegas Schools will take steps to place this approval on the December, 2009 regularly scheduled meeting of the Board.

In general, per student funding has increased over the past few years because student enrollment is decreasing at a faster rate than SEG funding.

West Las Vegas has experienced rising infrastructure costs, continued mandated salary treatments and the loss of units. Contractual obligations, class size and other rising cost have prohibited the district from stabilizing this measure. Staff will make every effort to reduce expenditures and align that with student loss.

The district routinely requests emergency supplemental appropriations with deficient justification and considerable cash balances.

The West Las Vegas Schools requested and justified their requests to the Public Education Department based on a reduction in student enrollment, the requirement to meet class size requirements, HB212 and the mandates to increase pay for certified and non-certified categories of employees. Benefits and other fixed charges increased at an alarming rate the last three years. West Las Vegas has more than satisfied the requirements to receive these funds to insure that our students receive the best education possible.

However, management is monitoring expenditures and revenues daily exploring ways to reduce and eventually eliminate the need for Emergency Funding.

Emergency funding was increased in SY08 to offset the loss of units when the Family Partnership school was no longer eligible for size adjustment. It must be noted that The Family Partnership has graduated 55 students since its inception.

Emergency Funding will be spent to serve students. For example, testing costs have risen by \$15,000 over last year, and the district received notice of this in September, 2009.

West Las Vegas generated 1.3 million in the funding formula through size adjustments, including more than \$200K for two schools in the same building.

A loss of size adjustments units would be detrimental to the students at West Las Vegas. Most certainly the district might seek additional supplemental emergency funding. New Mexico is a rural state and these units are instrumental in providing the best education possible. In small school settings (that generally produce increased proficiency) this funding would be critical.

In school year 09, West Las Vegas spent over one million in additional compensation.

West Las Vegas staff will investigate the types of additional compensation that can be realistically reduced. Those stipends that are negotiated by the union may need to be re-examined by staff and union reps over time.

West Las Vegas administers duplicative short cycle assessments.

The district believes this comment should be removed. These tests are administered to address students at risk and conduct monitoring activities. The district has a specific Assessment Calendar that coordinates the assessments on shorter timeframe (See attached). The purpose is to allow for changes to happen in their instruction at shorter intervals dependent on the needs of the student. (See exhibit)

Areas of potential financial risk include the lack of a stable business manager and discrepancies in T&E documents.

West Las Vegas is currently operating with the aid of two financial consultants each possessing a School Business Official licensure pursuant to 6.63.12.3. Both individuals have worked in the school business environment for over 30 years. Each have served as State Presidents of the New Mexico Association of School Business Officials. Point in fact is that the district is receiving sound fiscal direction until a Business Manager is hired full time. This has enabled the district to provide consistency in reporting and in addition, provide for financial accountability and stability.

District staff interviewed ten candidates for the open position of Business Manager and to date references are being contacted and, the Public Education Department as the current Finance Authority will also be involved in the selection process.

Currently, WLVS are very proud to have a support staff of six FTE in the business office with an average 19 years of experience in school operations.

Business office staff longevity is evidence of the level of comfort and security staff possess in their various job roles.. The Leadership Team is fairly new, but West Las Vegas is fortunate to have energetic and motivated staff with education backgrounds. Key staff have been with the district for many years to insure stability.

T&E Audits are scheduled routinely according to the Public Education Department's Office of the Inspector General review schedule. For the current year the T&E report has been submitted to PED as required. Further, it is fortunate that the West Las Vegas Schools T&E Index is at 1.127 indicating that a large percentage of our staff possess substantial training and experience. Much of the intent of HB212 was to recruit and retain qualified staff thus this is advantage for the district, most certainly not a concern. HB212 mandated more pay and that is an incentive for individuals to continue employment. This provides for consistency and promotes a stable environment for students. See attached current T&E Report.

Administrative staff levels are excessive. The district shifted spending from student support and school administration to central services and instructional support.

It must be noted that West Las Vegas Schools serve 6 school sites with only three FTE. (Principals) District administration has decreased in an effort to address other areas of need. HB212 called for additional staffing to provide mandated accountability. Staffing was needed to track and report licensure, dossiers, endorsements and the movement and qualifications that are now necessary for Three Tiered licensure. This has changed the way business offices, for example, operate on a daily basis.

From SY05 to SY09, the percentage of students achieving proficiency increase modestly. Neither the Board nor the administration can clearly articulate specific goals for student performance beyond general improvement.

West Las Vegas Schools' students have clearly demonstrated proficiency in selected areas as evidenced by the LFC report. Noting data reflected on the LFC report, the spending levels are parallel with the % proficient in Reading and Math. Note NMSBA results from 05SY to 09SY in reading and math, Reading increased from 44% to 51%, and Math increased 18% to 30%. It is the goal of administration to keep the Board of Education informed periodically and provide them with meaningful information on student achievement.

West Las Vegas Schools appreciates the opportunity to provide information and work with the LFC staff to insure our students continue to receive the best education possible.

Respectfully submitted,

Dr. James Abreu, Superintendent of Schools

APPENDIX A: History of the Unit Value

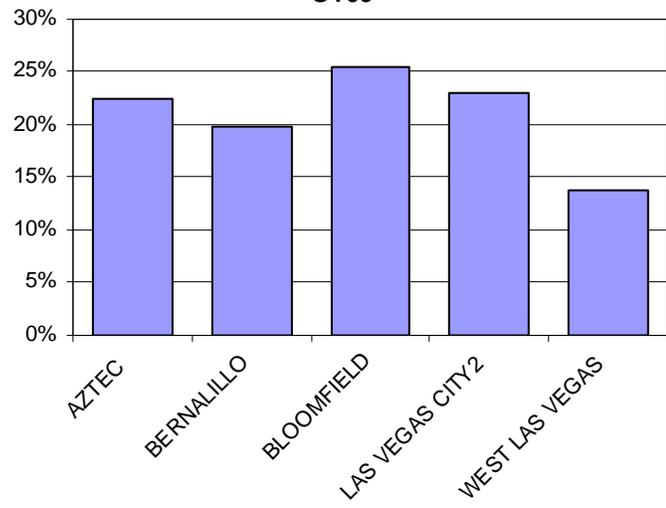
History of the Unit Value

School	Initial	Final	Percent Change
Year	Unit Value	Unit Value	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.

**Percent of MEM in Special Education
SY09***



Source: PED. * Includes Gifted.

APPENDIX B: Selected Credit Card Spending

Bloomfield Selected Credit Card Expenditures for SY2008-09

Superintendent	KEN & SUE'S	\$418.03
Superintendent	BAR D CHUCKWAGON SUPPERS	\$414.00
Superintendent	LADY FALCONBURGH'S	\$335.52
Superintendent	EL PASO BAR-B-QUE 560	\$269.70
Superintendent	ELDORADO HOTEL-FRONT D	\$136.77
Superintendent	ELDORADO HOTEL-FRONT D	\$136.77
Superintendent	ELDORADO HOTEL-FRONT D	\$136.77
Superintendent	ELDORADO HOTEL-FRONT D	\$136.77
Superintendent	ELDORADO HOTEL-FRONT D	\$136.77
Superintendent	ELDORADO HOTEL-FRONT D	\$136.77
Superintendent	SOMETHING SPECIAL BAKERY	\$433.03
Superintendent	THE PALACE RESTAURANT	\$273.69
Superintendent	JCPENNEY STORE 2080	\$134.98
Superintendent	JCPENNEY STORE 2080	\$134.98
Superintendent	JCPENNEY STORE 2080	\$134.98
Superintendent	JCPENNEY STORE 2080	\$134.98
Site Administrator	OUTBACK #5112	\$401.54
Site Administrator	RED LOBSTER US00006007	\$226.22
Site Administrator	BLAKE'S LOTABURGER #48	\$282.69
Transportation	ETENNISBALLS.COM	\$126.00

Source: Bloomfield Schools

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

APPENDIX C: LFC Performance Index

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

$$a + \sqrt{(1-y)(b)} + \left[\sum_{P=1}^5 (P_{x+1} - P_x / (100 - P_1)) \right]$$

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:
 - $y=(x-x_1)$, where x =demographic peer group average over five years for ED student enrollment, and x_1 =district average over five years for ED student enrollment
- b=district five-year average student proficiency rates in reading and mathematics for ED students.
- $+ \left[\sum_{P=1}^5 (P_{x+1} - P_x / (100 - P_1)) \right]$ 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 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

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:

$$a + \left[\sum_{P=1}^5 (P_{x+1} - P_x / (100 - P_1)) \right]$$

As shown in figures 1 and 2, some district performance rankings shift when student demographics are excluded as an evaluative variable.

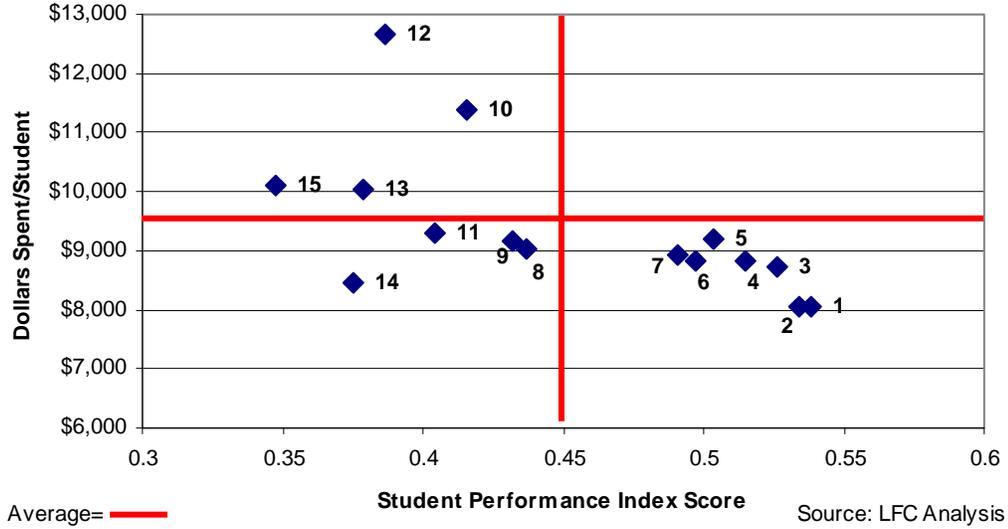
For **Table 2. No Student Demographic Weight**

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%

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 1. No Student Demographic Weight



As shown in chart 1, 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.

APPENDIX D: Schools' AYP Status

Bernalillo 2009-2010 AYP Snapshot

School	AYP Status	NCLB Designation	Math	Reading	Title 1
Algodones Elementary	Not Met	CA	Not Met	Not Met	Yes
Bernalillo High	Not Met	R-2	Not Met	Not Met	No
Bernalillo Middle	Not Met	R-2	Not Met	Not Met	No
Cochiti Elementary	Not Met	R-2	Not Met	Not Met	Yes
Cochiti Middle	Not Met	SI-2 delay	Met	Not Met	Yes
Placitas Elementary	Met	Progressing	Met	Met	No
Roosevelt Primary	Met	Progressing	Met	Met	Yes
Santo Domingo Elementary	Not Met	SI-1	Not Met	Not Met	Yes
Santo Domingo Middle	Not Met	R-2	Not Met	Not Met	Yes
Village Academy	Not Met	SI-2 delay	Not Met	Met	No
W.D. Carroll Elementary	Not Met	R-2	Not Met	Not Met	Yes

Source: PED

Bloomfield 2009-2010 AYP Snapshot

School	AYP Status	NCLB Designation	Math	Reading	Title 1
Blanco Elementary	Not Met	Progressing	Not Met	Met	Yes
Bloomfield Family LC	Not Met	Progressing	Not Met	Not Met	Yes
Bloomfield High	Not Met	R-1	Not Met	Not Met	No
Central Primary	Not Met	SI-1	Not Met	Not Met	Yes
Charlie Y. Brown Alt	Not Met	SI-1	Not Met	Met	No
Mesa Alta Jr. High	Not Met	R-1	Not Met	Not Met	No
Naaba Ani Elementary	Not Met	R-2	Not Met	Not Met	Yes

Source: PED

Aztec 2009-2010 AYP Snapshot

School	AYP Status	NCLB Designation	Math	Reading	Title 1
Aztec High	Not Met	CA	Not Met	Met	No
C.V Koogler Middle	Not Met	R-1	Not Met	Not Met	No
Lydia Rippey Elementary	Met	Progressing	Met	Met	Yes
McCoy Avenue Elementary	Met	Progressing	Met	Met	Yes
Mosaic Academy	Not Met	SI-1	Not Met	Not Met	No
Park Avenue Elementary	Not Met	SI-2	Not Met	Not Met	Yes
Vista Nueva High	Not Met	SI-1	Not Met	Not Met	No

Source: PED

Las Vegas City 2009-2010 AYP Snapshot

School	AYP Status	NCLB Designation	Math	Reading	Title 1
Legion Park Elementary	Not Met	CA	Not Met	Met	Yes
Los Ninos Elementary	Not Met	SI-1	Not Met	Met	Yes
LUCS Early Childhood	Met	SI-2 delay	Met	Met	Yes
Memorial Middle School	Not Met	R-2	Not Met	Not Met	Yes
Mike Sena Elementary	Not Met	SI-1	Not Met	Met	Yes
Paul D. Henry Elementary	Met	SI-2 delay	Met	Met	Yes
Robertson High	Not Met	CA	Not Met	Not Met	Yes
Sierra Vista Elementary	Not Met	R-1	Not Met	Not Met	Yes

Source: PED

West Las Vegas 2009-2010 AYP Snapshot

School	AYP Status	NCLB Designation	Math	Reading	Title 1
Don Cecilio Mtz Elementary	Met	Progressing	Met	Met	Yes
Luis E. Armijo Elementary	Met	Progressing	Met	Met	Yes
Rio Gallinas School	Met	Progressing	Met	Met	Yes
Tony Serna Jr. Elementary	Not Met	SI-1	Not Met	Not Met	Yes
Union Elementary	Met	Progressing	Met	Met	Yes
Valley Elementary	Not Met	Progressing	Not Met	Met	Yes
Valley Middle	Not Met	R-1	Not Met	Not Met	Yes
West Las Vegas High	Not Met	R-1	Not Met	Met	Yes
West Las Vegas Middle	Not Met	R-2	Not Met	Not Met	Yes
West Family Partnership	Not Met	CA	Not Met	Not Met	Yes

Source: PED