



**Report
to
The LEGISLATIVE FINANCE COMMITTEE**



**Program Evaluation of Selected School Districts
Las Vegas City Schools
December 14, 2009**

Report # 10-02D

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December 10, 2009



Mr. Philip Vigil, President
Las Vegas City School District
901 Douglas Street
Las Vegas, NM 87701

Dear Mr. Vigil,

On behalf of the Legislative Finance Committee (Committee), I am pleased to transmit the *Program Evaluation of Las Vegas City 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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The community of Las Vegas has roughly 14,500 residents and two school districts with a total of seventeen schools.

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.

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



KEY FINDINGS

- The school board routinely reviews policies and receives adequate financial and student performance information. LVCS strategic planning and data analysis documents are indicative of administrators who are committed to data based decision making. With the Individual Plan for Student Success (IPSS) plan, LVCS has created new ways to track student performance.
- Per student funding has increased over the past few years as student enrollment has decreased slightly as SEG distributions continued to rise.
- LVCS spends 59 percent of its operational funds on instruction.
- In SY09, Las Vegas City Schools spent over \$908 thousand in additional compensation accounting for more than seven percent of total compensation.
- LVCS has subsidized transportation with almost \$100 thousand from its operational budget in SY08 and SY09, driven largely by additional compensation.

Recent lawsuits will increase risk insurance rates paid by the district, by other districts, and by NMPSIA.

The district supports transportation services with operational funds and has incurred significant additional compensation expenses and questionable contractor costs.

- Las Vegas City Schools administers duplicative short cycle assessments and needs to do more to control utility costs.
- Board expenses are twice that of peer districts. In addition, administrative staff levels are twice as high as peer averages. From SY07 to SY09, the percent of the operating budget spent on administration has increased.
- Financial audits have been late every year since FY04. If Las Vegas City Schools continues to submit late audits, their SEG distribution will be negatively impacted.
- Las Vegas City Schools generated about \$1 million in funding formula size adjustments in both SY10 and SY09. LVCS's Training and Experience (T&E) index will likely decline as the district's experienced workforce retires.
- In general, Las Vegas City Schools has not achieved increases in proficiency levels from SY05 to SY09.
- The accounting systems poor functionality and programming issues create a high risk for inaccurate data.

KEY RECOMMENDATIONS

- Las Vegas City Schools should develop and implement a long range financial plan and a system of performance-based budgeting (PBB). Use the LFC budget recommendation as a planning benchmark to begin developing operational budgets in January, rather than waiting for the Public Education Department (PED) to announce the unit value to begin budget development.
- Las Vegas City Schools should reduce administrative staff levels and increase the percent of operational funds spent on instruction.
- LVCS should administer only one short cycle assessment for each grade.
- PED should conduct an audit of T&E calculations and bilingual enrollment at Las Vegas City Schools.
- Districts should work with LFC staff and the Public Education Department (PED) to study implementation of new accounting systems and implement recommendations of LFC Information Technology (IT) audits.
- Districts should implement additional compensation policies and revisit the amounts paid and the reasons for payment to ensure alignment with district goals.
- Provide school board members with training from LVCS administration on how to use district financial information.

BACKGROUND INFORMATION

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

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

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

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

New Mexico has 89 autonomous local school districts which by statute have considerable “local control” over governance of education administration and programming and resource allocation decisions. Districts also must meet extensive accountability measures for student outcomes. The SEG or ‘funding formula’ typically accounts for more than 90 percent of school districts’ state operational revenue. The SEG is enrollment driven with several adjustment factors including students with special needs, such as special education and English language learners. The autonomous school districts have considerable latitude in determining how these funds are to be spent to address local needs or priorities; however they must comply with PED regulations.

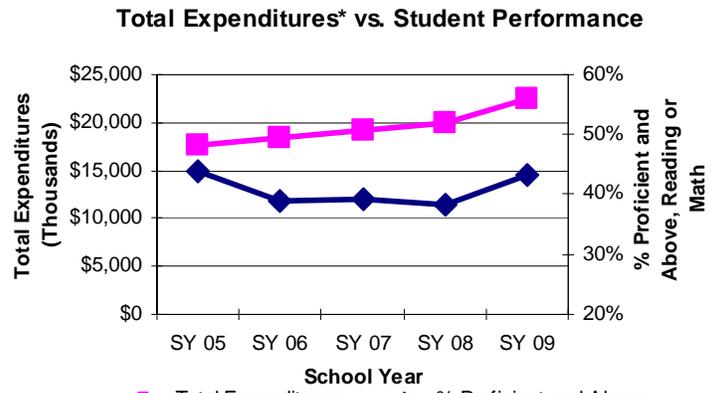
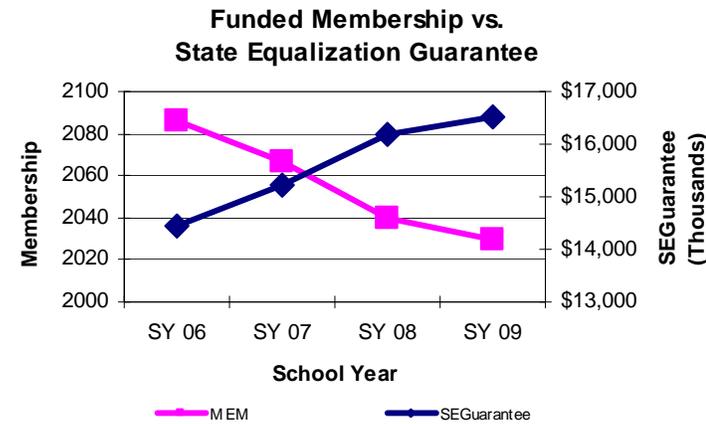
Given that local school districts are responsible for spending almost \$4.7 billion in public funds (federal, state, local and capital sources), the Legislative Finance Committee is continuing the practice of evaluating the operations of selected school districts to identify best practices and ensure efficient and effective use of public resources.

Selection of school districts. Aztec, Bernalillo, Bloomfield, Las Vegas City Schools, 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 percent) and/or Native American (>10 percent).

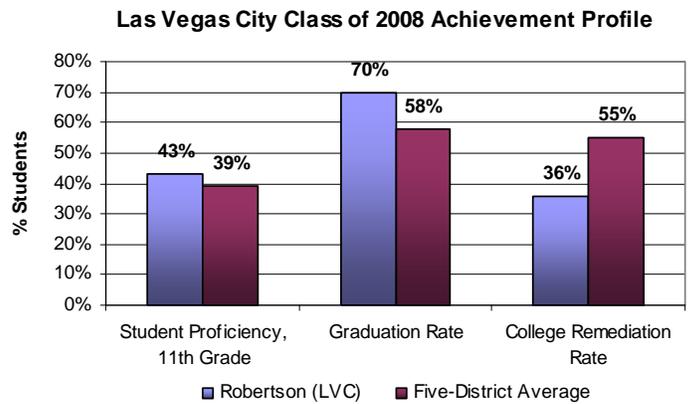
Las Vegas City Schools
Mr. Rick Romero, Superintendent

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

Total Enrollment, SY 09: 1,993



*All funds, not including capital or debt service expenditures



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

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

LVCS NMSBA Results SY05-SY09					
	2005	2006	2007	2008	2009
Reading	58%	54%	51%	52%	55%
Mathematics	30%	24%	27%	25%	31%

Source: PED/LFC Analysis

The community of Las Vegas has roughly 14,500 residents and two school districts. Las Vegas City Schools has around 2,000 students, employs a staff of about 312 full time equivalents (FTE) of which 157 are teachers. For SY09, Las Vegas City Schools spent a total budget of \$24 million, of which \$17.2 million was spent from the operational fund. District students are approximately 87 percent Hispanic, 11 percent Caucasian, and 2 percent other ethnicities. The mission of the district, as stated on the district's website, is to provide a safe, nurturing and challenging environment in which all students develop a sound academic and moral foundation, demonstrate commitment to learning and become responsible citizens capable of participating in an ever-changing global society.

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) 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 Las Vegas City Schools district officials on November 11.

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, Las Vegas City Schools 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 ADMINISTRATORS PROVIDE THE BOARD WITH USEFUL INFORMATION

The Board receives proper financial information. For each regular board meeting, board members receive a monthly expenditure report, a list of monthly checks, and Budget Adjustment Requests (BARs). Members also receive periodic Year to Date (YTD) revenue and expense reports. The Superintendent also provides the board with detailed information about the budget which includes an explanation of the information contained in the monthly reports, the chart of accounts, how legislative funding works, capital projects, and a breakdown of expenditures by function. The board is also given relevant personnel information such as transfers or retirements at each meeting. Board members expressed satisfaction with the budgetary information presented and felt the business manager was responsive to their requests for explanations or specific information. Public comment on the proposed budget was accepted during the February and April school board meetings.

The Board receives appropriate student performance information. For each regular board meeting, the associate superintendent presents information on student performance. The associate superintendent's monthly reports covered analysis of data from a variety of assessments, testing calendars, updates on professional development activities, and accountability and planning documents such as EPSS plans. While information on student outcomes is regularly presented to the board, the administration is still refining the process of integrating student performance data into the budget development process. There is room for improvement in terms of specifically tying the student outcome data to resource allocation decisions. Las Vegas City Schools is not alone in trying to create strategic ways to use student outcome data to guide the budget development process and programmatic decisions.

The Board uses information from various sources to guide the evaluation of the superintendent. The superintendent is evaluated on the Public Education Department (PED) competencies as well as priorities established by Las Vegas City Schools board members. The board also solicits feedback on superintendent performance from staff using an anonymous survey instrument. The board requires the superintendent to develop a three year continuous improvement plan outlining goals and priorities which can be used to inform the board's assessment of superintendent performance. Board members expressed satisfaction with the evaluation process with the exception that the evaluation was late.

The Board conducts a work session to review materials. The district's school board conducts a public work session the week before the board meeting to go over documents in board books. Each board member has a laptop computer and documents relevant to agenda items are saved on zip drives and hyperlinked to the agenda. This gives board members sufficient time to comprehend the decisions before them and ask administrators questions about materials presented. Both the work session meeting and the regular board meeting are open to the public. Based on a review of board agendas since July of 2008, the board does not go into executive session excessively.

The Board has a formal process for reviewing policies. Board policies are organized by subject matter into six separate series, each of which is reviewed, possibly modified, and approved after each member has had ample time to evaluate the policies. There is a link under the Board of Education page on the district's website for policies, but link was broken on 10/13/09. The district should make efforts to post the approved policies as well as board agendas and minutes on the district website.

Las Vegas City Schools administrators demonstrate a belief in the value of data based decision making. Student assessment data is presented to the board frequently. Planning documents and interviews with administrators indicate a familiarity with student data; administrators expressed an understanding of both academic strengths and weaknesses. Las Vegas City Schools administrators are capable of using data analysis to identify students in need of assistance. This type of data analysis has become routine. The next step may be using growth data to see which types of assistance or interventions are most effective. This would provide insight into whether the resources allocated and strategies implemented to address deficiencies are producing results.

The Educational Plan for Student Success (EPSS) indicates that program effectiveness is regularly analyzed with short cycle assessment data. The EPSS plan includes an abundance of student data from multiple assessments, including analysis of New Mexico Standards Based Assessment (NMSBA) performance at the benchmark level. The plan provides indications of decisions made based on data analysis. For example, the district implemented the Answer, Cite, and Explain (ACE) method and other strategies to improve student scores on constructed response questions. Las Vegas City School's use of IDEA-B funds for professional development on autism aligns with data supporting the need for staff training based on the number of students with autism. Other strategies outlined in the EPSS include offering weekly after school math tutoring with United World College students to students below proficiency. Planning documents indicate that teachers will be provided an analysis of their classroom performance on benchmarks and adjust their lesson plans to increase the focus on specific areas in need of improvement. Also, the district has made an effort to tie budget decisions to the EPSS plan by completing PED's Budget Program questionnaire. This document relates EPSS goal areas to specific funding sources.

While the EPSS provides examples of decisions made based on data, the EPSS for Las Vegas City Schools district and all individual schools is 211 pages long. The EPSS contains so much information, it becomes cumbersome to use the document and it is difficult to determine which data are most relevant.

District has developed the IPSS (Individual Plan for Student Success) which contains a range of assessment data for each student. For each individual student, Las Vegas City Schools reviews benchmark level data and growth in short cycle data and these data are documented on the student's IPSS plan. As Las Vegas City Schools becomes more sophisticated in analysis, they could use short cycle assessment scores to predict performance on the NMSBA. While completing a student's IPSS plan takes time, Las Vegas City Schools is to be commended for compiling and analyzing data in meaningful ways.

Las Vegas City Schools Board members released a draft copy of the evaluation despite instructions from LFC staff to keep the report confidential. 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. Las Vegas City Schools district leadership (administrators and board members) failed to abide by the simple and important instructions raising concerns about their reliability and capability.

Recommendations.

Las Vegas City Schools should post board agendas and minutes on the district website.

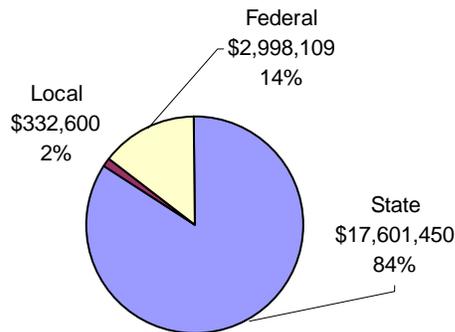
District administrators must continue to provide the board with comprehensive financial information, including monthly budget status reports, budget adjustment requests, voucher reports, cash and investment reports, and a list of voided checks and start to post the information on the district's website.

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

IMPROVED FINANCIAL PLANNING CAN HELP LAS VEGAS CITY SCHOOLS MEET ITS EDUCATIONAL GOALS.

Las Vegas City Schools relies heavily on state funding. Excluding capital, in SY09 Las Vegas

Las Vegas City Schools Revenue Sources SY09



Source: PED

City Schools received about 84 percent or about \$17.6 million of its revenue from state sources, primarily the State Equalization Guarantee (SEG). The district receives about 14 percent of its revenue or about \$3 million from Federal sources, including, \$897 thousand in Title 1 funds and \$511 thousand in IDEA B funds.

Las Vegas City Schools' financial audits are consistently late.

All five financial audits from FY04 to FY08 were late by an average of 284 days. The reasons for the late audits include auditor sickness, fixed asset tracking documents not prepared, and

issues with the charter school. In FY08, all audit findings were repeat findings.

House Bill 321 passed in 2009 establishes progressive sanctions against school districts for not submitting timely audit reports. Sanctions include withholding 5 to 7 percent of the district's current year State Equalization Guarantee (SEG) distribution. The bill takes effect on July 1, 2010.

Repeated financial audit findings relate to compensation issues. Often, the district has been unable to provide the auditors with all of the requested employee contracts. Several of the contracts provided were unsigned. For example, for the FY07 audit, the district provided the auditors with 188 out of 313 requested contracts. Of the 188, 181 contracts did not have required signatures and only 3 files met the requirements of NMAC 6.20.2.18. The district also had repeated findings stating that there are several district employees with more than one contract in place. The financial audits note that having multiple contracts in place for a single employee makes it difficult to track hours and verify the correctness of overtime payments as the contracts do not specify which hourly rate will be used for overtime payments. Regarding "Differential Pay" the FY06 audit notes that the district is making certain salary payments without an approved policy in place and has done so for several years. The school board currently has a policy addressing overtime compensation, but does not have a policy addressing the proper payment for additional compensation. From FY04 to FY08, the financial audits have repeatedly raised the concern that management is authorizing various payroll payments without an approved policy or ensuring that all necessary documentation is on file.

Las Vegas City Schools lacks long-term financial planning to deal with changes in revenue due to decreasing enrollment and students needs. Las Vegas City Schools uses an incremental budget development process. Given the ongoing decline in student population and the changes occurring in the district’s workforce, a long term financial plan would help the district manage difficult challenges to ensure district costs remain in line with recurring revenues. 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, Las Vegas City Schools 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.

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.

Las Vegas City Schools has not submitted an updated five-year facilities plan. State requirements for districts to develop 5-year facility master plans help districts forecast and plan for future facility needs based on student population projections, condition of buildings and availability of funding. No such requirement exists for a district to do a similar, albeit more limited, strategic plan for its operations and delivery of instructional services to students.

While enrollment has slightly decreased, SEG funding has increased. The increase in the unit value has prevented a sudden reduction in revenue. From SY06 to SY09, enrollment declined from about 2086 students to about 2030 students, a decrease of about three percent. While Las Vegas City Schools is generating fewer units, total SEG funding has been increasing. During this period, funding from the State Equalization Guarantee increased from \$14.4 million to \$16.5 million or about 14.4 percent

SEG SNAPSHOT

Las Vegas City Schools	SY05-06	SY06-07	SY07-08	SY08-09
Total MEM	2,086.2	2,067.0	2,040.0	2,029.5
Grand Total Units	4,387.8	4,431.0	4,427.2	4,309.9
Units Per MEM	2.12	2.15	2.12	2.16
Program Cost/MEM	\$6,726	\$7,388	\$7,974	\$8,222
SEG	\$14,445,195	\$15,212,923	\$16,201,271	\$16,526,419

Source: PED

The table below shows how Las Vegas City Schools is generating fewer units through the SEG primarily due to declining enrollment. Despite the decline in total units, total SEG funding to Las Vegas City Schools has increased due to increases in the unit value.

LAS VEGAS CITY SCHOOLS SEG UNIT GENERATION: SY07 to SY09

Year	1-12 Units	Kindergarten Units	Special Education	Bilingual	Elementary PE	At Risk	Grand Total Units
2007	2,228.33	264.24	698.30	260.50	0.00	134.36	4,430.96
2009	2,177.75	268.56	735.20	233.05	19.44	142.07	4,309.85
Change	-50.58	4.32	36.90	-27.46	19.44	7.71	-121.11

Source: PED Final Funded spreadsheets

Las Vegas City Schools generated about \$1 million in funding formula size adjustments in both SY10 and SY09. The funding formula gives additional units to elementary schools with membership under 200 students. Las Vegas City Schools has six elementary schools; all but Legion Park generated small size adjustments in SY10. The district generated \$431 thousand from 120 additional units for small school adjustments in SY10 and just under \$500 thousand from 129 additional units in SY09. Sierra Vista and Los Ninos are two separate building on the same campus. If these schools were counted as a single school they would not generate small size units. Las Vegas City Schools also generated \$540 thousand from 150 units in district size units in SY10 and \$580 thousand from 150 units in SY09.

The district's Training and Experience (T&E) index will likely decline as the district's experienced workforce enters retirement. PED documents indicate over 43 percent of the district's teacher have 15 or more years of experience. The decline in the districts T&E index that will likely occur as these teachers leave the workforce will effectively reduce the district's SEG distribution which highlights the need for long range financial planning including an analysis of human resource needs.

Discrepancies in T&E related documents raise concerns. The T&E index is a substantial multiplier in the funding formula. Districts generate additional dollars for staff with higher levels of education and experience. PED provided excel spreadsheets showing SEG calculations which depicted Las Vegas City Schools' T&E at 1.116. Other documents provided by PED indicate the districts T&E is 1.145. Data from the STARS system indicated over 36 percent of the districts teachers have a master's degree whereas Las Vegas City Schools provided documents indicating about 23 percent of teachers have a masters. Changing the T&E index from 1.116 to 1.145 would change Las Vegas City School's SEG distribution by almost \$1.16 million. This may be an area of risk and as such PED should conduct a T&E audit of Las Vegas City Schools to verify the accuracy of district reported information.

The accounting system's poor functionality and programming issues 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.

Recommendations.

Las Vegas City Schools 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 and action steps, performance measures and regularly report this information to the Board. The plan should provide a long-term blueprint for annual Educational Plans for Student Success at the district level and account for how the district will manage with less funding generated by the funding formula.

The district must make completing a five-year facilities master plan and submitting a timely financial audit a priority.

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

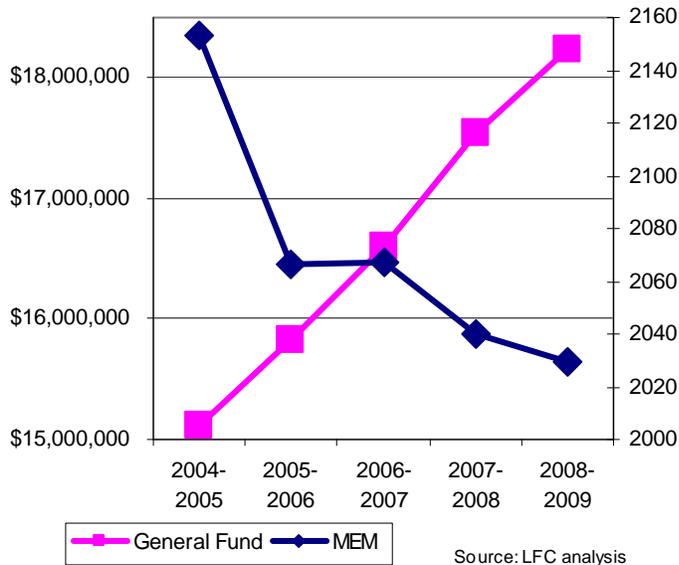
PED should direct its Office of Inspector General to review the T&E index for Las Vegas City Schools.

WHILE ENROLLMENT HAS SLIGHTLY DECREASED, GENERAL FUND SPENDING HAS INCREASED.

Operational spending per student increased from about \$7 thousand in SY05 to about \$9 thousand in SY09. In SY05, Las Vegas City Schools had a membership of 2,154 and spent \$15.1 million on district operations. In SY09, membership had declined to about 2,000 but

spending on operations increased to \$18.2 million. Much of the increase in spending is due to increases in compensation.

**Las Vegas City Schools
MEM and General Fund Spending**

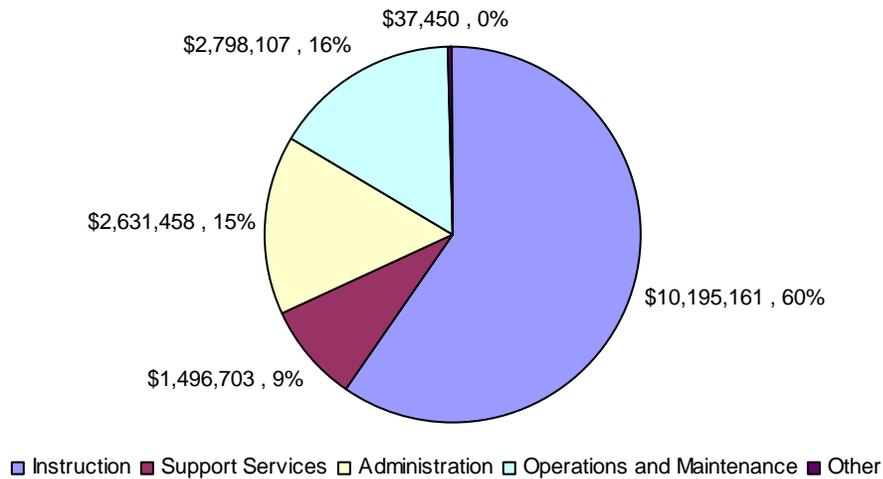


Las Vegas City Schools has shifted limited resources from operations and maintenance to central services and general administration. From SY07 to SY09, the percentage of the operating budget spent on operations and maintenance has declined from 17.3 percent to 16.3 percent. The percent of the operating budget spent on support services for students and support services for instruction have also declined. The percentage of the operating budget spent on support services for general administration and central services has increased over the same time period. In SY07, Las Vegas City Schools spent \$615 thousand or 3.9 percent of operational

funds on general administration. In SY09, the district spent \$864 thousand or 4.8 percent of operational funds on general administration, which equates to a 33.8 percent increase in the amount spent on general administration. The increase in percent of the operational budget dedicated to administration is largely found in the general administration function, which expanded from 6 FTE in SY07 to 8.4 FTE in SY09. From SY07 to SY09, the amount spent on central services increased by 23.2 percent.

Relative to peer districts, Las Vegas City Schools spends less of their operational budget on instruction. In SY07, the Las Vegas City Schools spent \$9.3 million or 58.7 percent of the operational budget on instruction. In SY09, the district spent \$10.2 million or 59.4 percent of the operation budget on instruction. In SY09, other review districts spent the following percent of the operational fund on instruction: Aztec 63.5 percent, Bernalillo 61.8 percent, Bloomfield 61.9 percent and West Las Vegas 52.1 percent. State funded teacher salary increases have resulted in more dollars directed to instruction.

**Las Vegas City Schools
Operational Fund SY08-09**



Source: PED

Board costs are twice as much as peers. School boards incur expenses for training, travel, supplies and other materials. The district recently purchased laptop computers for school board members. School board costs for Las Vegas City Schools are consistently higher than similarly sized districts and should be monitored for usefulness and necessity.

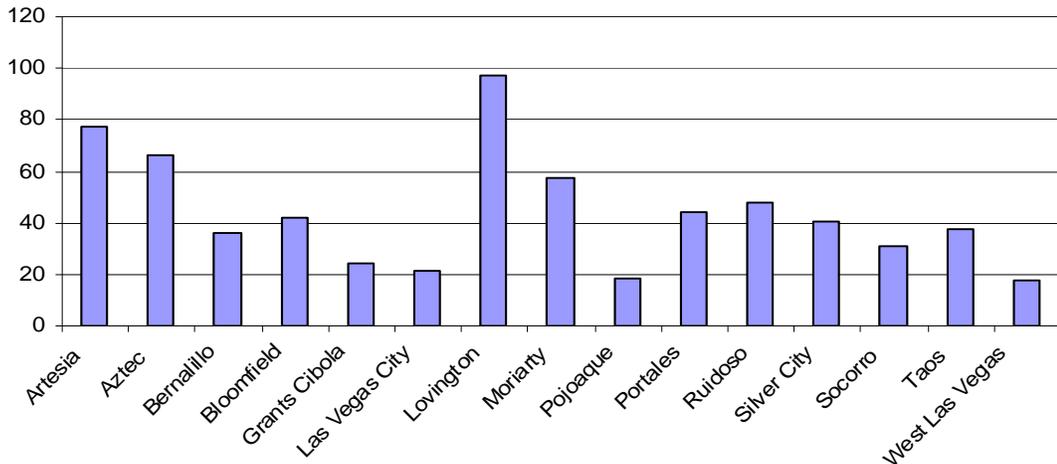
BOARD EXPENSES, TRAVEL, AND TRAINING SY07-09

School Year	Aztec	Bernalillo	Bloomfield	Las Vegas City Schools	West Las Vegas
2007	\$16,350	\$14,852	\$10,066	\$33,305	\$10,028
2008	\$10,653	\$7,929	\$4,574	\$16,079	\$4,895
2009	\$10,198	\$10,974	\$5,984	\$21,301	\$3,311
3 yr totals	\$37,202	\$33,755	\$20,624	\$70,686	\$18,234

Source: PED

The level of administration is twice as high as peer district averages. PED publishes reports on administrative staffing levels that classify the superintendent, administrative associates, and administrative assistants as administrators. Along with the superintendent, Las Vegas City Schools employs two administrative associate positions and five administrative assistant positions. In SY09, Las Vegas City Schools employed an administrator for every 21.1 teachers, whereas the peer group average was 43.9 teachers per administrator.

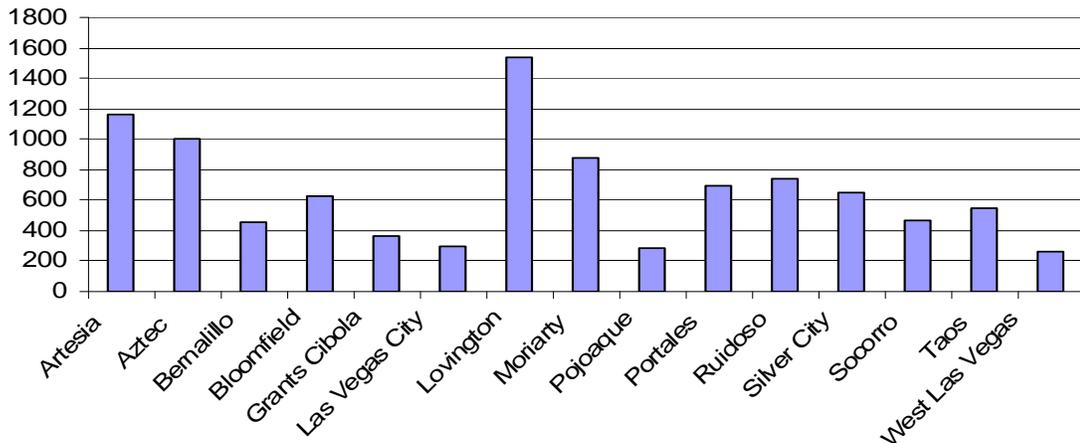
Teachers per Administrator



Source: PED

In SY09, Las Vegas City Schools employed an administrator for every 294 students. The peer group average was one administrator for every 664 students. These administrative ratios do not include Las Vegas City School's associate superintendent, the 8.25 FTE coded as principals or the 18 FTE coded as secretarial/clerical/technical assistants.

Students per Administrator



Source: PED

About half of the district's employees are teachers. The districts percent of employees as teachers is in line with state averages. In the 2008-09 school year, 50.6 percent of the districts employees were teachers with a class assignment, which is slightly above the statewide average of 49.7 percent. The table below shows the number of FTE in various teaching positions from SY07 to SY09. The district has 26 percent of its employees as non-certified personnel, which is slightly higher than the state average.

Las Vegas City Schools: Teacher FTE by job code

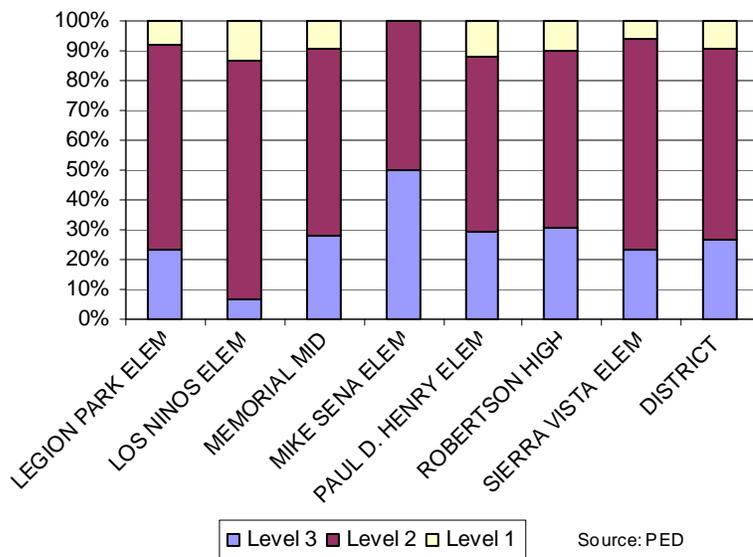
	2006-07	2007-08	2008-09	Change	Percent Change
Grades 1-12	125.31	118.50	108.00	-17.31	-13.8
Special Education	24	25.00	25.37	1.37	5.7
Other instruction	0	3.00	16.00	16.00	172.4
Early Childhood	9.28	13.00	8.00	-1.28	-0.8
Total Teacher FTE	158.59	159.50	157.37	-1.22	-0.8

Source: PED

The average class size varies at Las Vegas City Schools elementary schools. On average, there are 16.7 students in Las Vegas City Schools' elementary school classrooms. The variance in average class size ranges from Mike Mateo Sena elementary with 10 students per classroom to Legion Park elementary with 19.8 students per classroom. Legion Park achieved higher proficiency levels than Mike Mateo Sena.

Teacher licensure level distribution varies. For all schools in the district, 26.8 percent of teachers are at Level 3, 63.7 percent are at Level 2, and 9.6 percent are at Level 1. The percent of teachers at Level 3 varies from 50 percent at Mike Mateo Sena elementary to 6.7 percent at Los Ninos elementary. Los Ninos achieved higher proficiency levels than Mike Mateo Sena.

Las Vegas City Teacher Level Distribution



Source: PED

Lawsuits will increase risk insurance rates paid by the district, by other districts, and by NMPSIA. The cost allocation formula for the liability insurance program is loss sensitive and sensitive to exposure increases, such as increases in the number of students. The formula uses an average of three years of loss experience from incurred losses and exposure information. There is a lag to allow for developing lawsuits to be resolved, so for SY09-10 year, the formula uses loss data from SY06-07, SY05-06, SY04-05. In 2007, the district experienced five liability claims; in 2008, the district experienced 17 liability claims. Las Vegas City Schools will not see the full impact on premiums due to the recent lawsuits for another year or two.

Given the nature of the risk sharing pool, any district that experiences losses over \$50 thousand per claim will spread those losses proportionally among the other districts. Therefore, all districts will likely see an increase in premiums due to the Las Vegas City Schools lawsuits.

NMPSIA has “self insured retention” up to \$750 thousand and pays for coverage in excess of \$750 thousand. Lawsuits at Las Vegas City Schools will likely be in excess of \$750 thousand, so excess carriers will pay the amounts over \$750 thousand. Therefore, the rate paid by NMPSI for the excess coverage will go up as they will pay higher premiums for the excess coverage due to the lawsuits.

In SY07, Las Vegas City Schools spent just over \$15 thousand on legal costs. In SY09, the district spent more than \$88 thousand on legal costs and budgeted \$100 thousand for SY10.

Las Vegas City Schools spends significant amounts on additional compensation. The district incurred salary expense of about \$11.8 million in SY08-09 and \$908 thousand in additional compensation in SY08-09. Additional compensation accounts for more than seven percent of total compensation. The district budgeted about \$713 thousand in additional comp for SY09 and ended up spending over \$900 thousand. The district has budgeted over \$1 million in additional comp for SY10. PED’s Chart of Accounts described additional compensation as “items such as bonuses or incentives that are in addition to standard compensation.” Most of the additional compensation was given for bus drivers and activities salaries with bus drivers receiving over \$105 thousand in additional compensation in SY09. The district does not have a policy regarding use of additional compensation.

Las Vegas City Schools expenditures on short cycle assessments are unnecessary. Las Vegas City Schools administers the Dynamic Indicators of Basic Early Literacy Skills (DIBELS) short cycle assessment to students in grades K-6 and the Northwest Evaluation Association’s Measures of Academic Progress (NWEA MAPS) short cycle assessment to students in grades K-11. In New Mexico, districts commonly administer DIBELS in grades K-2 as it is primarily designed to measure early reading skills and NWEA Maps in grades 3 and above as it is an adaptive short cycle assessment used to identify student instructional needs and monitor growth. While Las Vegas City Schools is improving its use of data to drive instruction, testing all students in grades 3-6 with both short cycle assessments is duplicative and unwarranted. 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’.

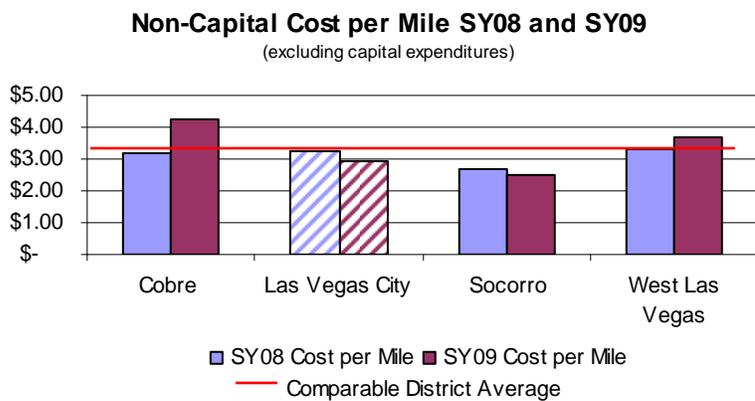
District utility costs warrant further scrutiny. The state average for utilities, including electricity, natural gas, propane, and water, is \$1.02 per square foot. Las Vegas City Schools' average utility costs of \$1.79 per square foot indicate potential for cost savings through increased energy efficiency. The utility cost analysis provided to districts via NMPSFA's "School dude" application points to natural gas costs at Marr Gym and electricity and water costs at Memorial Middle School Gym as primary cost drivers or areas for review.

Las Vegas City Schools will spend AARA SEG Stimulus Funds primarily on teacher salaries. For FY10, Las Vegas City Schools budgeted the bulk of the \$1.3 million in SEG stimulus funds in instruction. Of the total, \$564 thousand will be spent on salaries, primarily for sixteen K-12 teachers and \$88 thousand for five instructional assistants.

A cursory review of Las Vegas expenditures did not reveal major spending improprieties. The expenditure review was very limited and does not conclusively demonstrate that improper spending does not exist. However, the review did point to the following concerns:

- Las Vegas City Schools should take action to increase free and reduced lunch numbers at Robertson High School. The free and reduced lunch participation rate at Robertson High School is 35 percent. The average free and reduced lunch participation rate at all other Las Vegas City Schools is above 70 percent.
- Las Vegas City Schools spent over \$10 thousand on protective coating for basketball floors and \$3 thousand on mops last year.
- Las Vegas City Schools should continue to explore ideas of combining certain contractual services with West Las Vegas. The idea of piggybacking legal contracts was discussed by the district's school board on Nov 18, 2008.
- Las Vegas City Schools has not submitted a facilities master plan to the Public Schools Facilities Authority (PSFA).

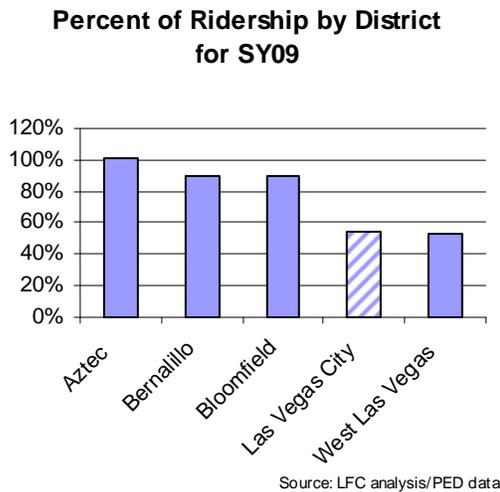
Las Vegas City Schools uses two methods for providing student transportation, incurs



questionable contractor costs and produces average cost results among similar districts.

Nineteen buses support LVCS transportation services at an average annual cost of \$747.4 thousand. First, the district uses its own buses to operate 11 routes. Second, LVCS uses contractors to provide transportation services and uses both fleet contractors and owner/operator contractors. Fleet contractors operate three

routes and owner/operator contractors operate five routes. 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 pays questionable compensation rates for the operation and maintenance of their buses and also pays for benefits on behalf of the bus driver. For example, in SY09 the district spent \$34.6 thousand for the



maintenance of 11 buses; however the costs contained within owner/operator contracts ranged from \$12.5 to \$23.1 thousand per bus and totaled \$91.5 thousand for SY10. 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. In addition, PED reported that items such as subscriptions, legal and accounting expenses and travel are eligible items for operations and maintenance. The degree to which such costs are appropriate has not been determined or analyzed by the district or PED, hence the range variation by contractors. The graph above illustrates LVCS's

cost per mile compared to similar districts.

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 the LFC, DFA and GSD to "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 allocated funding from its operational budget to support transportation services and has incurred notable additional compensation costs. The district has subsidized a total of \$97.2 thousand from its operational budget in SY08 and SY09. Salaries, additional compensation and applicable benefit costs are the primary cost drivers for the district's supplemental funding needs. Eighty-eight percent of the diverted operational funding has been spent on administrative associates, secretaries, and bus drivers. For example, the district's administrative associate who works less than a full time equivalency (.90) has earned an average base salary of \$36.6 thousand but has received an average additional compensation of \$11.1 thousand for SY08 and SY09. Additional compensation costs have averaged \$47.6 thousand for SY08 and SY09.

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 use 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 analysis of such measures would enable the school board and district to evaluate and improve student transportation services. In addition, it is unclear how the district monitors fuel costs and ensures it receives competitive fuel prices.

Recommendations.

Las Vegas City Schools should perform a cost-benefit analysis to determine whether fleet or owner/operator contractors are more beneficial to the district's needs. The district should request and review detailed cost information pertaining to operational and maintenance costs within vendor contracts to ensure appropriateness and accuracy. 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.

Las Vegas City Schools should reduce administration FTE and expenditures as part of an effort to direct funds to instruction.

Las Vegas City Schools should update the five year facilities master plan.

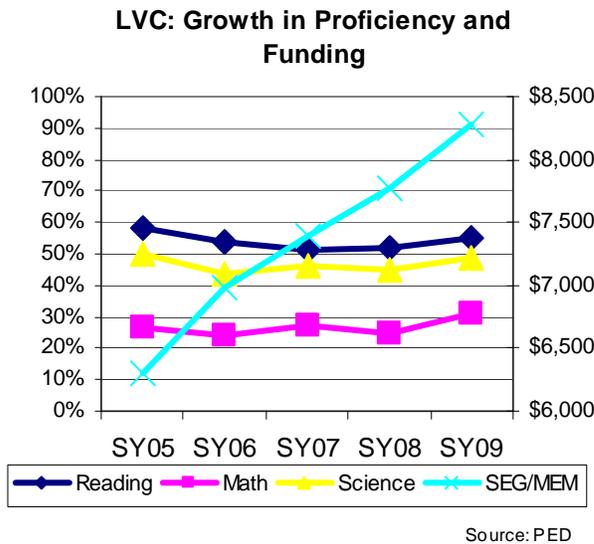
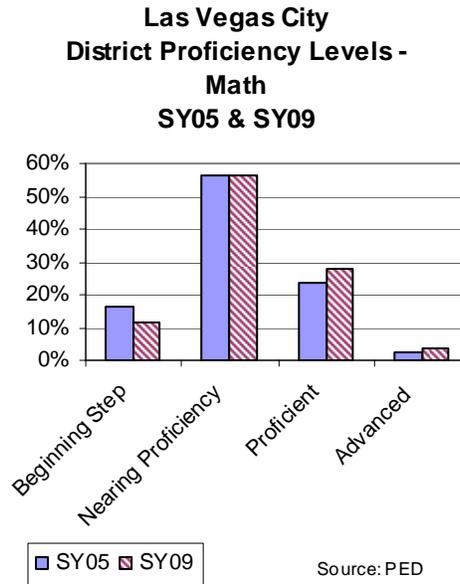
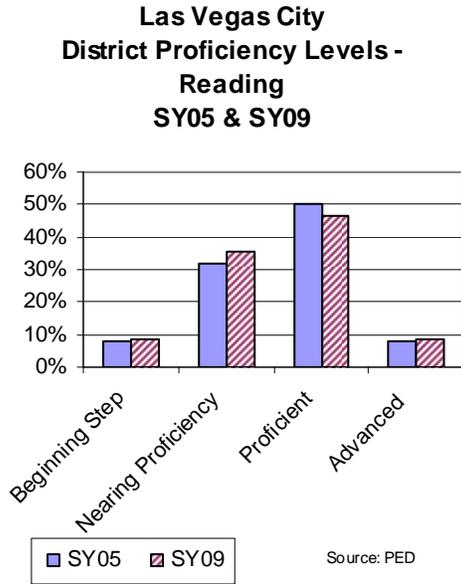
Las Vegas City Schools should administer only one short cycle assessment for each grade level.

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

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.

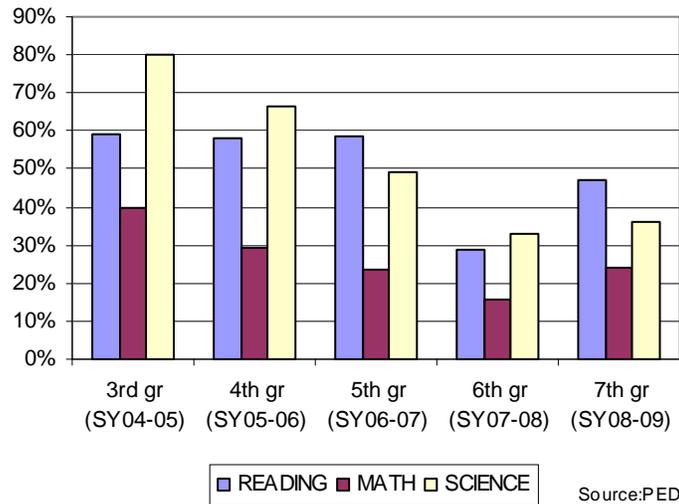
STATE FUNDING PER STUDENT HAS INCREASED YET STUDENT PROFICIENCY LEVELS ARE ESSENTIALLY FLAT.

In general, Las Vegas City Schools has not achieved increases in proficiency levels. In SY05, about 58 percent of students were proficient in reading. In SY09, the percent of students achieving reading proficiency declined to 55 percent. In SY05, just under 30 percent of students reached proficiency in math. By SY09, just over 30 percent of students were deemed proficient in math.



SEG funding per student has increased by 23.8 percent from SY05 to SY09. The districts SEG distribution increased from \$14.4 million in SY06 to \$16.5 million in SY09. District membership declined slightly over this period.

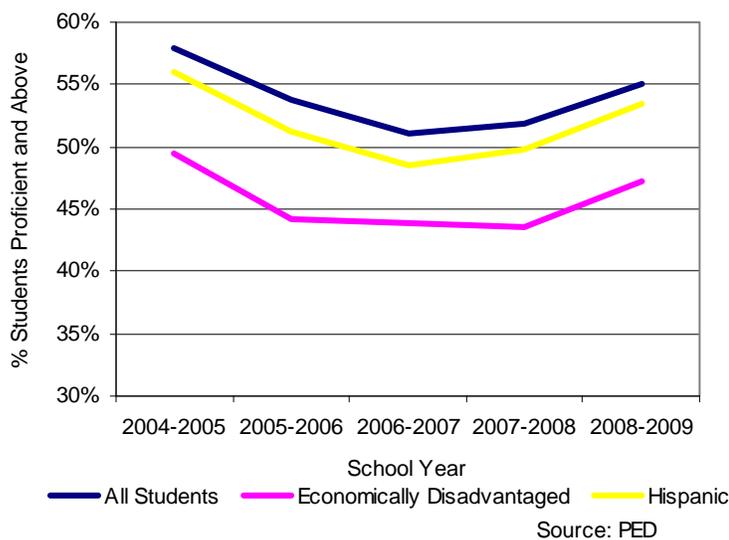
Las Vegas City - Student Path - Proficient or Above



The pseudo cohort analysis shows that proficiency levels for the class of 2014 generally declined starting in 3rd grade, SY05 and ending in 7th grade, SY09. The trends revealed in the pseudo cohort analyses are similar to trends observed statewide and in the five district average; particularly noticeable is the drop-off in proficiency in sixth grade. 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.

Targeted Groups Continue to Lag Behind in Both Reading and Mathematics. District administrators have recognized that Economically Disadvantaged (ED) and Hispanic students

Students Proficient and Above in Reading (Grades 3-11)

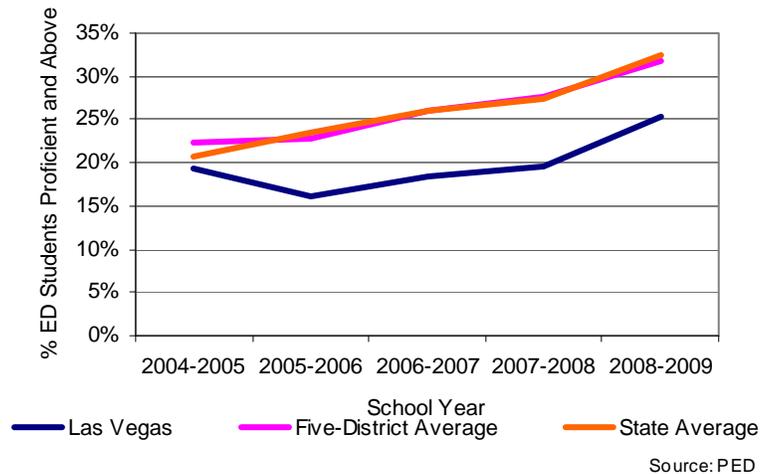


have traditionally underperformed in reading and mathematics relative to their district peers. In response, the district has targeted underperforming students to receive additional services such as content-specific tutoring.

Reading Proficiency Rates have Decreased for All Students, while ED and Hispanic Students Continue to Lag Behind. As shown in the graph, reading proficiency levels among all district students decreased by 3 percent between SY06 and SY09. During this period,

reading proficiency rates among ED and Hispanics also decreased, at an annualized rate of negative one (-1) percent per year. The reading-achievement gap between ED as well as Hispanic students and all other district students remained flat during this period, as negative-growth rates among all other district students equalled those demonstrated by ED and Hispanic students.

**Economically Disadvantaged Students:
Mathematics Proficiency**

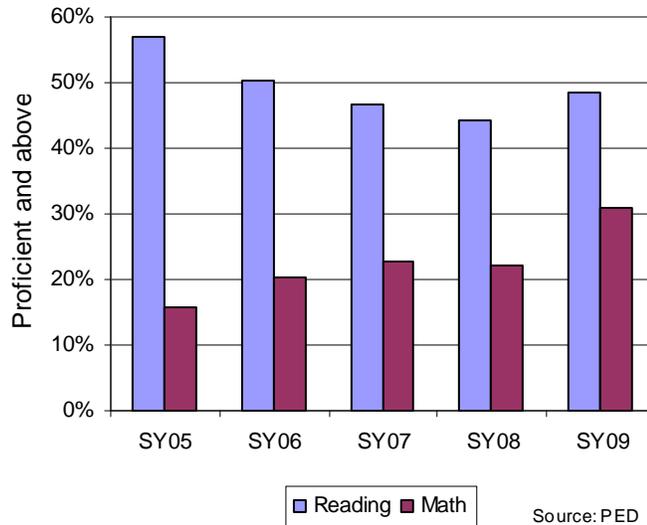


District ED and Hispanic Students Lag behind their Peers in Mathematics. District ED and Hispanic students continue to lag behind their review-district and statewide peers. The persistence of this achievement gap is due in large part to stagnant proficiency growth rates among district ED and Hispanic students.

Between SY06 and SY09, mathematics proficiency rates among district ED students grew at an annualized rate of two percent per year. Across the five-review districts, ED mathematics proficiency rates grew at a rate of 3 percent/year. The district will have to realize more robust growth among its ED student population in order to close the gap between district ED students and their peers in other school districts.

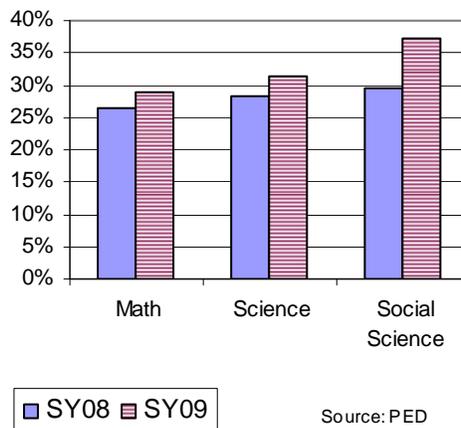
Las Vegas City Schools has seen noteworthy growth in middle school math proficiencies, but reading proficiencies have generally declined. The percent of middle school students achieving proficiency in reading decreased from 57 percent in SY05 to 48 percent in SY09. Math proficiency at the middle school level has doubled, from 15 percent in SY05 to 30 percent in SY09.

**Las Vegas City
Grades 6-8**



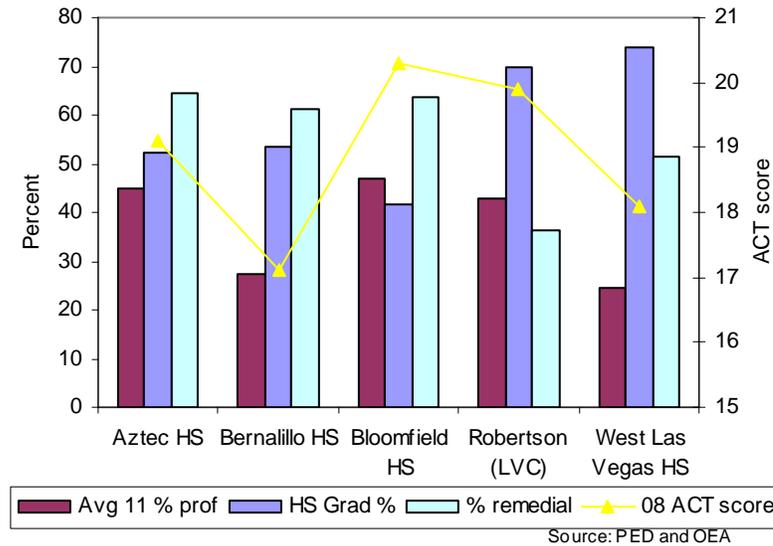
The achievement gap between district Hispanics and their review-district peers remained flat. Mathematics proficiency rates among Las Vegas City Schools Hispanic students and their review-district peers both grew at an annualized rate of two percent per year. Las Vegas City Schools Hispanic students, however, did fall further behind their statewide peers as mathematics proficiency rates among Hispanic students statewide grew at an annualized rate of three percent between SY 06 and SY 09.

**Las Vegas City
11th grade performance -
Math, Science, and Social
Studies
SY08 & SY09**



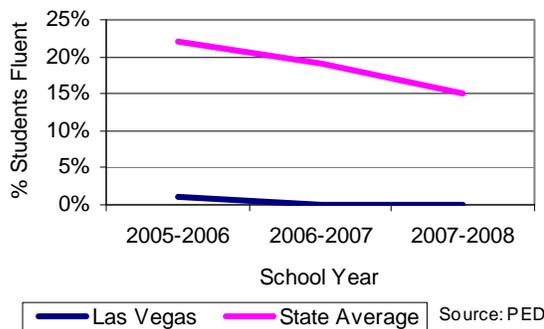
Despite gains, last year less than one in three eleventh graders were proficient in Math, Science, or Social Studies. Of the five districts reviewed, Las Vegas City Schools was in the middle in terms of 11th grade proficiency levels, high in terms of high school graduation rates and average ACT scores, and low in terms of students needing remedial coursework in college. The various higher education institutions make determinations of remediation differently. About 2/3rds of Robertson's 2008 graduates attended either Luna Community College or Highlands University.

Proficiency, Graduation, and Remediation



Bilingual program expenditures are not achieving the desired results. Students have made little progress towards Spanish language fluency. The majority of program funds are used to support Spanish language maintenance and acquisition. During SY 2007-2008, 65 percent of all district students received bilingual education services. However, zero percent of district students tested fluent in Spanish. Since SY 2005-2006, the district has annually administered the Woodcock-Muoz Spanish language assessment to all students receiving instruction in Spanish but has not experienced gains in Spanish fluency.

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



The District has taken steps to accurately report program expenditures, resulting in more reliable estimates of per-student costs but continues to experience discrepancies in enrollment calculations. The district generated \$969 thousand in funding through the state funding formula to support its bilingual and multicultural education program for SY08. Recent changes in the program's revenue-expenditure ratio are a result of district efforts to comply with PED accounting standards. As

a result, the district stayed within their budget constraints in SY08 and experienced no reduction in bilingual education services, which reverses their traditional trend of overspending. District

per-student program costs are below the review-district average of \$1,100, and the state average of \$1,300.

Bilingual Financial Data

School Year	Funded Membership	Amount Generated	Reported Expenditures	Difference
2005-2006	1,567	\$834,936.45	\$1,844,956.00	-\$1,010,019.55
2006-2007	1,469	\$897,797.62	\$1,691,425.00	-\$793,627.38
2007-2008	1,008	\$969,086.08	\$969,085.59	\$0.49

Source: PED

In addition, the district does not pro-rate teacher salaries for bilingual services and continues to code entire salaries to the bilingual program. For instance, if a teacher provides one hour of bilingual instruction, the district should only code one hour of the teachers salary—at an annualized rate—to the bilingual education program. It is important for districts to comply with this accounting rule in order to provide PED and legislative officials with an accurate assessment of student needs. Failure to do so denies policy makers the information they need to efficiently distribute limited education resources.

Special Education performance is not meeting state targets. For the last two years, Las Vegas City Schools reported that none of the students with Individualized Education Plans (IEPs) graduated high school. State targets for special education student performance are established by PED’s Special Education Bureau in the State Performance Plan (SPP). The performance of students with an IEP missed the proficiency targets for the most recent three years for which data is available. 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	15.2%	2.1%	20.0%	13.0%
2006-2007	13.5%	3.4%	24.0%	17.0%
2007-2008	14.1%	6.0%	28.0%	22.0%

Source: PED

Despite fewer special education students, Las Vegas City Schools generated more in special education units due to increases in ancillary FTE. In SY07, Las Vegas City Schools had 489 special education students who generated 419 units and 11.16 ancillary FTEs that generated 279 units. In SY09, Las Vegas City Schools had 468 special education students who generated 419 units and 12.62 ancillary FTEs that generated 315 units. The district generated \$2.5 million in SY09 from SEG special education units.

District Schools that did not meet AYP in SY09 had difficulty achieving AMOs for Math.

Legion Park: None of the subgroups hit the AMO in math, although ELL students outperformed non-ELL students. All subgroups met the AMO in reading except for economically disadvantaged students, who met the lower bound confidence interval, and students with disabilities.

Los Ninos Elementary: None of the subgroups hit the AMO in math, but all students and Hispanic students subgroup met the lower bound confidence interval. Economically disadvantaged student did not meet the lower bound confidence interval in math. All subgroups met the AMO in reading.

Memorial Middle School: None of the subgroups hit the AMO in math, but Caucasian students and ELL students met the lower bound confidence interval. Caucasian and ELL students met the AMO in reading.

Mike Mateo Sena Elementary: None of the subgroups hit the AMO in either math but All students met the lower bound confidence interval in reading.

Paul D. Henry: None of the subgroups hit the AMO in math, all subgroups met the AMO for reading except for ELL student who met lower bound confidence interval in reading.

Robertson High School: None of the subgroups hit the AMO in math but all subgroups met the lower bound confidence interval. ELL students hit the AMO in reading and all other subgroups met the lower bound confidence interval in reading.

Sierra Vista Elementary: None of the subgroups met the AMOs or lower bound confidence intervals in either math or reading.

Recommendations.

PED's Office of the Inspector General should conduct an enrollment audit on the Las Vegas City Schools School District bilingual and multicultural education program to provide reasonable assurance that students coded for bilingual education are receiving the appropriate amount of state funded bilingual instruction.

The district continue its efforts to track student Spanish language performance, and take steps to ensure that student data is longitudinal and useable at the class room level to guide instruction.

The district develop performance targets for student Spanish language fluency gains, and hold schools accountable for failing to meet those targets.

The BMEB direct the district to submit a corrective action plan for addressing declining proficiency rates in reading and mathematics among ELL students.



Las Vegas City Schools

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November 16, 2009

TO: Manu Patel, Deputy Director, Legislative Finance Committee

FR: Richard Romero

RE: District LFC Audit Responses

CC: LVCS Board of Education

As I previously stated on the district's response to the LFC Global Audit the district would like to thank the members of the review team for undertaking a fair and impartial audit of the Las Vegas City Schools. The audit responses allowed the district to examine those best practices that we are implementing well, so that we may continue to strengthen those practices, and implementation. The review has also allowed us to examine those practices that are less than best, and examine strategies that we can use to improve those parts of our operations in order to more fully maximize the district's valuable resources.

1. District Administrators provide the Board of Education with useful information

- a. Throughout the last year, the district has worked hard to keep the board of education up to date, and informed on district issues, and statewide concerns. Throughout the year the district administration provides information on personnel, assessment data, budget and finance, bilingual and federal programs, and legislative issues impacting district programs or resources.
- b. The board of education with the assistance of the district administration has been reviewing its board policy documents in an effort to codify and update all policies. Upon approval, each series will be placed on the school district's website for public access.
- c. As of the date of this response, the district has provided all school board meeting agenda and minutes for all board meetings beginning July 2009.
- d. The present administration has worked very hard to provide comprehensive financial information each year as part of a budget process beginning as early as January of each budget cycle, the information is generally delivered via a power-point presentation developed by the superintendent. The Associate Superintendent provides monthly charts and graphs depicting the assessment data for the district.

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- e. The district administration will work to increase training for each member of the board of education in order to increase their understanding of financial matters, and will work even harder to augment the board's involvement in the budget development process.
- f. As evidenced by the conversations that occurred with school board members, and building principals, the district is committed to the value of using data for instructional programming and delivery. Throughout the last year, the district office administrative team has work very hard to impress upon school principals and their staff the importance and value of using data derived from the New Mexico Standards-Based Assessment and the Short Cycle Assessments: DIBELS and MAPS to assist teachers with identifying strengths and growth areas for all children.
- g. A year ago the district administration developed a template called, Individual Profile for Student Success, which provides single source document which can contain all of a student's assessment data, with which teachers can use to create an Individualized Academic Plan.
- h. Throughout the last year, the district has worked hard to develop a sound Educational Plan for Student Success. However, the 211 pages can be quite overwhelming. But the information and data that can be derived from the document demonstrate that the district is very serious about using this document to drive instruction. The information contained in this document is invaluable to illustrate the growth that it taking place in the Las Vegas City Schools, despite not meeting annual measurable objectives.
- i. The administration will work with the board to develop a finance sub-committee of the board to provide a monthly or bi-weekly review of bills for payment, check registers, banks statements and other financial review necessary to support an extensive review of monthly fiscal procedures.

2. Las Vegas City Schools Financial Audits are Consistently Late

- a. The district is aware that beginning with this school year, it was behind by two years on its fiscal audits. However, during the 2008-2009 school year, the district successfully completed its audits for 2006-2007, and 2007-2008. And began its audit for fiscal year 2008-2009 a month ago. The Las Vegas City Schools anticipates having the audit for 2008-2009 completed by January 30, 2010.
- b. The audit for the Las Vegas City Schools for the year ended June 30, 2009 has run into delays due to the following issues:
 - i. The School has not provided a final trial balance to the auditors as of October 23, 2009. This is mainly due to the fact that the District has converted to a new accounting software system and the District's 2008 audit, performed by another auditor, was not completed until August 2009. The District is still attempting to reconcile beginning balances in the new accounting system. These issues have affected the District's ability to provide financial information timely. In addition, the district is awaiting information needed from the previous auditor needed for the reconciliation of fixed assets, accounts payable, and payroll clearing. The District's current auditors, Griego Professional Services, LLC, have performed some compliance procedures, but cannot complete the audit until the District is able to provide the trial balance.

- ii. Due to the issues above, the District has elected to submit the audit report late to provide sufficient time to process accurate information for the auditor.
- iii. The District and Griego Professional Services, LLC are eager to complete the 2009 audit and we will submit the audit as soon as possible. The District has indicated to the auditor that a trial balance will be available by the end of November 2009. Griego Professional Services has indicated that the audit can be completed 60-90 days after receipt of a final trial balance for both the student activity and general funds accounting systems. If the District's audit incurs further delays, we will notify the State Auditor's Office
- c. Throughout the course of the 2008-2009 school year, central office staff reviewed every single personnel file verifying licensure information, verification of years of service, evidence of contracts,
- d. During the same period of time 2008-2009, central office staff also worked hard to verify that employees had contracts for all years worked with the district, and that no multiple contracts exist, and that all contracts have been signed. In an effort to ensure that all contracts are signed and placed in the employees personnel file, this summer and early fall, ALL employees were required to come to central office and sign ALL contract documents in the office. All signed contracts were immediately placed in the employee's personnel file.
- e. The district's finance office also worked hard on revising our payroll procedures in order to avoid the problems of "differential pay". The district presently has a set of procedures in place, and is working on its policy to reflect these changes.
- f.

3. Improved Financial Planning can help the Las Vegas City Schools Meet its Educational Goals

- a. The district agrees with the premise that long-term financial planning is needed to deal with structural changes in revenue due to decreasing enrollment and student's needs, and that we need to look beyond the present, "Incremental Budgeting Process". We agree that this process has become insufficient for the current economic climate, and will take the advice of the audit to reexamine our past spending practices and look at fundamental changing as to how our budget is developed for the 2010-2011 school year. We will look to the LFC and other state agencies for assistance in gaining knowledge of, and addressing performance-based budgeting, and an implementation cycle of at least five years.
- b. While the district agrees overall with this assumption, the district within the last four years has experienced growth in 2007-2008 by 26 students, and again in 2009-2010 saw an increase from the year before by 36 students. This yoyo effect is not unusual for a school district that has more than one school within the community, which affords many students with the option of transferring back and forth.
- c. While the district agrees overall with the assumption that net spending has increased by as much as 19% over the last four years, the amount needed each year has increased appropriate to the implementation of statutory mandated salary increases for teachers, instructional assistants and principals.
- d. The school district does agree that that it takes full advantage of the small school adjustment factor. The one suggestion that states, "two small school separated by a parking lot", describes Los Niños Elementary and Sierra Vista Elementary. Each school has a grade 1 to grade 5 configuration, however, Los Niños provides dual

language instruction, and is a Spanish Immersion School, providing a very different instructional program than the school across the parking lot (Sierra Vista). Like most communities, the Las Vegas City Schools has successfully built and provides neighborhood schools to its community members. The value of these neighborhood schools goes well beyond a funding differential. Each school in the Las Vegas City Schools, operates as a separate entity, governed by a separate administrator or head teacher, and taught by separate teaching staffs. The only instructional programs that are shared are the "Specials" Art, Music and Physical Education.

- e. Contract addendums must be obtained for ALL Las Vegas City School District employees for ALL types of supplementary or additional pay. Supplementary pay/differential/add pay can include athletic (coach) stipends, student activity/sponsor salaries, tutor stipends, Tesol/Bilingual stipends, custodial/maintenance supervisor duties, additional days (contract extensions), and any other identifiable and superintendent approved duties as related to school district operations. Any services performed by the employee that are in addition to normal instructional services need to be documented on a personnel agreement. These payments must not be confused with payments for expenses such as mileage and/or per-diem or overtime.
- f. Contract addendums are to be documented on a personnel agreement contract, which is initiated by the Human Resources Department (Exhibit A.) The contract must be in writing, specifying the additional duties the employee must perform and the salary amount. The contract should also clearly state the length of the contract and the termination date or if the termination date is unknown, the contract should end on the last day of the school year. The contract will indicate if a timesheet (Exhibit b,e,f) is required and the dates for which payment will be made. All original contracts must be maintained by the Business Office and a copy to the Human Resources Department.
- g. All personnel agreement contract forms must be approved by the Finance Director for budget availability and funding source identification. The Superintendent will provide the final approval before the contract can become a valid contract. The employee must also sign an original copy. Failure to obtain all signatures and required information will void the contract. At no time will payment be made for invalid or missing contracts.
- h. **AT NO TIME WILL PAYMENT BE MADE PRIOR TO SERVICES BEING RENDERED.** A "Request for payment" (Exhibit c), or "timesheet" (Exhibit b,e,f) will be required upon/during completion of services as described on the contract addendum. Services rendered forms received in the business office prior to the end of the contract will not be accepted and will be returned to the requestor. Do not submit forms until all work is completed per the contents of the contract.
- i. Professional employees of the District are generally not eligible for overtime payments under federal and state law, however, professional employees are expected, as a condition of their basic assignment, to attend and/or participate in periodic activities scheduled before or after their duty day. Employees will be given prior notice of such activities or events by the respective site administrator. Such activities or events may include, but shall not be limited to; staff meetings, committee meetings, workshops, school open house, parent-teacher meetings, competitive events such as "Science Fairs," specific school-community activities,

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bus driving, custodial work, etc. For the most part, fund-raising activities are voluntary. The assignment of extra duties that require a significant time commitment by an employee is not considered a part of their basic assignment and shall be paid as overtime compensation. Rates for such work must be based upon the Department of Labor Employee Standards Administration Wage and Hour Division policies and The Office of Personnel Management's regulations for pay administration under the Fair Labor Standards Act are in part of 551 of Title 5, Code of Federal Regulations. An overtime calculation worksheet will be used to determine overtime pay. The overtime calculation will be made in accordance with the above regulations. ALL OVERTIME MUST BE PRE-APPROVED BY THE SUPERINTENDENT OF THE LVCS. Payment will not be made until all timesheets and approval forms are received and verified. All payments will be made in accordance with dates on the timesheet schedule (Exhibit D).

- j. The Las Vegas City Schools has experienced a 0.89% decrease in enrollment during the past 7 years (2003-04 through 2009-10) and a 0.37% decrease in enrollment for the past three years (2006-07 through 2009-10)
- k. The duplication of short cycle assessments: DIBELS is required for Reading First Schools and Full Day Kindergarten programs. Schools that are neither Reading First or have Full Day Kinder programs are Sierra Vista and Memorial Middle School. Although LVCS does not need to do DIBLES testing at these sites, we have expanded DIBLES testing to these schools for continuity in grades K-6 to provide teachers with quick assessments and progress monitoring capabilities of student reading skills. Progress monitoring is completed for students who are at the "Intensive" level every two weeks and once per month for students at the "Strategic" and "Benchmark" levels using DIBELS. DIBLES at these schools primarily tests reading fluency. LVCS SCA is NWEA MAP which tests Reading and Math skills at K-1 (for Primary Grades) and Math, Language Arts, Science and Reading for grades 2-11.
- l. DIBELS does not test the same skills as NWEA MAP but does provide the teacher and parents with frequent assessments as to the student's reading skills. DIBELS scores are shared with parents and also documented in student progress binders providing reference for teachers from preceding grades.
- m. The additional cost for DIBELS testing for Sierra Vista and Memorial Middle School is approximately \$3,481. All other LVCS are either Reading First or have full day kindergarten programs in which DIBLES is a requirement by PED.
- n. The Las Vegas City Schools is very cognizant of its budgeted and expended costs for utilities. The district is presently upgrading the heating system at Robertson High School, providing new individualized boilers for each building, versus the one large boiler that existed for the last thirty plus years. The district also applied for the Photovoltaic Solar Energy Grant, and will continue to implement energy savings strategies throughout the district in order to reduce consumption.
- o. The administration will work with the board to review past and present "board expenses" to ensure that expenditures are aligned with goals identified in the district's Educational Plan for Student Success. While the district agrees with the financial data provided for "board expenses" we caution the LFC from taking these figures at face value. Each district will report expenses differently, while we are all expected to report revenues and expenditures through procedures outlined in the

Chart of Accounts, each district has the autonomy to report expenses based on how they set up their revenues. A snap shot of board expenses for the 2006-2007 are as follows

- i. \$11,550 for meeting reimbursement (\$75.00/mtg.)
 - ii. \$1,701 for travel reimbursement
 - iii. \$3,897.96 Publications for Legal Ads (Notice of Meetings—Local Newspaper)
 - iv. \$1,442.92 for retirement reception & plaques for faculty and staff retirement
 - v. \$7,128.25 for State and National membership dues
 - vi. \$345.83 for Board Supplies
 - vii. \$2,192.34 for registration fees for State and National conferences/meetings
 - viii. \$1,550 for donations made from board to assist student travel
 - ix. \$881.04 for meals for Monthly Board Work Sessions
- p. The district's T & E index is more than likely going to see a dip as many present teachers near retirement and choose to leave the profession. IN 2008 the T & E Index was 1.130 the T & E increased to 1.176 for the 2009-10 school year. This is due to the district being able to maintain highly qualified teachers and other staff that qualify for participation in the index. The district does not anticipate drastic impacts to our retirees or those who chose to leave the district. One of the staples within the district's professional staff, is the consistency in its membership. Most recently the district received a T & E Audit in 2007, and again in 2008. Normally districts will receive a T & E Audit every three years.
- q. Each year the district works very hard to get better rates of return on its forms that provide the school district with its Free and Reduce membership. However, because parents are reluctant to return the forms, because it requires information about household income, which families are very reluctant to provide, and because Robertson High School has an open campus, most families don't realize that their information is used for much more than just determining if their child will eat free or reduced at school. This has been an on-going problem, and each year the district works hard to get the forms returned. Presently one two schools in the district qualify for Free and Reduced.
- r. Within the last year, the district has been more critical of purchasing procedures, and in fact, new purchasing guidelines require employees to seek three quotes for products or services for anything over \$500.00. This is designed to encourage employees to seek out best prices.
- s. Often times when seeking best pricing, the district will look to using GSA or CES vendors. We have often even looked to piggyback on other district's vendors, which are all good solutions to seeking best pricing without having to go out to bid.
- t. The Transportation Funding is being supplemented by Operational dollars for 07-08 in the amount of \$59,465.76 which paid for a new secretary for the transportation and maintenance department. The salary for the Transportation Coordinator and secretary are split between operational (11000) and transportation (13000) because their duties and FTE are split between, transportation, maintenance, and activity transportation. For example: The Transportation Coordinator is .69 FTE in Operational Transportation (11000) that is non to and from driving, Transportation (13000) .21 FTE for to and from, and Operational Maintenance (11000) .10 FTE to coordinate maintenance/custodial duties. Other school districts might pay their transportation coordinator at a 1.0 FTE because they do not have split duties.

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

n General Las Vegas City Schools has not Achieved Increase in Proficiency Levels

- a. The district agrees with the assumption that the district is making Slow Improvements in Students Performance but more work is needed.
- b. Beginning with the 2008-2009 school year, the district implemented a form called an Individual Profile for Student Success, which is used to organize assessment data in a single document for teachers to use to assist students with individualized instruction.
- c. The 2008-2009 school year began a considerable effort within the school district to use data to drive instruction. Each year in August, assessment data is received from the New Mexico Standards-Based Assessments administered in the Spring. Once data is received it is disaggregated for each school based on each assessment for each child paying particular attention to scale scores and how students performed on each standard/benchmark for the subject area. Teachers are expected to use the disaggregated data to complete the IPSS, and identify needed growth areas for all

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students, thus developing Individualized Academic Plans for each student for each lesson.

- d. In response to our students not making gains on SBA:
- i. In reviewing cohort data in reading and math from 04-05 to 08-09, our students for the most part have made steady gains in reading and slight gains in math, although our math gains are not significant enough to keep up with the average gains of the state in most grades except present 9th grade students.
 - ii. In Reading for present 7th grade students, these students have showed steady gains in reading from 05-06 to 07-08 with avg. proficiency percents at or above state averages; however in 2008-09, these students had a big drop in reading proficiency from 66.2% proficient in 07-08 to 36% proficient in 08-09. This may be due to the fact that one of the 6th grade Language arts teachers became ill during the school year and had to take a significant amount of leave time for medical reasons.
 - iii. In reading for present 8th grade students the percent proficient in reading was at or above state averages from 04-05 through 06-07. In 07-08 there was a drop in proficiency which parallels the state average. However, in 08-09 there was an increase in reading proficiency for these students to 47% proficient or advanced.
 - iv. In Reading for present 9th grade students, these students have had increases and decreases in proficiency which parallels the state scores in reading for this cohort group. However, in 08-09 these students had a significant increase in proficiency from 47.8% in 07-08 to 64% in 08-09.
 - v. In Reading for present 10th grade students, these students have shown steady increases in reading proficiency from 04-05 to 07-08. No data is available for this cohort group after 07-08.
 - vi. In Reading for present 11th grade students, these students have shown steady increases in reading proficiency from 04-05 to 06-07. No data is available for this cohort group after 06-07. These students will be testing in 2009-10 on the SBA.
 - vii. In Reading for present 12th grade students, these students have shown steady decrease in reading proficiency from 04-05 to 06-07 which parallels the state scores. No data is available for this cohort group after 07-08. This cohort group had an increase in reading proficiency from 45.8% in 06-07 to 52% proficient in 2008-09.
 - viii. In Math for present 7th grade students, these students have showed steady gains in math from 05-06 to 07-08 with avg. while the state averages for this cohort group have steadily declined; however, in 2008-09, these students had a big drop in math proficiency from 36.4% proficient in 07-08 to 24% proficient in 08-09. This may be due to the fact that one of the 6th grade math teachers was new to teaching 6th grade math.
 - ix. In math for present 8th grade students, the percent proficient in math has steadily declined for this cohort group which parallels the state average. However, in 08-09 there was an increase in math proficiency for these students to 24% proficient or advanced which is still well below the state average of 32%.

- x. In math for present 9th grade students, these students had a decrease in proficiency from 04-05 to 05-06 which parallels the state scores in math for this cohort group. However, there has been a steady growth in math proficiency for this cohort group from 06-07 to 08-09. These students had a significant increase in proficiency from 23.2% in 07-08 to 44% in 08-09 (which was above the state average for this cohort group).
- xi. In math for present 10th grade students, these students showed a drop in proficiency as 5th graders, but then have shown steady increases in math proficiency from 05-06 to 07-08. No data is available for this cohort group after 07-08.
- xii. In math for present 11th grade students, these students have shown steady increases in math proficiency from 04-05 to 06-07; however, these gains are still below the state average gains. No data is available for this cohort group after 06-07. These students will be testing in 2009-10 on the SBA.
- xiii. In math for present 12th grade students, these students have shown a decrease in math proficiency from 04-05 to 05-06, then an increase to 35.2% in 06-07. No data is available for this cohort group for 07-08. This cohort group had a decrease in math proficiency from 35.2% in 06-07 to 28% proficient in 2008-09.

5. Bilingual Program Expenditures are not Achieving Desired Results

- a. Bilingual funds are used to support Heritage Language Revitalization Programs at 7 of our 8 schools in the district; one Dual Language Immersion School and Enrichment Programs at the Middle and High Schools.
- b. For the exception of Los Niños Elementary, there is a 2-3 hr. program at district elementary schools. Los Niños is funded for a 3 hr. program. Most students at MMS and RHS receive a 1 hr program. ELLs in appropriate program at MMS and RHS receive a 2 hr. program.
- c. LVCS welcomes an enrollment audit of our program numbers. Within the past two years we have established procedures to ascertain that enrollment counts reported in STARS align with Worksheets #3 and #4 which are submitted to BMEB. These enrollment counts also align with JMAC, our district student management system.
- d. There are 56 teachers who provide services for the Spanish component of our bilingual programs. Also, 72 teachers provide services for the English Language Development component of our Bilingual Programs. Las Vegas City Schools will work with its Business Office to pro-rate and code teacher salaries appropriately to the bilingual program.
- e. Spanish Language fluency data and norms have been researched for SY 2006-2007 and SY 2008-2009. It appears that coding errors have been made in classifying proficient students. Numerous students, in particular at Los Niños Elementary, have been classified as NSP or LSP that should have been classified as FSP. As of last year, Spanish Language fluency data has been made available to parents, teachers and administrators.
- f. In an effort to increase English and Spanish Language proficiency, schools are required to identify EPSS goals for Bilingual and ELLs in addition to Reading, Math, and Parent Involvement. EPSS goals must align with Title III and State

Bilingual Applications. Schools have developed performance targets for student Spanish language fluency gains. These performance targets are indicated in BOX 6 of the State Bilingual Application. An Improvement Plan for attaining AMAOs (Annual Measurable Achievement Objectives) for ELLs was required for some schools as part of the Title III and State Bilingual Application. These Improvement Plans have been submitted and approved as part of the applications.

6. **Special Education Performance is not Meeting State Targets**
 - a. During the 2008-09 school year, the Las Vegas city schools was found to be non-compliant with :
 - State Performance Plan (SPP) Indicator 11, 60 timeline for initial evaluations. This was determined by a review of the 2008-2009 Student Teacher Accountability Reporting System (STARS) with respect to the requirements of 34 CFR § 300.301© and Subsection (D)(1)© of 6.31.2.10 of NMAC
 - b. Based upon the New Mexico Public Education Department Special Education Bureau's (SEB) review of the district's 2008-09 data and information, the Las Vegas City Schools is considered to be compliant with the Federal Regulations and State Rules pertaining to Compliance Indicator 11. Congratulations on the timely correction of the noncompliance and the district's efforts and hard work over the past year.
 - c. The district continues to work hard to correct other program areas which are not compliant.
 - State Performance Plan (SPP) Compliance Indicator 13, Transition Services with respect to the requirements of 34 CFR § 300.320 (b) and Subsection (G)(3) of 6.31.2.11 NMAC. This was determined by the on-site review of Individualized Education Programs (IEP's) of student's aged 16 or above during 2008-2009.
 - d. The district presently has a full time social worker in the district, working specifically to address this areas of deficiency, and to resolve the obstacles to ensure better Transition Services.

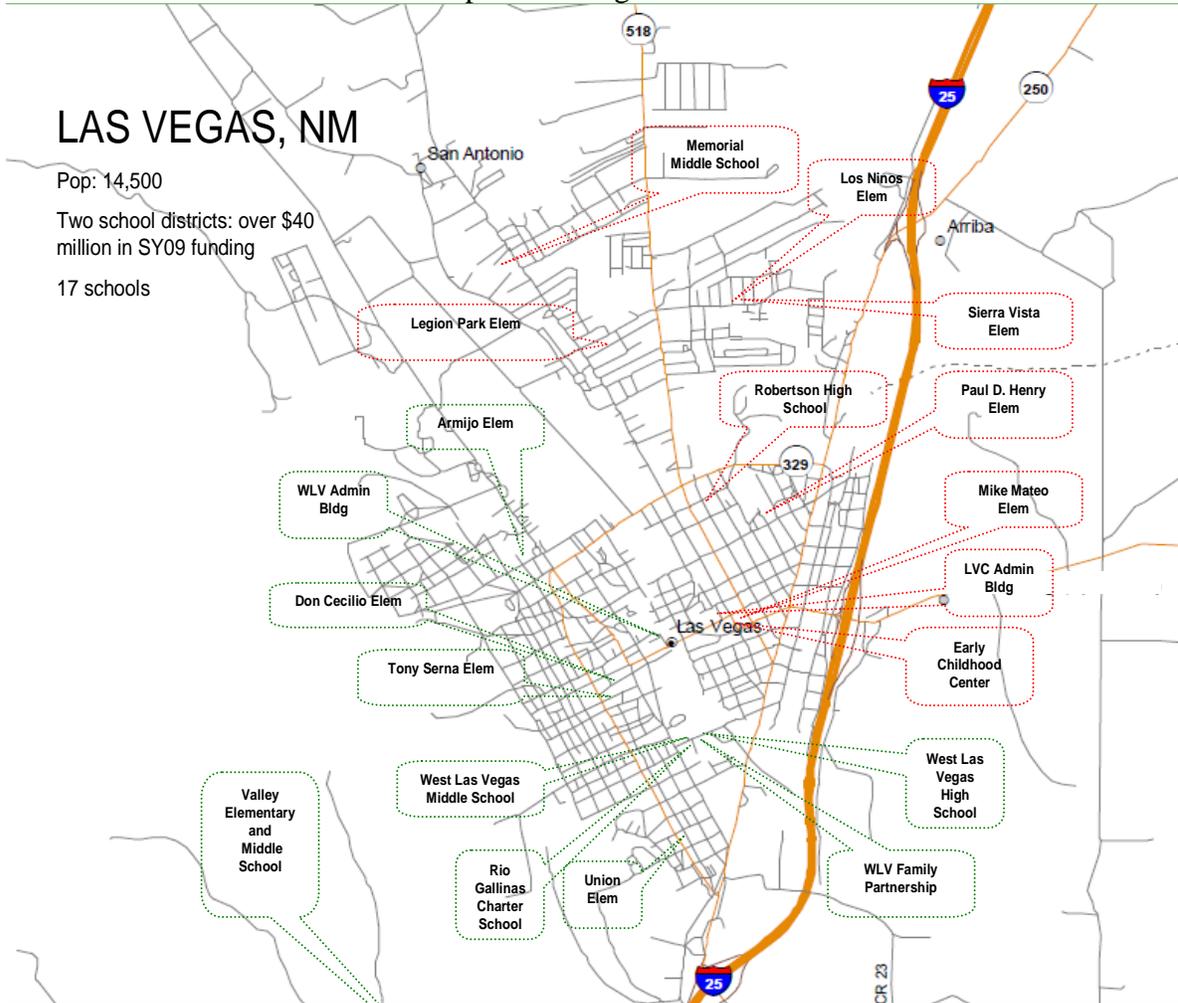
History of the Unit Value

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.

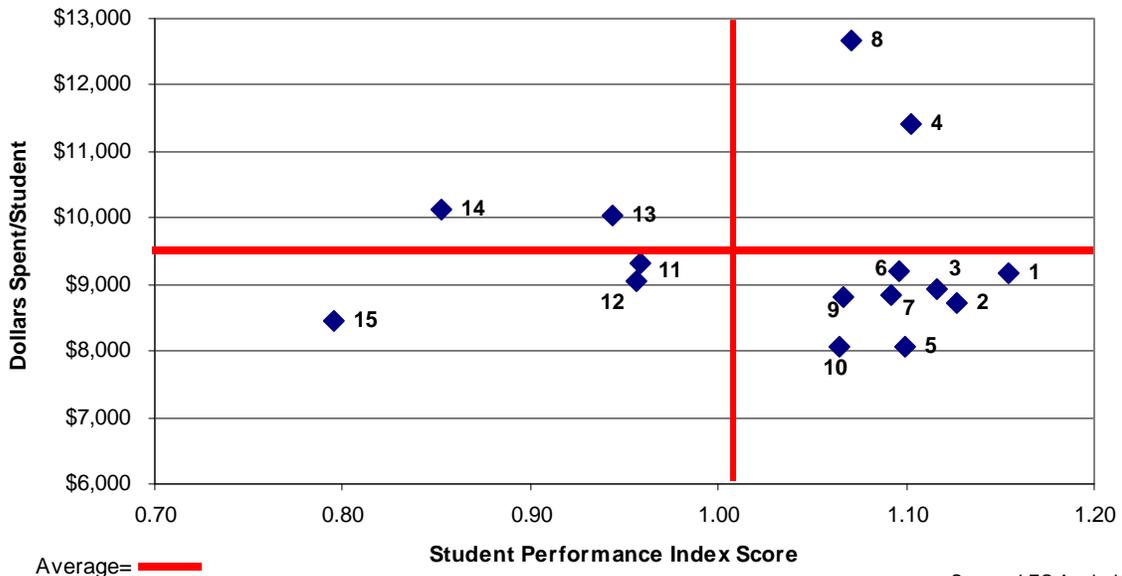
The benchmark growth model may underestimate the weight that should be given to schools with above-average growth. LFC staff will continue to evaluate this feature of the index, to ensure that proper weight is given to school districts that have consistently demonstrated high-levels of growth in student 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 Schools	\$9,311.27	0.96
12	Pojoaque	\$9,041.39	0.96
13	Grants Cibola	\$10,029.55	0.95
14	Socorro	\$10,117.46	0.86
15	Lovington	\$8,463.73	0.80
	Average	\$9,388.78	1.03

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



Source: LFC Analysis

Excluding Student Demographics

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

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

This method is expressed by the following equation:

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

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

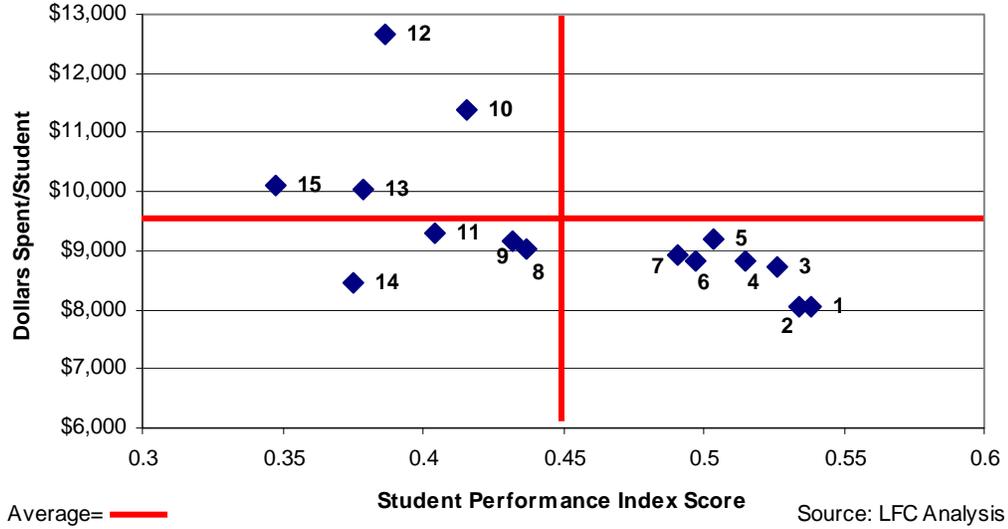
Table 2. No Student Demographic Weight

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

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

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

Chart 2. No Student Demographic Weight



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