



**Report  
to  
The LEGISLATIVE FINANCE COMMITTEE**



**Program Evaluation of Selected School Districts  
West Las Vegas School District  
December 2, 2009**

**Report # 10-02E**

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December 10, 2009

Mrs. Christine Ludi, Chair  
West Las Vegas School District  
179 Bridge Street  
Las Vegas, NM 87701

Dear Mrs. Ludi,

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

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Manu Patel".

Manu Patel, Deputy Director for Program Evaluation

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

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## EXECUTIVE SUMMARY

*The community of Las Vegas has roughly 14,500 residents and two school districts with a total of seventeen schools.*

*The school board does not receive adequate financial information.*

*West Las Vegas' administrative spending per student is nearly twice the state average.*

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 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.

West Las Vegas must develop a budget that anticipates declining revenue due to declines in student population. West Las Vegas will need to restructure its costs to operate within available revenues and cease requesting emergency supplemental appropriations. The district needs improved financial planning and accountability for performance for all district operations, not just teachers and principals. In addition, regular attention should be placed on ensuring district expenditures are aligned with district goals and are truly necessary and affordable. 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. West Las Vegas should reduce administrative and central service staff levels. The district should develop additional compensation policies to ensure the amounts paid and the reasons for payment align with district goals. As the 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 noteworthy improvement in student performance in some areas.

### 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.

*The district's inability to manage their budget led to PED taking over control of the board of finance.*

*Over the past four years, West Las Vegas received over \$1.5 million in emergency supplemental appropriations.*

*In SY10, West Las Vegas generated \$1.3 million in funding formula size adjustments.*

- West Las Vegas generated \$1.3 million in the funding formula through size adjustments, including more than \$200 thousand 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 the functionality of the accounting system.
- Administrative and support 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 substantially. Neither the board nor the administration can clearly articulate specific goals for student performance beyond general improvement.
- West Las Vegas spent 52.1 percent of the operational fund on instruction.

#### **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.
- Provide school board members with training from district administration on how to use financial information. Board agendas, minutes, and financial reports should be posted online.
- PED should maintain its control over West Las Vegas Board of Finance. PED should increase the review of emergency supplemental requests.
- PED should reclassify Valley Elementary and Valley Middle School as a single school per state statute.
- West Las Vegas should develop a long-term financial plan and a system of performance-based budgeting (PBB). 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.
- 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.
- The district should work with LFC staff and PED to study implementation of a new accounting system and implement recommendations of LFC IT audits.

## 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%
<b>Total</b>	<b>\$3,187</b>	<b>\$3,290</b>	<b>\$102</b>	<b>3.2%</b>

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.

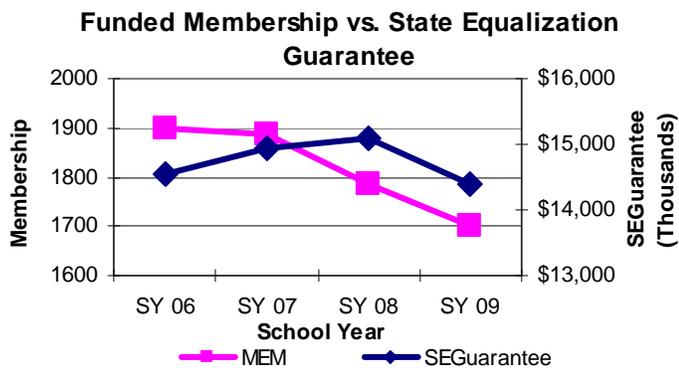
**Selection of school districts.** Aztec, Bernalillo, Bloomfield, Las Vegas City, West Las Vegas school districts were selected for the evaluation, in consultation with the Legislative Education Study Committee and LFC budget staff. Selection criteria included medium size membership (1,500 – 5,000) and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

## 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%

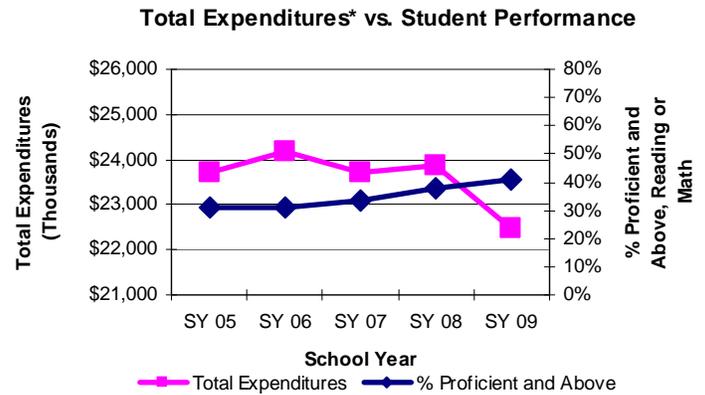
Total Enrollment, SY 09: 1,751



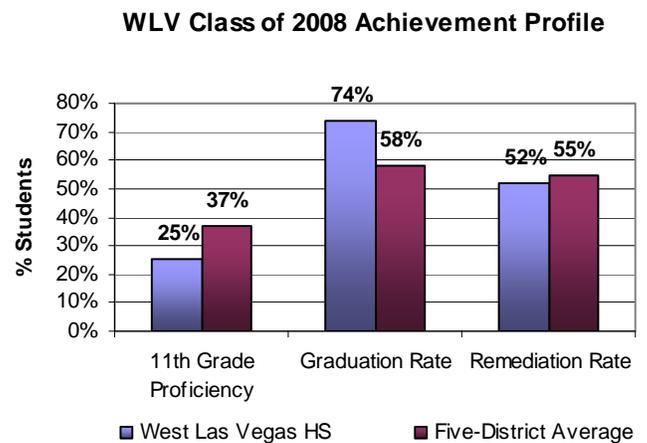
Total SEG Allocation, SY 09: \$14,408,454

SY 09, 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%	
	<b>Total</b>		<b>\$15,351.53</b>	<b>100%</b>
	Transport	Student Transport	\$785.76	100%
<b>Total</b>		<b>\$785.76</b>	<b>100%</b>	

Source: PED/LFC Analysis



\*All funds, not including capital or debt service



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 SY05-SY09					
	2005	2006	2007	2008	2009
Reading	44%	44%	45%	50%	51%
Mathematics	18%	18%	22%	25%	30%

The community of Las Vegas has roughly 14,500 residents and two school districts. West Las Vegas School District serves the city of Las Vegas and outlying areas of San Miguel County. Student population has been declining for the last six years. District students are approximately 93 percent Hispanic, 6 percent Caucasian, and 1 percent other ethnicities. For SY09, the district had about 1,640 students and employed about 375 FTE of which 153 were teachers. The district spent a total of \$27.9 million in SY09 of which \$15.4 million or about 55 percent was spent from the operational fund.

**Objectives.**

- **Governance.** Assess oversight of school district and use of governance and management best practices.
- **Spending.** Review the use of funding and cost-effectiveness of resource allocation decisions, including human resources.
- **Student Outcomes.** Review student academic performance and the extent to which policy, spending 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), Public School Insurance Authority (PSIA) 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.

**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  
Craig Johnson, Program Evaluator, Lead Evaluator  
David Craig, Program Evaluator  
Jacob Candelaria, Program Evaluator  
Lawrence Davis, Program Evaluator

**Exit Conferences.** The contents of this report were discussed with West Las Vegas school officials on November 11, 2009.

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

### **DISTRICT LEADERSHIP NEEDS IMPROVEMENT IN DATA DRIVEN DECISION MAKING.**

**The school board does not receive adequate financial information.** For each regular board meeting, the agenda includes the approval of expenditures, transfers, budget changes, Head Start financial transactions and change orders. The board does not receive monthly budget status reports indicating year to date revenue and expenditure information. Board members noted that the materials presented to board are useful but insufficient to evaluate the overall financial position of the district. Districts may consider jointly requesting assistance from organizations such as the PED, the New Mexico School Board Association (NMSBA) or the New Mexico Association of School Business Officials (NMSBO) in the development of meaningful budget status reports.

Administration first provided the board with information on the 2009-2010 budget at a special board meeting on May 26, 2009. The board formally approved the 2009-2010 budget at an emergency board meeting on Friday, June 19<sup>th</sup>, 2009 at 1:00pm. The board discussed the 2009-2010 at another special board meeting on June 25, 2009. There was not time reserved on the agenda for public input during the three board meetings when the budget was discussed. State law (Section 22-8-11 NMSA 1978) requires that parental involvement be solicited in the budget development process. Board members felt the budget was presented to the board too late for meaningful review.

The West Las Vegas policy D-0750- DBI: Budget Implementation, refers to a mid year report that includes projected expenditures for the remainder of the year. Policy says “The Superintendent will be responsible for the monthly reconciliation of the budget. The Board will be provided with monthly reports concerning the status of the budget and a mid-year report projecting budgeted revenues and expenditures for the remainder of the year.” Board members stated that these reports have not been provided to the board. One of the primary contributing factors to the challenge of presenting meaningful financial information to the board has been lack of stability in the financial manager position. The district does not have a current five year facilities master plan nor does the district have a long range financial plan.

**The school board does not receive adequate student performance data.** Of the fourteen school board meetings reviewed, student performance information was discussed at two meetings. On August 13, staff provided the board with information about the district’s AYP ratings in the form of a PowerPoint presentation that was created by a person who is not a district employee. While the presentation did include a three year trend analysis, it did not disaggregate the data by grade level, did not include a cohort analysis, did not use benchmark data, did not use scale score information, and did not tie results to district programs or budget decisions. The presentation and discussion lasted less than ten minutes and administrators provided the board with inaccurate information regarding state requirements for schools that do not make AYP.

**The district does not appear to be in compliance with the Assessment and Accountability Act, Section 22-2C-7 NMSA 1978.** On September 10, LFC staff held a meeting with the West Las Vegas associate superintendent to review the districts’ EPSS plan. During the meeting, LFC staff briefly outlined the requirements for the Schools In Need Of Improvement (SINOI) using

the district report card as a guide. At the board meeting that same day, the associate superintendent presented the “AYP Action Plan” and incorrectly outlined state requirements. The minutes from the meeting state, “Contrary to state statute, Ms. Archibeque noted that Public Education offices are not requiring districts to conduct public meetings on AYP or secure Board review/approval of school Educational Plans for Student Success (EPSS) (sic).”

**The school boards evaluation of the superintendent is largely subjective.** School board completed its evaluation of the superintendent on March 19, 2009. The evaluation contains board member opinions on how the superintended performed relative to ten criteria. The responses on the evaluation tool are mostly subjective and contain little in terms of objective data that may be reflective of administrative decision making. During a special meeting on May 5<sup>th</sup>, the Board established the following three goals for the superintendent; 1) Get district finances back; 2) Communicate monthly to the board; and 3) Increase attendance at school-site staff meetings. The school board may consider requesting guidance from the New Mexico School Board Association (NMSBA) in the development of more objective superintendent evaluation forms and procedures.

*The board frequently conducts special board meetings and goes into executive session.* Agendas and minutes from April 2009 to October 2009 were reviewed. Over that period, there were seven regular board meetings, six special board meetings, and one emergency board meeting. The board went into executive session to discuss personnel matters or pending litigation in six of the fourteen meetings.

*Board information is not online.* The West Las Vegas School Board agendas and meeting minutes are not online nor are board packets including financial information. During the evaluation, school board agendas were made available the day before or the day of the board meeting. The districts’ ability to operate in an open and transparent manner would be increased by posting this information online.

Board policies are online through the district website. Board members typically mentioned reviewing policies, along with financial oversight and evaluation of the superintendent, as primary board responsibilities. Two board members acknowledged that the board has largely neglected the role of policy review and budget oversight. Board members noted that there was not a structured process to review and update policies as policies are reviewed as needed. Some members mentioned certain policies they would like to have reviewed, but generally members did not express a high degree of knowledge about the policies. For example, policies include a board member conflict of interest disclosure form both for staff and board members (WLV policy B-0831 BCB-E) but none of the board members were aware of the disclosure or had been asked to complete the form. Policies also outline a process for board self evaluation which the district is encouraged to implement. Policies also include the ability to relocate teachers, but relocations are supposed to be based on “facts” to address district needs.

**West Las Vegas strategic planning needs significant improvement.** All of the strategic planning documents reviewed for West Las Vegas were incomplete or contained errors. PED encourages or requires districts to complete several documents such as the Educational Plan for Student Success (EPSS), Alternative Governance Plans (AGP), and the Program Budget questionnaire, intended to help districts’ strategic planning efforts. District administrators were unfamiliar with the requirements for planning documents and were often unable to provide the documents in a timely manner.

*Inadequate development of some planning documents as strategic tools appears to have cost the district money.* The district lost Reading First money due to inadequately filling out paperwork. West Las Vegas could have received additional funds for Reading First but, according to a response from PED, “Other districts rated higher [than West Las Vegas] because the RFA applications were more detailed and explicit and showed evidence of implementation by answering the questions completely and attaching data to support implementation. (sic)”

The EPSS plan does not demonstrate that district leadership has a commitment to or understanding of continuous improvement. Goals expressed in the district EPSS plans did not match goals indicated in school EPSS plans. For example, the district EPSS plan sets the Annual Measurable Objectives (AMOs) as the goals for all schools however Union elementary has exceeded the AMO and set a different goal. The EPSS plan for West Las Vegas Middle school indicates an unrealistic goal of improving the math and reading proficiency for students with disabilities by 40 percent.

*PED could provide a more valuable review of strategic planning documents.* If districts are expected to view planning documents as tools to guide decision making as opposed to bureaucratic reporting requirements, then PED should increase efforts to provide assistance in developing, reviewing and using these documents. In cases where PED determines grant award amounts, districts would benefit from feedback on their applications. PED requires districts to use AMO’s as the goals in the EPSS plan and simultaneously instructs districts to establish attainable goals. Whether the planning vehicle is the EPSS or an internal document, school leaders must develop skills in setting goals that are more articulate than the often expressed vague goal of “improvement” but perhaps more realistic than the AMO. It is noteworthy that while PED’s Priority Schools Bureau requires the districts to establish the AMOs as the targeted performance for students with disabilities, PED’s special education department establishes state goals for performance that are lower than the AMOs.

**In general, West Las Vegas administrators were unable to demonstrate effective use of data analysis for planning purposes.** The modicum of analysis done at central office was labor intensive. Administrators did not demonstrate how the data analysis was used to make decisions. West Las Vegas was unable to produce evidence that changes in scale scores, longitudinal cohort performance or district wide performance on benchmarks were ever analyzed or used for decision making purposes.

District administrators expressed the expectation that a more detailed analysis of student data is completed at the school level. Often, school level administrators expressed the expectation that more involved analysis of student data is expected at the teacher level. At least one district administrator expressed doubt that analysis of test data was an informative endeavor. The principal felt that test scores were poor indicators of student’s mastery of the standards. Goals for student performance articulated in interviews with central and school administration were often expressed as simply improvement. However, there was no precise detail offered in terms of specifically where the district would like to see improvement or how much improvement the district is striving for.

**The district’s leadership team is fairly new and will need to improve organizational culture.** The current superintendent started in May 2007. Several staff from West Las Vegas described an organizational culture where staff is fearful of offering criticism or exposing wrongdoing for

fear of retaliation from the associate superintendent or the superintendent. Board members and district administrators expressed a belief that reprisals may have occurred in the past but are not taking place currently.

*West Las Vegas' responses to LFC information requests were often incomplete, delayed or not provided at all.* In general, West Las Vegas staff very rarely answered the phone and one school was without phone service for several days. The fact that staff use a personal email account for work purposes contributed to the lack of timely response as many LFC info requests were rejected. Besides impeding district functions, using personal email accounts could be a potential violation of the Family Educational Rights and Privacy Act (FERPA) if student identifiers and information are sent in an unsecure manner.

*West Las Vegas Board members released a draft copy of the evaluation despite instructions from LFC staff to not release the draft report because it was not final.* At the exit conference, LFC staff gave clear and specific direction to not release the draft report; however, the report was released to the press thus compromising the final stages of the evaluation process. West Las Vegas School district leadership (administrators and board members) failed to abide by the simple and important instructions raising concerns about their reliability and capability.

### **Recommendations.**

District administrators should prepare and present monthly budget status reports with year-to-date revenue and expense information to the board. Provide the board with comprehensive financial information, including monthly budget status reports, budget adjustment requests, voucher reports, cash and investment reports, and a list of voided checks and post the information on the district's website.

The school board should seek training in how to use financial information and how to augment board involvement in the budget development process for all board members.

The school board should develop a process to formally review all board policies.

The district should post board agendas, minutes and all public board materials on the district website. The district should use a district wide email system.

District administrators should seek training in how to use student outcome data to inform decisions.

PED should increase the monitoring for compliance with the Assessment and Accountability Act.

PED should review key strategic planning documents such as the EPSS and provide constructive feedback to school districts to improve the strategic planning process and its implementation for student success.

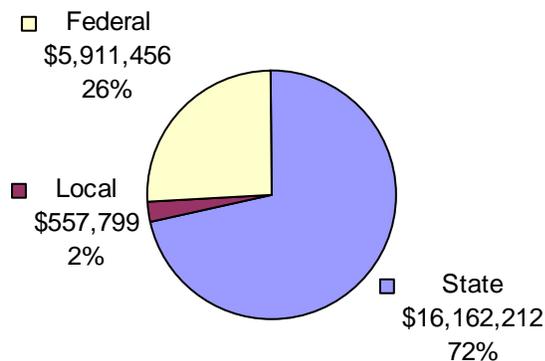
West Las Vegas should develop specific and attainable goals for student performance and monitor progress towards the goals.

## WEST LAS VEGAS LACKS SUFFICIENT FINANCIAL MANAGEMENT CAPABILITY TO OPERATE WITHOUT STATE INTERVENTION.

### West Las Vegas relies heavily on state funding and to a lesser extent on federal grants.

Excluding capital, in SY09 West Las Vegas received about 72 percent or about \$16.2 million of its revenue from state sources, primarily the State Equalization Guarantee. The district receives about 26 percent of its revenue or about \$5.9 million from federal sources, including \$1.8 million in Head Start funds, about \$903 thousand in Title I funds, and nearly \$700 thousand in Early Reading First funds.

### WLV Sources of Funding SY09



Source: PED

### West Las Vegas does not have a long range financial plan to deal with changes in revenue due to declining enrollment.

The district lacks a longer term view of finances and operations which would help ensure student needs are met with available funding given declining enrollments. As the state's per student funding (unit value) flattens or experiences slight declines, West Las Vegas will experience more acute declines in funding as the formula reflects the drop in student membership, units and teacher training and experience changes. The history of the full unit value is shown in Appendix A.

*The increase in the unit value has prevented a sudden reduction in revenue.* West Las Vegas is generating fewer units in the SEG calculation due to declining enrollments. For West Las Vegas, the number of total funding formula units decreased by 736 between SY06-SY09, or about 16 percent. However, due in part to the increase in unit value, the districts' SEG distribution only decreased by \$448 thousand or about 3 percent from SY06 to SY09. In SY's 07 and 08, SEG distributions to West Las Vegas increased over the prior year despite decreases in enrollment and units. Fifty percent of the decline in units generated occurred between SY08 and SY09. For SY06, the unit value was \$3,198.01. For SY09, the unit value was \$3,871.79 about \$674 or 21 percent higher than it was in SY06. Had the unit value been flat from SY06 to SY09 and the district received the SY06 unit value for the units generated in SY09, the SEG distribution in SY09 would have been an additional \$496 thousand less.

**SEG SNAPSHOT**

West Las Vegas	SY05-06	SY06-07	SY07-08	SY08-09
Total MEM	1900.99	1887.75	1786.5	1699.25
Grand Total Units	4489.5	4348.9	4117.5	3752.7
Units Per MEM	2.36	2.3	2.3	2.21
Program Cost/MEM	\$7,553	\$7,940	\$8,468	\$8,551
SEG	\$14,856,695	\$14,944,677	\$15,080,334	\$14,408,456
				Source: PED

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 from SY06 to SY09; driven mostly by declining units over the past two years. The combined unit value (state and federal) for SY10 is \$3,862.79. The unit value only dropped 0.23 percent or \$9.00. 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.

*While enrollment at the West Las Vegas school district continues to decline, the decreases in enrollment are greater than any decrease in SEG funding.* The district's funded membership has declined in each of the last four years from 1,901 in SY06 to 1,699 in SY09 which amounts to about a 10.6 percent decline from SY06 to SY09. For SY06, the district received about \$7,731 in SEG funding per student. By SY09, the district received \$8,777 in SEG funding per student.

*Besides basic enrollment, the units generated in other areas of the formula, such as the bilingual units and the 'at risk' units are also declining.* Assuming these trends continue, West Las Vegas must anticipate generating fewer units from the SEG formula and make appropriate budgetary decisions, such as closely scrutinizing expenditures and reducing staffing levels, to adjust.

**WLV SEG UNIT GENERATION: SY06 to SY09**

Year	1-12 Units	Kindergarten Units	Special Education	Bilingual	Elementary PE	At Risk	Grand Total Units
2006	2090.8	194.9	643.0	392.9	0.0	220.5	4489.5
2009	<u>1861.1</u>	<u>191.2</u>	<u>503.5</u>	<u>221.5</u>	<u>40.2</u>	<u>163.1</u>	<u>3752.7</u>
Change	-229.7	-3.7	-139.5	-171.4	40.2	-57.4	-736.8

Source: PED Final Funded spreadsheets

**West Las Vegas's inadequate financial management has resulted in the state taking control of the Board of Finance authority, repeated financial audit findings and recurring requests for emergency supplemental appropriations.**

*In 2006, PED took control of the district's finances.* In August of 2006, serious financial irregularities led PED to take over West Las Vegas' Board of Finance authority. In October 2007, PED returned partial control to the district. Currently, requisitions over \$5,000 must be approved by PED. The district was notified that PED will consider returning full Board of Finance authority to the district if the following conditions are met:

- The district's audit must have an unqualified opinion.
- All PED required monthly financial reports need to be submitted accurately and in a timely manner for a period of six months.
- District will need to provide PED assurances that the internal control procedures they currently have in place are being implemented. PED may require an independent review of the district's internal controls.
- Demonstrate that proper procurement policies are being adhered to for a period of six months.
- Provide PED a copy of the district's plan to reduce or eliminate its reliance on supplemental emergency funding.
- Provide PED with a list of the corrective actions implemented since PED became the district's board of finance.

The district has not fulfilled criterion related to internal control assurances, or provided a plan to eliminate emergency supplemental funding or provided a list of corrective actions implemented. As such, PED should maintain control until all of the conditions are met, including the full implementation of all corrective actions and recommendations in this report.

*A review of financial audit reports indicates West Las Vegas consistently struggles with implementing a strong financial management and internal control environment.* Financial audits highlight issues concerning management oversight and supporting documentation. A lack of supporting documentation is prevalent for areas such as food inventory and employment documents. The district policies and procedures do not address risk, fraud, disaster recovery, or information technology. In 2005, the district had missing cash in its activity funds. The district was using its general revenue funds to supplement other funds and was inaccurately calculating asset depreciation. In 2006, the district had purchase orders that did not agree with supporting documentation and missing deposit receipts. The district was not depositing funds on time, was not checking the federal suspension and debarment list prior to making contract awards, over expended budgeted funds, misspent bilingual education funds on a social event, and had assets stolen. In 2007, the audit noted that the district had limited financial knowledge which limited preparation of financial statements, had stale dated checks, were not reviewing bank account reconciliations, had no inventory of food warehouse items, had a lack of supporting documentation for receipts, and fixed assets reports were not agreeing with prior year numbers. The district turned in its audit report and federal clearinghouse report late in 2007. In 2008, the audit noted that the district does not have a cap on compensated absences and employees were not accruing annual leave at the correct rate.

**The district's inability to manage their budget created regular requests for emergency supplemental appropriations.** Despite increases in per student funding for the past few years, the district continues to request emergency supplemental funds. Over the past four years, West Las Vegas received over \$1.5 million in emergency supplemental appropriations.

*The requests for emergency supplementals were submitted with insufficient justifications. Section 22-8-30 NMSA 1978 specifies the purposes for which supplemental appropriations may be made and includes "emergency distributions to school districts in financial need." Language authorizing these appropriations requires PED to certify that a financial need exists before funds are released. Requests for emergency supplemental funds provided by West Las Vegas were often confusing, inadequately justified, and contained numbers that did not match actual budget documents. For example, in FY06-07, West Las Vegas requested an emergency supplemental for \$1,296,151 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)"*

PED's application for emergency supplemental funds indicates that emergency supplemental funds can not be used for salary increases, however the districts justification in two of the past four years indicate funds will be used for salary increases. PED does not require a separate accounting of these funds. As such, it is difficult to determine with precision the use of these funds as the revenue is coded in the Operational Fund with other revenue sources.

*West Las Vegas had substantial cash balances when receiving emergency supplementals. Section 22-8-30 NMSA 1978 precludes districts from receiving an emergency supplemental if the district has cash reserves greater than or equal to five percent of operational expenditures. West Las Vegas ended SY06 with an unrestricted cash balance of \$769 thousand or 4.7 percent of operational expenditures. Despite the district approaching the cash reserve limits, PED determined West Las Vegas needed \$450 thousand in emergency supplemental funding based on the justification shown above.*

**West Las Vegas Emergency Supplementals**

Year	SY06-07	SY07-08	SY08-09	SY09-10	TOTAL
Supplemental Received	\$450,000	\$607,056	\$250,000	\$215,000	\$1,522,056

Source: PED

*For SY08, PED approved an emergency supplemental of more than \$607 thousand or about \$42 thousand more than the district requested. For SY08, the district requested an emergency supplemental of almost \$565 thousand and ended SY07 with an unrestricted cash balance of \$631 thousand or 3.9 percent of operating expenditures. In addition, the SY07 audit was 202 days late. For SY09, the district requested and received \$250 thousand. For SY10, the district requested more than \$522 thousand or about \$272 thousand more than the amount requested the prior year, indicating that district efforts to curtail emergency supplemental requests have been insufficient.*

**West Las Vegas generated \$1.3 million in funding formula size adjustment in FY10 and \$1.4 million in FY09.** The funding formula gives additional units to elementary schools with membership under 200 students. Both West Las Vegas School District and Las Vegas City Schools have several small elementary schools, often in close proximity to each other. See the map in Appendix B.

*West Las Vegas generated over \$228 thousand for one school that is not small in SY09.* West Las Vegas has five small elementary schools, all of which generate small size adjustments. The district generated nearly \$772 thousand from small school adjustments and \$531 thousand in district size adjustments in SY10. 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 and \$203 thousand in SY10. 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.

**West Las Vegas uses an incremental budget approach, begins budget development too late in the year and provides the board with inaccurate data.** West Las Vegas does not begin budget planning until after the legislative session 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. West Las Vegas needs to closely reexamine past spending practices and fundamentally restructure 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.

*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.* 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. The district does not appear to fully use this information when developing its budget or discussing outcomes for students served in programs.

**The accounting system’s poor functionality and programming issues, when combined with the current financial management environment, creates a high risk for inaccurate data and fraud.** Almost all districts in the state use the same system. As a result, the state should explore a possible statewide remedy to solve the accounting system problems.

*The district’s accounting information system needs 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.

*The district has had difficulty keeping a business manager having employed three business managers in the past three years. For the past three years, the district has not experienced stability in the business manager position, having two individuals serve for roughly a year and not having anyone in the position at the time of this report.*

**West Las Vegas will spend most of the AARA SEG Stimulus Funds on instruction.** For FY10, West Las Vegas budgeted the bulk of the \$962 thousand in SEG stimulus funds in instruction. Of the total, \$598 thousand will be spent on salaries, primarily for teachers-other instruction, \$316 thousand, and teachers K-12, \$216 thousand. AARA Title I funding was used to fund a summer program.

### **Recommendations.**

PED should maintain its control over West Las Vegas Board of Finance until all of the conditions PED specified in 2007 are met. PED should work with the district to eliminate the need for emergency supplemental appropriations by the end of SY10. PED should consider denying future emergency supplemental requests from districts that are late in submitting financial audits.

The district should implement performance based budgeting. The district should develop a long range strategic plan for district operations and instructional programs in conjunction with the five year facilities master plan. Ensure all components of district operations have distinct budgets, long and short-term goals, action steps, and performance measures and regularly report this information to the Board. The plan should provide a long-term blueprint for annual Educational Plans for Student Success at the district level and account for how the district will manage with less funding generated by the funding formula. The financial plan must outline the necessary structural spending changes to eliminate the need for emergency supplemental funding, as originally required when PED took over the district.

For SY11, PED should reclassify Valley as a single school per state statute. 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.

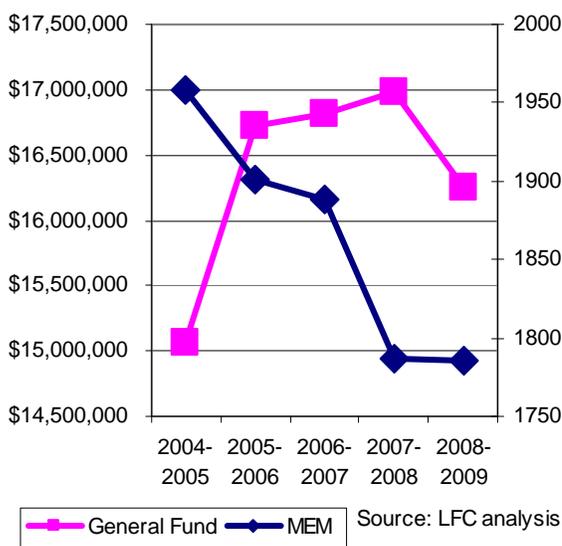
The district should work with LFC staff and PED to study implementation of a new accounting system and implement recommendations of LFC IT audits.

**WEST LAS VEGAS DOES NOT HAVE BUDGET MANAGEMENT PRACTICES TO ENSURE SPENDING IS ALIGNED WITH EDUCATIONAL GOALS.**

**The district does 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 almost half of West Las Vegas’s 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. West Las Vegas struggles to implement an effective EPSS.

West Las Vegas’ incremental budget development process is not well suited to manage for declining student populations and concurrently declining revenues. The district does not conduct an extensive analysis linking program expenditures to student outcomes, therefore budget decision are not based on evidence of results. The former business manager noted that the budget is not tied to strategic plans, such as the EPSS. The district provided an incomplete version of PED’s program budget questionnaire thus providing further evidence that the district does not put forth the necessary effort to tie budget expenditures to strategic planning initiatives.

**West Las Vegas  
MEM and General Fund Spending**



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. This type of financial plan would help the district base expenditure decisions on an analysis of student outcomes.

**In general, West Las Vegas spending increase as student enrollment declines.** For SY05, the district incurred general fund spending of \$7,695 per student. For SY09, this figure had risen to \$9,098 per student. In the chart of accounts, school district general

funds include the operational, teacherage, pupil transportation and instructional materials funds.

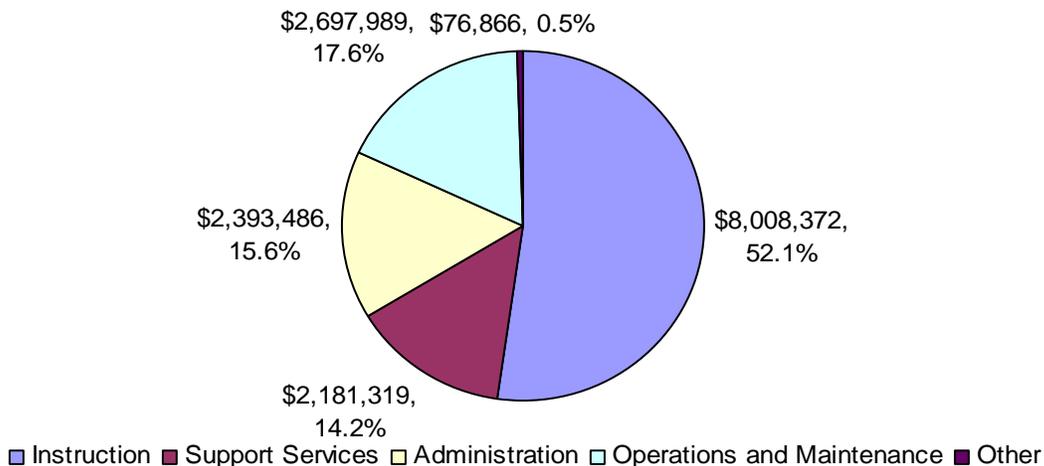
**The district spends a substantial portion of the operational fund on administrative functions and operations and maintenance, which reduces the amount of funding available for classroom instruction.** In SY09, the district spent 52 percent of its operational fund on instruction, one of the lowest levels among medium sized school districts, and about 43 percent

of staff were teachers with a classroom assignment. Like most districts, West Las Vegas spends the bulk of operational funds on salaries and benefits. West Las Vegas spent \$15.9 million on operations in SY07. In SY09, West Las Vegas spent about \$15.4 million from the operational fund, of which about \$10 million or 65 percent was for salaries, overtime, and additional compensation. With declining enrollment, the district has decreased teaching positions, but other decisions continue to put upward pressure on spending.

*West Las Vegas' spending on administrative functions is excessive.* The chart of accounts breaks down expenditures by various functions including General Administration, School Administration, and Central Services. Using these three functions as a high level summation of administrative expenditures shows that West Las Vegas' administrative spending per student is nearly twice the state average. For example, in SY08, West Las Vegas spent \$1,958 on these three administrative functions per student while the statewide average was \$991. For the other four districts in the evaluation, the average administration spending per student in SY08 was \$1,311.

*West Las Vegas has shifted limited resources from school administration and student support to central services and instructional support.* The amount of the operational fund spent on instruction has remained fairly stable at just over \$8 million or about 52 percent; however the percent of operational budget spent on Instructional Support and Central Services has increased from SY07 to SY09. In SY07, West Las Vegas spent \$511 thousand, or 3.2 percent of the operational fund, on Instructional Support. In SY09, the district spent \$650 thousand, or 4.2 percent of the operational fund on Instructional Support, a 27.3 percent increase in spending on this function over three years. In SY07, the district spent \$432 thousand, or about 2.7 percent, of the operational fund on Central Services. In SY09, the district spent \$535 thousand, or 3.4 percent of the operational fund on Central Services, a 21.5 percent increase.

**West Las Vegas  
Operational Fund SY08-09**



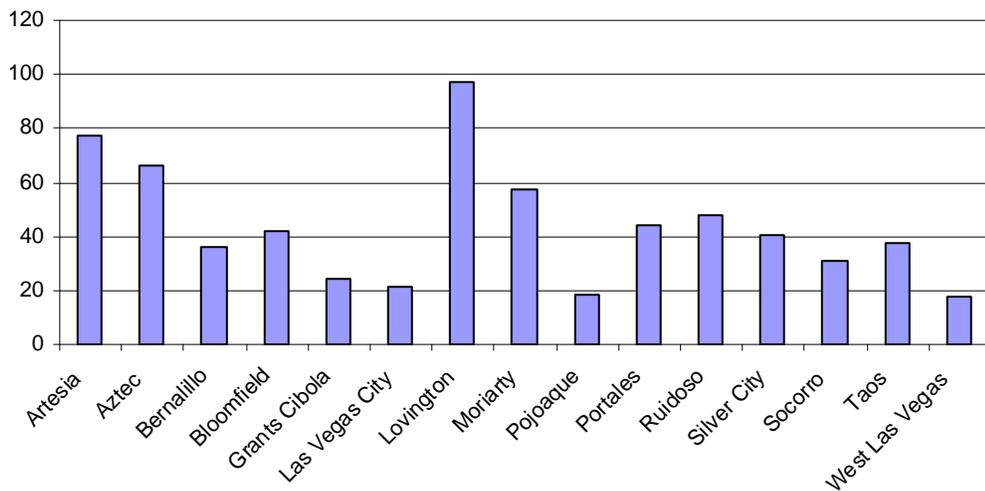
Source:PED

From SY07 to SY09, West Las Vegas has reduced expenditures on School Administration, which includes school principals, and Support Services for students, which includes services such as counseling, primarily through reductions in FTE. West Las Vegas has increased spending on Support Services – Instruction, which includes activities related to assessments, and Central Services, which include the activities of the associate superintendent and business office staff. In SY07, West Las Vegas spent \$581 thousand on Support Services – Instruction. In SY09, spending on that function rose to \$839 thousand, an increase of 44 percent over three years. The analysis of changes in expenditures by functions established in the chart of accounts inclusive of all funds also shows increases in other support, Food Services, Non-Instructional Services, and Capital Outlay. Expenditures in all other functions decreased.

*West Las Vegas increased staff for support services - instruction and central services during a time when student population, total funding, and number of teachers all declined.* From SY07 to SY09, increases in FTE occurred in support services-instruction and central services. In SY07, the district coded 8 FTE in Support Services-Instruction. In SY09, FTE in this function had grown to 16.59 FTE. This includes 7.75 coordinator subject matter specialists. Central service staff increased from eight FTE to 11 FTE from SY07 to SY09, which include 7.5 FTE coded as business office support staff.

*Staffing levels for administrative services at West Las Vegas exceed both state and peer group averages.* PED publishes reports on administrative staffing levels that include the superintendent, administrative associates, and administrative assistants as administrators. Along with the superintendent, West Las Vegas employs 3.94 administrative associate positions and 3 administrative assistant positions. In SY09, West Las Vegas employed an administrator for every 17.3 teachers, whereas the peer group average was 43.9 teachers per administrator.

**Teachers per Administrator**



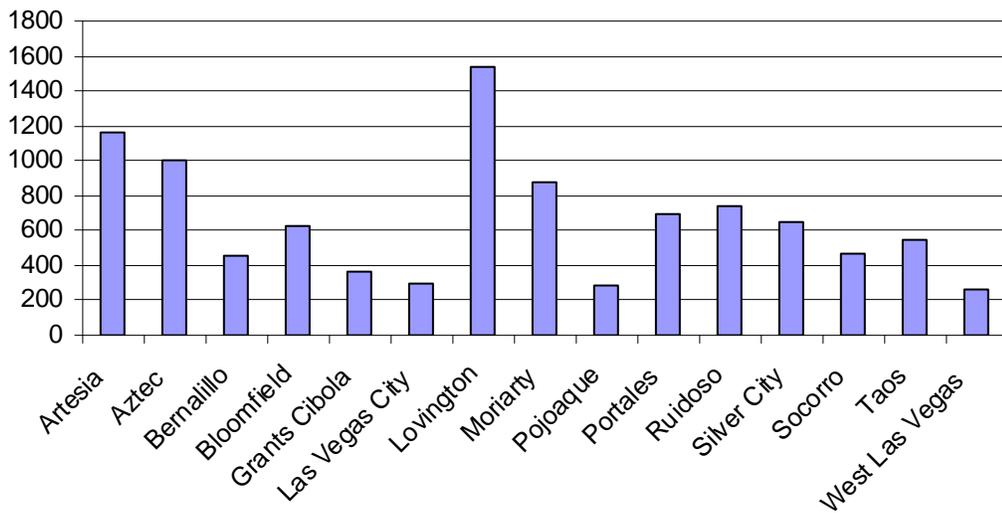
Source: PED

In SY09, West Las Vegas employed an administrator for every 265 students. The peer group average was one administrator for every 664 students. These administrative ratios do not include

West Las Vegas' associate superintendent, the 7.5 FTE coded as principals or the 25 FTE coded as secretarial/clerical/technical assistants.

*West Las Vegas maintained expensive custodial, maintenance and operation costs during declines in student enrollment.* For example, in SY09, West Las Vegas employed 9.25 FTE as maintenance staff, 26 FTE as custodial staff, and 2 FTE as warehouse staff. This exceeds recommended standards for custodians and maintenance staff by 12 FTE costing the district an estimated \$382 thousand in excess salary and benefits. These costs alone exceeded the full emergency supplemental received from PED in SY09.

**Students per Administrator**



Source: PED

*Less than half of district employees are teachers.* In the 2008-09 school year, 43.3 percent of district employees were teachers with a class assignment, which is below the statewide average of 49.7 percent. The table below shows the number of FTE in various teaching positions from SY07 to SY09. From SY07 to SY09, the number of teachers in the district declined by over 29 FTE or 16 percent. District membership declined by about 10 percent from SY07 to SY09. The district had 34.4 percent of its employees as non-certified personnel, which compares to the state average of 24 percent.

**West Las Vegas: Teacher FTE by job code**

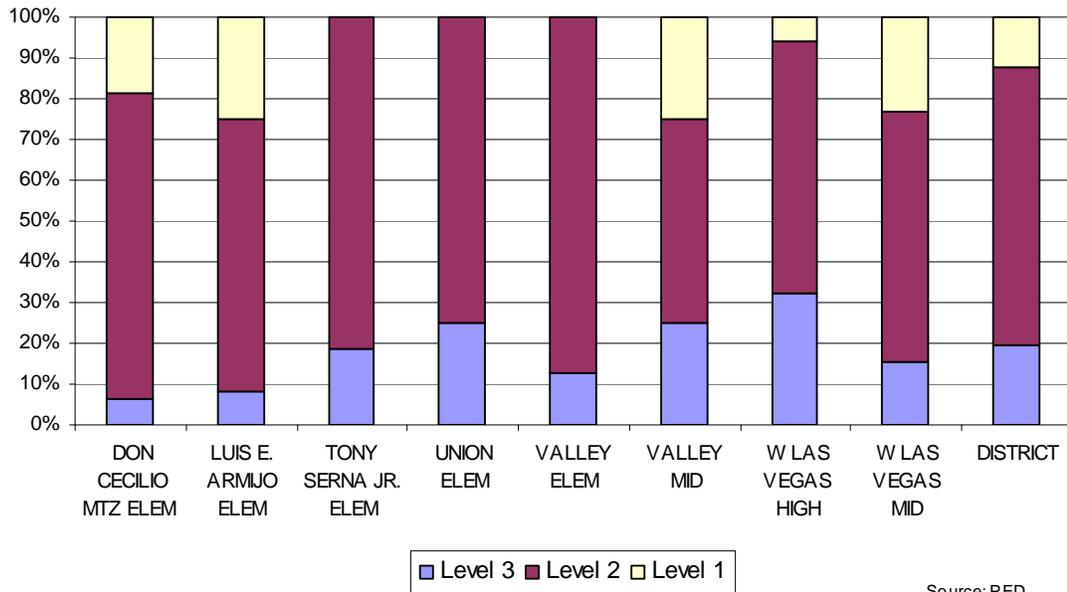
	2006-07	2007-08	2008-09	Change	Percent Change
Grades 1-12	53.75	52.87	46.50	-7.25	-13.5%
Special Education	20.00	17.50	15.50	-4.5	-22.5%
Other instruction	60.00	57.00	53.50	-6.5	-10.8%
Pre-school	39.50	28.50	30.50	-9	-22.8%
Early Childhood	9.00	9.00	6.00	-3	-33.3%
Vocational and Technical	0.00	1.00	1.00	1	
<b>Total Teacher FTE</b>	<b>182.25</b>	<b>165.87</b>	<b>153.00</b>	<b>-29.25</b>	<b>-16.0%</b>

Source: PED

**On average, there are 19 students in West Las Vegas elementary school classrooms.** The average class size for 2<sup>nd</sup> and 3<sup>rd</sup> grades at Union elementary, the districts top performing elementary school, is over 24 students per class. This exceeds the maximum class limits established with Section 22-10A-20 NMSA 1978. The average class size in 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> grade at Tony Serna elementary is 20 students.

**Overall, about 20 percent of the districts teachers hold a level 3 license, 68 percent have a level 2 license, and 12 percent are at level 1.** West Las Vegas High has the highest percent of level 3 teachers, 32.4 percent, while Don Cecilio elementary has the lowest percent of level 3 teachers, 6.8 percent.

**West Las Vegas Teacher Level Distribution**



Source: PED

**West Las Vegas spends significant amounts on additional compensation.** In SY08-09, West Las Vegas spent over \$1 million on additional compensation in total and of that amount \$395 thousand came from the operational fund. The district spent nearly \$12.2 million on salaries; additional compensation amounts to over 8 percent of total compensation. PED’s chart of accounts described additional compensation as “items such as bonuses or incentives that are in addition to standard compensation.” Additional compensation amounted to over eight percent of total compensation. West Las Vegas consistently under budgets for additional compensation expenses. The district does not have a policy specifically addressing when additional compensation can be provided, but the district provides additional compensation for purposes such as stipends for mentorship. Some payments are part of collective bargaining agreements. Level III teachers are already paid for being educational leaders as a part of their base salary; as such the board should establish a policy guiding additional compensation that would prohibit providing additional compensation to Level III teachers for mentorship.

**West Las Vegas: Additional Compensation from Operational Fund**

Year	SY06-07	SY07-08	SY08-09	SY09-10	TOTAL
Additional Compensation from Operational	\$272,065	\$342,429	\$394,814	\$256,552	\$1,265,860

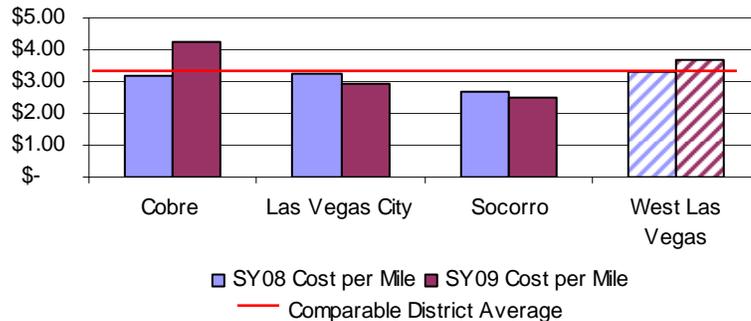
Source: PED

**The districts expenses for workers compensation premiums are above average.** In SY09, West Las Vegas workers compensation premiums were \$889 per FTE. The average for the other four districts was \$479 per FTE and the state average was \$503 per FTE.

**The district uses two methods for providing student transportation and incurs above average costs for transportation services.** First, the district uses district owned buses to operate eight routes. Second, the district uses contractors to provide transportation services. Fleet contractors operate like normal vendors and provide a service to the district at an agreed upon price. However, owner/operator contractors own their buses but are considered district employees. The district primarily operates fleet contractors who service 12 of the district's 21 routes. In FY08 and FY09, twenty-one buses traveled about 259 thousand miles at an average annual cost of \$863 thousand. On average, the district incurs a cost per mile of \$3.49, which is 0.25 cents above the average of comparable districts. The graph illustrates the district's cost per mile compared to similar districts. The district has low ridership compared to others.

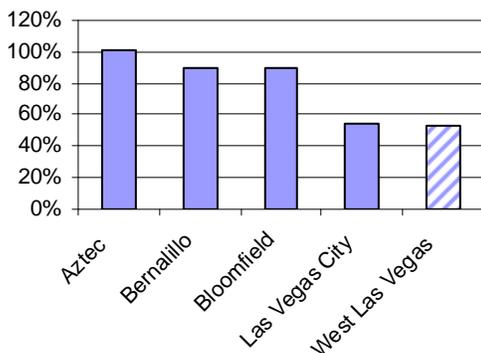
**Non-Capital Cost per Mile SY08 and SY09**

(excluding capital expenditures)



Source: LFC analysis/PED data

**Percent of Ridership by District for SY09**



Source: LFC analysis/PED data

*Vendor contracts contain questionable operating and maintenance costs compared to district operations and are exempt from New Mexico's procurement code. District maintenance costs were about \$62.2 thousand in SY08 and about \$57.8 thousand in SY09 to operate nine buses, while contracted services charged approximately \$192.2 thousand in SY09 for the operation of 12 buses. Contractor operating and maintenance costs include regular maintenance costs, such as fluid changes, tires and lubricants but also may include subscriptions, legal and accounting expenses and travel. The PED receives contractor operational and*

maintenance cost summary reports but does not perform detailed audits of incurred cost and provides no guidance to aid contractors in determining such costs. The degree to which such costs are appropriate has not been determined or analyzed by the district or PED. In addition, the district and PED stated that damage to major components, such as engines and transmissions may also be included. However, the occurrence of major component failures is rare and new buses come with three to five year warranties. Therefore, revenue generated but not spent on operation and maintenance costs is realized profit for vendors.

Pursuant to Section 13-1-98(H), NMSA 1978, “contracts with businesses for public school transportation services” are exempt from the New Mexico procurement code. As identified within the LFC report *GSD-Procurement Division Effectiveness Review* “Procurement code exemptions have become an “arena” of protected special interests projects.” The report further states that New Mexico has gotten into the habit of exempting “special projects/contracts” and recommended that the LFC, DFA and GSD “Review Section 13-1-98 NMSA 1978 to evaluate all exemptions and determine if noncompetitive purchasing status is in the best interest of New Mexico and its public funds.”

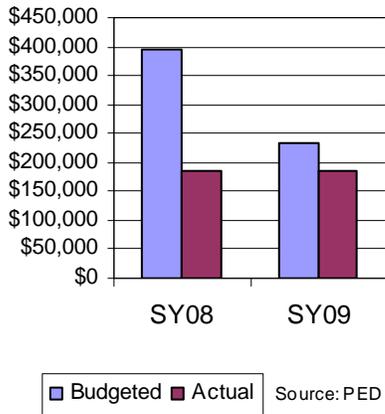
*The district has not established performance targets or measures to evaluate and improve student transportation services.* Due to the non-responsiveness of the district it is assumed that the district does not calculate performance measures such as cost per student, cost per mile, cost per route or conduct customer satisfaction surveys to guide transportation safety and cost improvements. The evaluation of such data would enable the school board and district to evaluate and improve student transportation services. It is also unclear how the district monitors fuel costs and ensures that it is receiving competitive fuel prices.

*The district has allocated funding from its operational budget to support transportation salaries and maintenance costs.* The district has supplemented transportation with an average of \$58.3 thousand from its operational budget in SY08 and SY09. Funding has been used to pay for administrative assistants, secretary and maintenance salaries. Funding has also been used to pay for maintenance and repairs for school owned vehicles and buses.

**West Las Vegas has not submitted a facilities master plan to the Public Schools Finance Authority (PSFA).** For 2006-07, West Las Vegas received \$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 the final draft of the Facility Master Plan. The board has not approved an updated plan and the plan still has not been submitted to PSFA.

**West Las Vegas spent SB-9 money on storage chests, supplies, \$3,000 worth of postage and a \$240 thousand energy management contract.** “The Public School Capital Improvements Act,” commonly referred to as SB-9 or the “two-mill levy,” imposes a property levy of up to two mills for a maximum of six years. Districts use these funds for developing, remodeling, updating or maintaining school buildings. These funds can also be used to purchase activity vehicles, computer software and hardware. The district spent \$240 thousand for energy management consultant services which could have been provided for free by NMPSFA. It is unclear how these expenditures align with the facilities master plan since there is no such plan. West Las Vegas SB-9 carryover from SY09 was almost \$49 thousand.

**West Las Vegas  
Natural Gas: SY08-09**



**West Las Vegas regularly over budgets for natural gas, supplies and materials, operation and maintenance of plant, and unemployment compensation.** The state uses districts' budgeted utility/energy line items as the base for determining "opening the doors" costs for the following year. Inflated budgets for these line items increase costs to the state unnecessarily. The district consistently underbudgets for salary expense, additional compensation, workers compensation and transportation.

**West Las Vegas administers both the DIBLES and the NWEA MAPS short cycle assessments for kindergarten through 5<sup>th</sup> grade.** The district does not fully analyze the data that is provided from the NMSBA, DIBELS, and MAPS. The district was unable to order and receive the proper DIBELS materials in a timely manner and thus

delayed the first DIBELS testing date, which is important for establishing the baseline by which growth is analyzed. It is not clear that both sets of data are needed to guide instruction or identify students for intervention. Further, administering these tests takes away time from instruction and could lead to students experiencing testing 'burn out'. Administering the DIBELS assessment in 4<sup>th</sup> and 5<sup>th</sup> grade is a substantial commitment of time as teachers are required to hand grade each assessment.

***OTHER SPENDING CONCERNS:***

- The district's bonded indebtedness is 106.5 percent of the total bonding capacity as of 6/30/2009.
- The district pays \$2,400 annually for membership in the Northern New Mexico Network and district staff has not provided information about the services they receive for this money.
- West Las Vegas purchased \$338.40 worth of Everyday Math materials with Early Reading First money.

**Recommendations.**

West Las Vegas should reduce administration FTE and expenditures.

West Las Vegas should update the five year facilities master plan and develop a long range financial plan.

West Las Vegas should administer only one short cycle assessment for each grade level.

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

The district should perform a cost-benefit analysis to determine whether fleet or owner/operator contractors are more beneficial to the district's needs. Further, the district should establish and

report performance measures and targets to evaluate and improve student transportation safety and efficiency in an effort to reduce costs.

The district should request and review detailed cost information pertaining to operational and maintenance costs within vendor contracts to ensure appropriateness and accuracy.

The Legislature should review Section 13-1-98(H), NMSA 1978 to evaluate and determine if non-competitive purchasing is in the best interest of New Mexico and its public funds.

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.

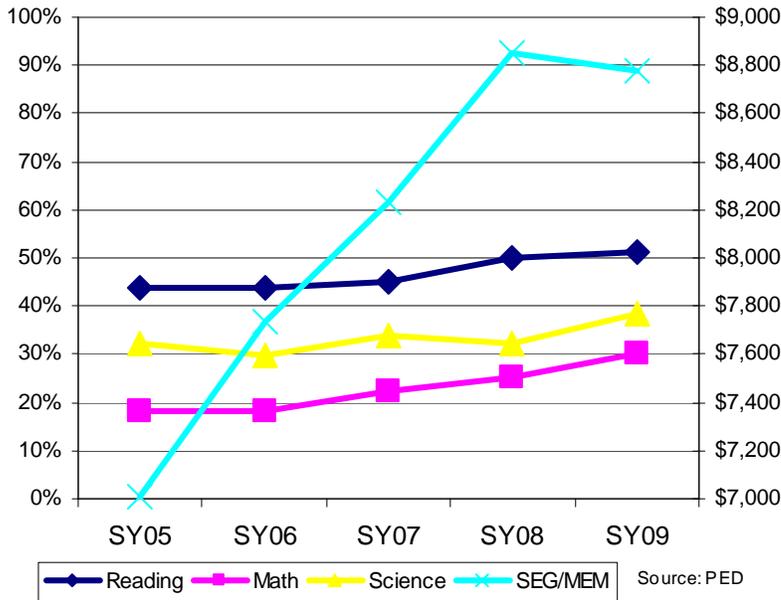
**WEST LAS VEGAS HAS SEEN STEADY GAINS IN PROFICIENCY LEVELS FOR ALL GRADES, BUT MOST STUDENTS ARE NOT PROFICIENT.**

**The percent of all students in all grades testing proficient or above increased by about five points in reading to 51 percent from SY05 to SY09. West Las Vegas achieved a notable**

**increase of about 13 points in math to 30 percent from SY05 to SY09. West Las Vegas achieved gains in**

**reading proficiency primarily by advancing students from the nearing proficiency category to the proficient category. Gain in math proficiency occurred as students moved from the beginning steps category to nearing proficiency and from the nearing category to the proficiency category.**

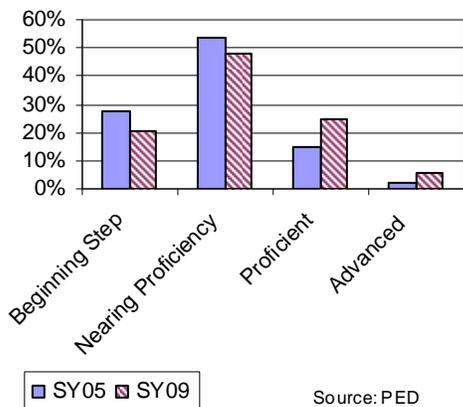
**WLV: Growth in Proficiency and Funding**



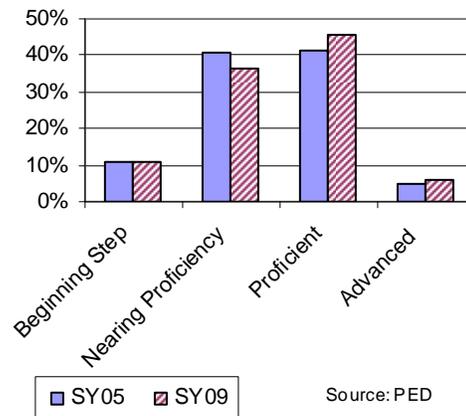
District schools that do not meet Adequate Yearly Progress (AYP) have difficulty achieving the AMOs in math. For the five schools that did not meet

AYP in SY09, none of the subgroups in any of the schools attain the AMO in math.

**West Las Vegas District Proficiency Levels - Math SY05 & SY09**

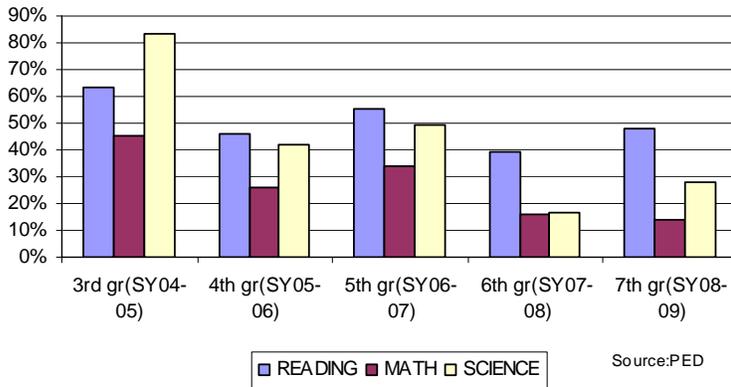


**West Las Vegas District Proficiency Levels - Reading SY05 & SY09**



The pseudo cohort analysis shows that proficiency level for the class of 2014 generally declined starting in 3<sup>rd</sup> grade, SY05 and ending in 7<sup>th</sup> grade, SY09. Statewide data reflects similar patterns such as a noticeable decline in 6<sup>th</sup> grade proficiencies. The pseudo cohort analysis suggests that an effective strategy to increase the districts proficiency would simply be to maintain the proficiency levels achieved by third graders as they progress through the elementary grades.

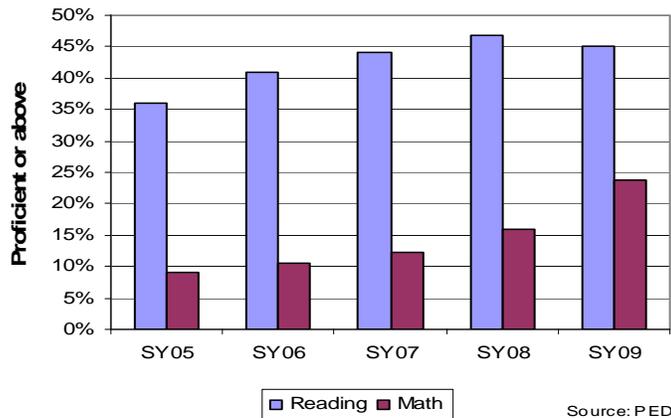
**West Las Vegas - Student Path - Proficient or above**



West Las Vegas has achieved commendable gains in middle school math proficiency. Despite this growth, less than one in four middle school students achieved proficiency in math. In SY05, less than nine percent of students in 6<sup>th</sup>, 7<sup>th</sup>, and 8<sup>th</sup> grade were proficient in math. By SY09, this percentage nearly tripled to almost 24 percent. West Las Vegas also achieved gains in middle school level reading proficiency; however, the rate of

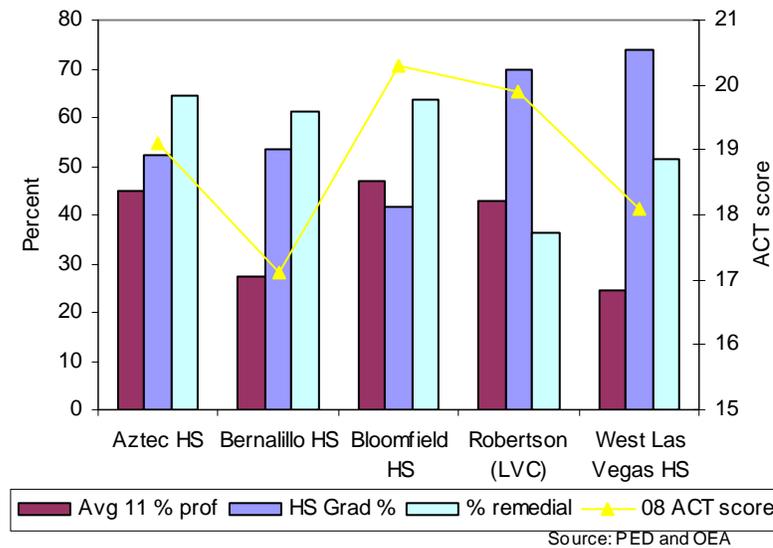
improvement has slowed in recent years, with the percent achieving proficiency declining from SY08 to SY09.

**West Las Vegas  
Grades 6-8**



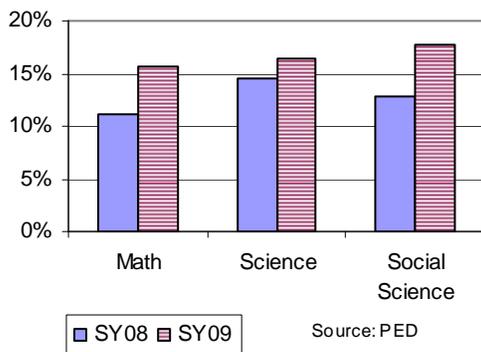
The chart below shows 11<sup>th</sup> grade proficiency rates, high school graduation rates, rates of students needing remedial postsecondary coursework as well as average ACT scores.

### Proficiency, Graduation, and Remediation



**For the districts reviewed, better results in 11<sup>th</sup> grade proficiency did not always produce higher graduation rates.** Despite some gains, last year less than one in five West Las Vegas 11<sup>th</sup> graders was proficient in math, science, and social studies. While West Las Vegas High produced relatively low outcomes in terms of 11<sup>th</sup> grade proficiency, the school experienced the highest high school graduation rate raising concerns about grade inflation and course rigor. A relatively low percentage of West Las Vegas’ graduates required remedial coursework in college. The various higher education institutions make determinations of remediation differently. About 3/4th’s of West Las Vegas High’s 2008 graduates attended either Luna Community College or Highlands University.

**West Las Vegas  
11th Grade Performance - Math,  
Science & Social Studies  
SY08 & SY09**



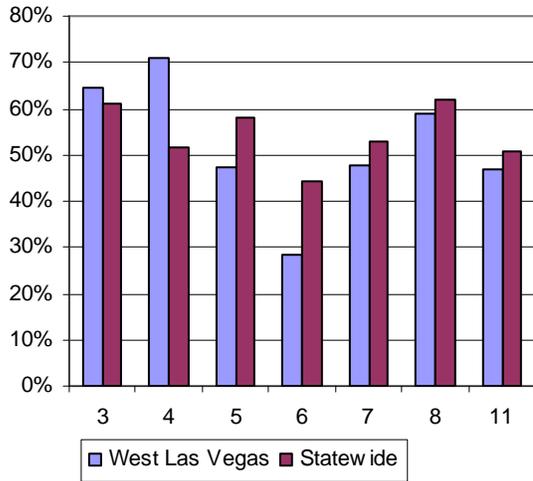
**Union elementary success may be due to quality teachers and parental selection.** Union elementary is the district’s top performing elementary school and often one of the top performing elementary schools in the state. The principal at Union elementary attributed school success to teachers that work as a team and are willing to put in extra time. Union’s success has led to more involved parents trying to move their children to attend Union elementary school.

**West Las Vegas proficiencies across grades roughly match general state trends.**

In reading, West Las Vegas realized higher proficiencies in the early elementary grades relative to the state average, however from 5<sup>th</sup> grade onward, West Las Vegas proficiencies were below state averages. The district should develop a plan to maintain the high levels of reading proficiency achieved in the early grades. In math, West Las Vegas typically outperformed state averages.

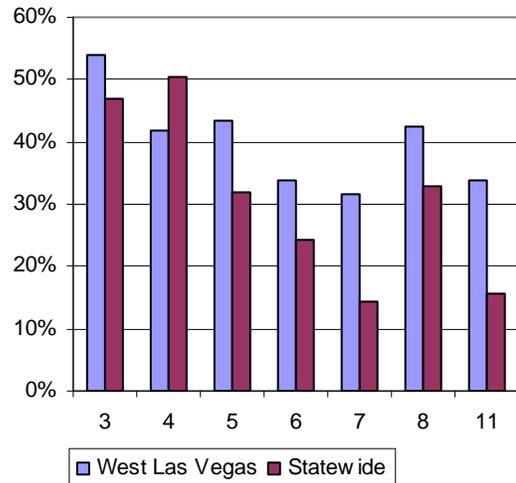
Again, if the district could maintain the proficiencies established in 3<sup>rd</sup> grade, overall proficiency rates would improve.

**West Las Vegas Reading Proficiency SY09**



Source: PED

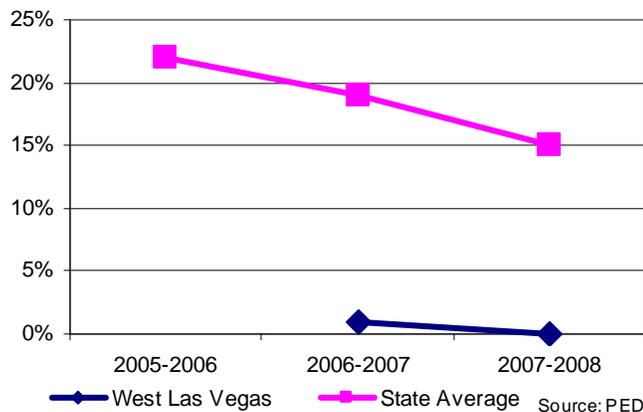
**West Las Vegas Math Proficiency SY09**



Source: PED

**Students have made little progress towards Spanish language fluency and may not be receiving funded services.** During SY08, approximately 93 percent of the district's total student population, received bilingual education services versus the statewide average of 17 percent. The majority of program funds are used to support Spanish language maintenance and acquisition. However, as of SY08, zero percent of district students tested fluent in Spanish.

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



Source: PED

Evaluators in PED's Bilingual and Multi-cultural Education Bureau (BMEB) found that in some schools, students do not receive the number of bilingual instructional hours funded by the state. West Las Vegas program administrators, however, did not respond to LFC information requests to address this or any other issue.

*The district does not adequately track student language performance data, and lacks a comprehensive Spanish language curriculum.* BMEB evaluators have found that student Spanish language performance data is not readily available at the school or classroom level. Furthermore, district administrators have yet to develop a comprehensive, grade-appropriate and sequential Spanish language curriculum.

*The district's bilingual program has traditionally been over-budget and maintains above average per-student costs.* West Las Vegas reports spending more on bilingual programs than it generates under the state funding formula. The district generated \$1.4 million through the funding formula to support its bilingual and multicultural program for SY08, but it reported spending of \$1.84 million. Districts are funded based upon an average of program membership and student classification. The state will fund up to three-hours of instruction for English Language Learners (ELLs) and a maximum of two-hours for Fully English Proficient (FEP) students. However, the district lacks a costs center in its accounting system and given the lack of a stable business manager it is unclear how these expenses were calculated or their accuracy.

During SY08, district bilingual program expenditures amounted to approximately \$1,200 per student versus the reviewed-district average of \$1,100 per student. The district's above average student-cost ratio is driven by a high proportion of students receiving three-hours of bilingual instruction. During SY08, 85 percent of students enrolled in the district program received three hours of bilingual instruction. Statewide, 40 percent of enrolled students received three-hours of bilingual instruction.

Discrepancies also exist in program enrollment, creating financial risk for the program. For example, in SY08 district reports indicated that all students receiving bilingual education services were classified as ELL; data reported to the Bilingual and Multicultural Bureau states that 32 percent of enrolled students are ELL. Aside from the academic implications for students, misclassifying FEP students as ELL students directly impacts the number of instructional hours the state will fund, at an hourly rate of \$355 per-student. About 87 percent of district ELL students received bilingual education services in SY08, according to PED.

**Like most districts, West Las Vegas' special education students continue to fall short of state targets.** West Las Vegas students with an Individualized Education Plan (IEP) have not met the state goals in math or reading. The goals set by PED's special education bureau are lower than current AMOs.

**Proficiency: Students with IEPs**

Year	District Performance		State Goals	
	Read	Math	Read	Math
2005-2006	15.6%	4.3%	20.0%	13.0%
2006-2007	13.3%	13.3%	24.0%	17.0%
2007-2008	20.0%	5.8%	28.0%	22.0%

Source:PED

West Las Vegas is the only district that generated more money from ancillary service FTE than from special education students. The other four districts reviewed generated more units from special education students than from ancillary service FTE. In addition to relatively high levels of ancillary service FTE, West Las Vegas employs a special education director and will have spent nearly \$70 thousand contracting for a special education compliance officer between SY09 and SY10.

**Recommendations.**

District administrators should develop specific goals for student improvement and action plans to achieve the goals.

The PED should direct its Office of the Inspector General (OIG) to perform an enrollment audit on the West Las Vegas School District bilingual education program to ensure that students are properly classified as ELL/FEP, and that they are receiving all state funded bilingual services.

BMEB should direct the district to develop a comprehensive Spanish language curriculum and a strategic plan for increasing student Spanish language acquisition.

District administrators should collect data on student Spanish language performance, and ensure that it is both longitudinal and useable at the classroom level to guide instruction.

The district should consider reducing costs by requiring the special education director to perform the services of the contracted compliance officer.

### *WLV RESPONSE TO LFC DISTRICT REVIEW*

*West Las Vegas is currently operating with the aid of one financial consultant who possesses a School Business Official licensure pursuant to 6.63.12.3. This individual has worked in the school business environment for over 30 years. She has served as a State President of the New Mexico Association of School Business Officials. The district is receiving sound fiscal direction which 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 has hired a new Business Manager as of November 30, 2009.*

*Currently, WLVS is very proud to have a support staff of six FTE in the business office with an average of 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 broad educational backgrounds. Key staff have been with the district for many years, which contributes to stability.*

### ***Financial Reports/Information to the Board of Education***

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. Our consultant serves 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.

### ***Input to the Budget Process***

Budget formation began in early spring. Staff begin to receive input informally especially during this time. Site administrators gathered input from staff and met with the Superintendent and Business Manager. Several public meetings were held to gather input from staff and community to share information gathered at the Spring Budget Workshop in April (See attachments reflecting the dates of these meetings). Parental input was gathered at the individual school sites during this process. Input was actively sought from February through May at public meetings. A June Special Board Hearing was held to gain approval from the Board of Education to meet statutory requirements of Sections 22-8-10,11.

### **The School Board does not receive adequate student performance data.**

#### **Response:**

In the future the District Leadership Team will present data to the Board in a more detailed, regularly scheduled manner noting student performance and progress.

### **The district is not in compliance with Accountability Act NMSA 1978 Section 22-2C-7.**

#### **Response:**

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 a regularly scheduled meeting of the Board.

**The School Board's evaluation of the superintendent is largely subjective.**

**Response:**

The evaluation tool utilized for evaluation of the Superintendent is a NM School Board Association document.

**Board Information is not online.**

**Response:**

Staff will place agendas (in draft form) at least a week before the scheduled or advertised meeting date. Twenty four hours before the meeting a final agenda will be placed on the website. Minutes will be placed on the website as soon as they are approved by the Board of Education.

**Comments on Board Policy Review and Revision**

**Response:**

Board reviews policies often and subscribes to a policy service that makes regular, thorough, legally reviewed recommendations to update policies. Selected policies are routinely reviewed and revised to meet changes in the state regulations, etc. However, training on appropriate language and 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.

**Inadequate development of these planning documents**

West Las Vegas Schools applied for the Reading First Funding, and did not qualify according to Public Education staff. It is our position that PED should notify the district of the status and assist staff to submit additional detail if needed. Staff does understand every district cannot be funded as this was a competitive application process. Applications that are made in the future will be more closely scrutinized to aid in qualifying. Staff are to be commended for participating the application process.

**Recommendations by LFC**

*Long range plans are dependent on two critical fluctuations in the school business environment. First the level of membership may increase or decrease, and the legislative appropriation that is made on an annual basis may have mandates attached to it that may or may not be addressed with additional funding. Thus, the Operating Budget becomes our long range plan. With the implementation of HB212 school districts across the state have not been able to address basic needs of the classroom and cover the legislative mandates pertaining to salary and benefits. Other fixed charges have sky-rocketed. Currently, it is virtually impossible to project the cost of utilities and other infrastructure costs, and meet salary requirements with a decrease in enrollment and a substantial decrease in the unit value. Thus, long range planning becomes extremely difficult. The Program Budget Questionnaire has been revised over time to include the collaboration between budget and program.*

***The School Board should increase training in how to use financial information and how to augment board involvement in the budget development process for all board members.***

**Response:**

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.

**The district does not have a five year Master Plan.**

**Response:**

The Master Plan committee is being established. As of August, 2009, PSFA has approved an architect for this project (Ortega, Romero, Rodriguez - ORR). It should be noted at the August meeting PSFA gave the WLW District until October, 2010 to complete this document.

**District administrators should prepare and present monthly budget status reports with YTD revenue and expense information to the board.**

**Response:**

Staff will continue to submit timely and meaningful reports to the Board of Education that are on PED formats as well as transaction journals and other useful information as required by regulation. Periodic or quarterly reports will be presented to inform the Board about the district finances. Staff will seek ways to share information that will keep the Board abreast of fund levels and overall conditions. In addition, the Board of Education will be informed of significant changes that affect district finances at any time deemed appropriate by the Superintendent.

**The district should use a district wide email system.**

**Response:**

The e-mail system has been set up with the purchase of a new server. The goal is to have all district employees utilizing the new system on or before February 1, 2010. The Technology Plan is being updated. New policies concerning e-mail usage will be incorporated into this plan. The Plan will be submitted to the Board of Education for approval. (The approved District Technology Plan is attached for your review along with a memo that has been sent to staff regarding the use of the district e-mail system. The effective date is February 1, 2010.)

**West Las Vegas generated 1.3 million in funding formula size adjustment in FY10 and 1.4 million in FY09.**

**Response:**

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.

**T&E Documents contain discrepancies.**

**Response:**

T&E Audits are scheduled routinely according to the Public Education Department's schedule. For this year the WLW T&E report has been submitted to PED as required. It is fortunate that the West Las Vegas Schools T&E Index is at 1.127 indicating that a large percentage of staff possess substantial training and experience. Much of the intent of HB212 was to recruit and retain qualified staff, thus, this is an 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.

**The district's inability to manage their budget created regular requests for emergency supplemental appropriations.**

Response:

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 seeking ways to reduce and eventually eliminate the need for Emergency Funding. The amount has decreased every year for the past three years.

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.

**Comments on Staffing**

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 tracking of 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.

**Utilities Comments**

Response:

West Las Vegas utilized historical data to budget for utilities. This area is one of real concern as it has become impossible to predict with certainty. The district closely monitors these costs and uses such software packages as School Dude to aid in reducing maintenance costs and provide data for comparisons, etc. West Las Vegas will seek all sources of information when budgeting, and attempt to place realistic estimates in these applicable account codes.

**West Las Vegas spends significant amounts on additional compensation.**

Response:

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.

**WLVS ADMINISTERS BOTH THE DIBELS and the NWEA MAPS short cycle assessments for kindergarten through 5<sup>th</sup> grade.**

Response:

These tests are administered to address students at-risk, to conduct frequent monitoring activities and to utilize this data to inform instruction. The district has a specific Assessment Calendar that coordinates the assessments on a shorter time frame (See attached). The purpose is to allow for modifications to their instruction at shorter intervals depending on the needs of the student (See exhibit).

**OTHER SPENDING CONCERNS NOTED:**

The district's bonding capacity is calculated currently at 92%, with outstanding bonds at 8.5million as of September 9, 2009 (Please see attached).

The district's annual membership payment of \$2,400 to the Northern Network enables the staff to participate and collaborate within their peer groups (28 northern NM school districts). The network provides professional development opportunities for administrators and also instructional staff. The network also collaborates with universities and provides much, varied information and training opportunities (See attachment of various activities).

West Las Vegas utilized Early Reading First monies appropriately as the application for this federal direct grant allows for the purchase of instructional materials. This grant does not have the same criteria for spending as the state funded Reading First (See attached list of allowable expenditures).

**West Las Vegas spent SB-9 monies on storage chests, supplies, \$3,000 worth of postage, and a \$240,000 energy management contract.**

**Response:**

SB-9 money can be spent on furniture and supplies to equip classrooms. WLVS has experienced a significant savings in energy costs over the life of this energy agreement. (Please see attached documents for your review). Over \$600,000 has been saved in the past four years as a result of this contract. Although the current administration was not in place at the time, we believe the free energy service currently available from PSFA was not in existence at the time WLV entered into their energy contract in 2005.

**Respectably submitted,  
Dr. Jim Abreu, Superintendent  
Administrative Staff  
West Las Vegas Public Schools**

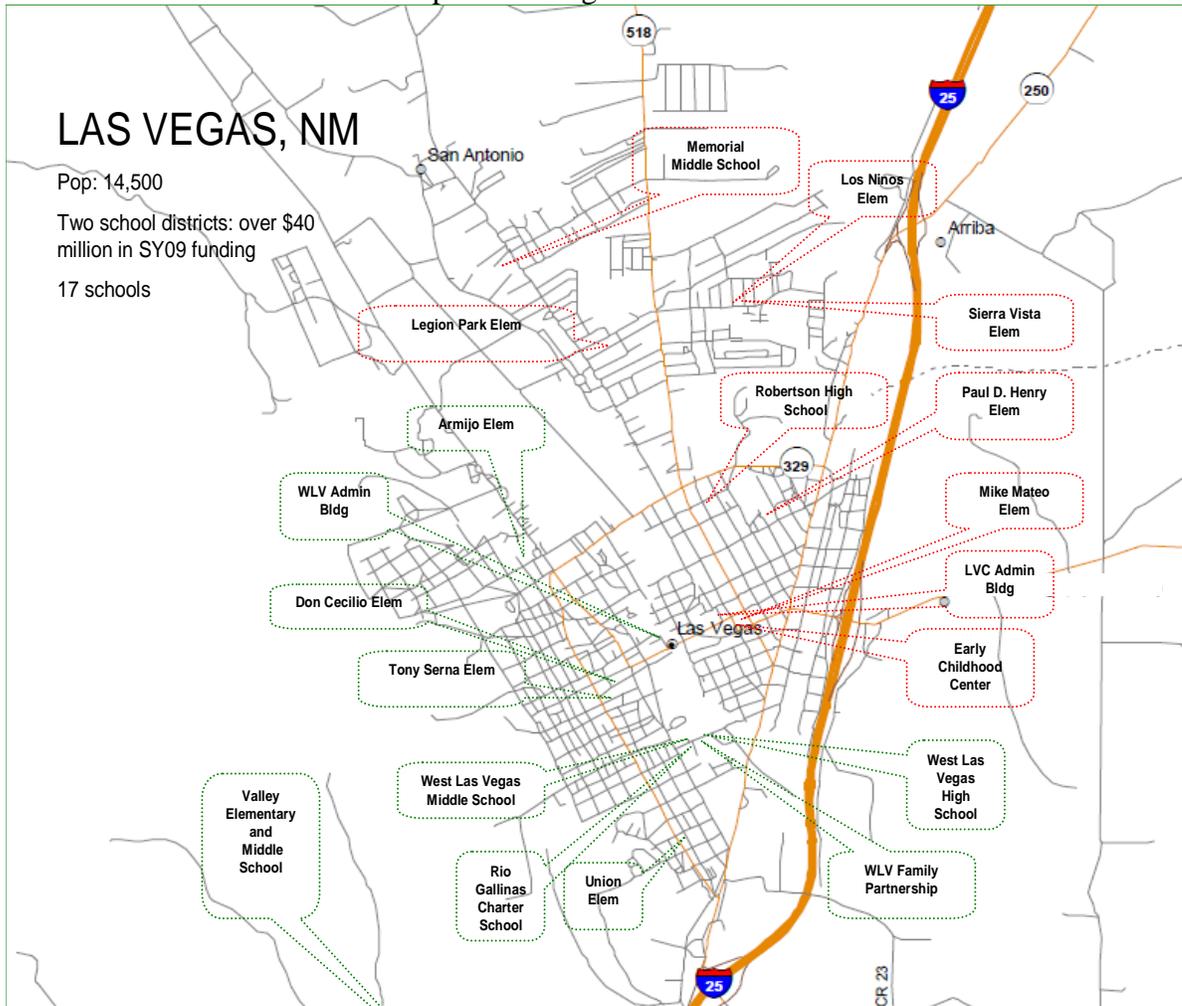
**History of the Unit Value**

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

Source: PED

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

Map of Las Vegas New Mexico



## LFC Performance Index

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

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

Where:

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

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

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

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

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

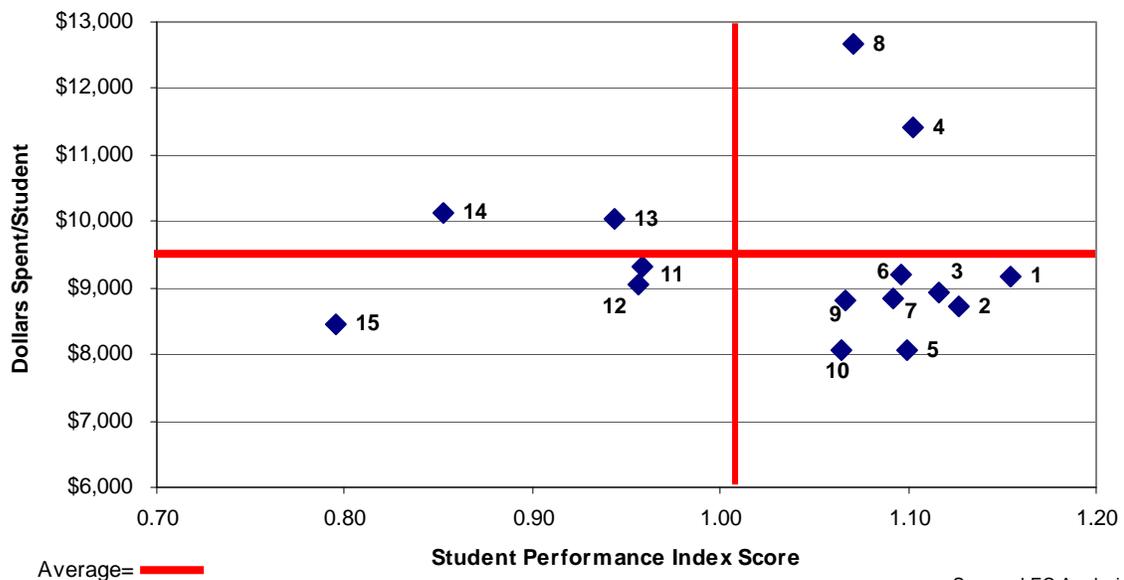
The benchmark growth model may underestimate the weight that should be given to schools with above-average growth. LFC staff will continue to evaluate this feature of the index, to ensure that proper weight is given to school districts that have consistently demonstrated high-levels of growth in student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

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

**Table 1. Student Demographic Weight**

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

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



Source: LFC Analysis

*Excluding Student Demographics*

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

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

This method is expressed by the following equation:

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

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

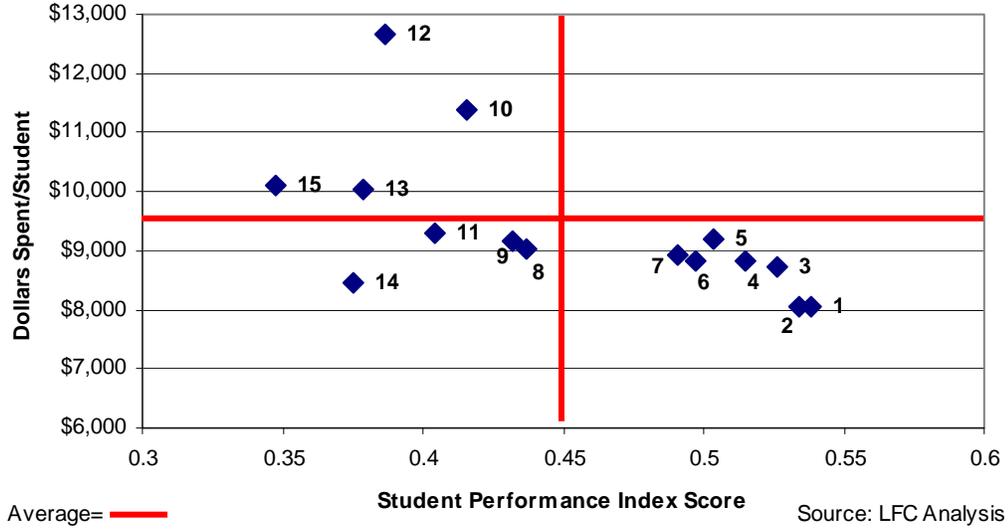
**Table 2. No Student Demographic Weight**

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

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

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

**Chart 2. No Student Demographic Weight**



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