

**Minutes
of the
Third Meeting
of the
Government Restructuring Task Force
June 21-22, 2010
Room 307, State Capitol**

The third meeting of the government restructuring task force was called to order by Senator Tim Eichenberg, chairman, on June 21, 2010 at 10:10 a.m. in Room 307, State Capitol.

Present were:

Sen. Tim Eichenberg, chairman
Mr. Patrick Baca
Rep. Paul C. Bandy
Rep. Keith J. Gardner (June 22)
Mr. John Gasparich
Sen. Linda M. Lopez
Ms. Michelle Lujan Grisham
Rep. Rick Miera
Mr. Jim O'Neill
Mr. David Ortiz
Sen. William H. Payne
Sen. John Arthur Smith
Rep. Luciano "Lucky" Varela

Absent were:

Rep. Patricia A. Lundstrom, vice
chairwoman
Dr. Dan Lopez
Sec. Katherine B. Miller
Sen. Steven P. Neville

Advisory:

Sen. Carlos R. Cisneros
Sen. Mary Jane M. Garcia
Rep. Joni Marie Gutierrez
Sen. Lynda M. Lovejoy
Rep. James Roger Madalena
Rep. Jeannette O. Wallace

Sen. Stuart Ingle
Rep. Al Park

Legislative Guests:

Rep. Brian F. Egolf, Jr.
Rep. Mimi Stewart

(Attendance dates are given for members who were not present for the entire meeting.)

Staff:

Legislative Council Service (LCS)

Raúl E. Burciaga, Director
Jonelle Maison, Senior Bill Drafter
Kim Bannerman, Staff Attorney
Leslie Porter, Research Assistant

Tim Karpoff, Task Force Facilitator

Legislative Finance Committee (LFC)

David Abbey, Director

Cathy T. Fernandez, Deputy Director

Brent Earnest, Senior Fiscal Analyst

Legislative Education Study Committee (LESC)

Dr. David Harrell, Assistant Director

Department of Finance and Administration (DFA)

Dannette Burch, Deputy Secretary

Stephanie Lenhart, Policy Analyst

Guests: The guest list is in the meeting file.

Copies of presentations and other handouts are in the meeting file.

The minutes were amended and approved.

Monday, June 21

Funding Formula Primer — Frances Maestas, Director, LESL

The purpose of the funding formula is to provide funding equity for all students throughout the state. Under the funding formula, the lack of wealth of a school district has no impact on funding for its students. The state takes 75% credit for local revenue, including property tax, impact aid and forest reserve, and makes up the difference between what a district has and what it needs based on factors in the formula. Ms. Maestas showed a test sample of how the appropriation request for the state equalization guarantee (SEG) is built year over year and what "opening the doors" and other program costs consist of. Ms. Maestas said that since 2001, base funding for public education has been reduced by \$146 million; this shortfall creates difficulties for school districts to meet their statutory duties and school board policies. She noted that often the legislature is blamed for the lack of salary increases even though budgets are a local decision. While the legislature may appropriate an amount that provides an average 2% salary increase to all school employees, that money flows through the SEG and is budgeted by local school boards. The result may be that employees receive varying increases or none at all.

Ms. Maestas discussed briefly the new funding formula, which was developed by the American institutes for research (AIR) under the direction of the LCS and the funding formula task force (FFTF). The proposed formula is based on student needs, determined by poverty, mobility, English language learners and special education and enrollment share in certain grades and total enrollment. The formula replaces the training and experience index (T&E) with the index of staff qualifications (ISQ), which applies only to the salaries and benefits portion of the budget. The bill for the new funding formula was introduced in 2008 and 2009 but failed to

pass, primarily because of its implementation cost. Ms. Maestas provided a handout showing the difference in funding by school district between the old and new formulas, based on 2006-2007 membership and fiscal year 2007 funding.

On a question from Representative Bandy, Ms. Maestas explained that program units are determined by multiplying the number of students or full-time-equivalents by the statutory cost differential for a particular category, e.g., grade level or a program, such as bilingual education or physical education (PE). He remarked that based on the amount the SEG has increased, the state is handing out money faster than the number of students is increasing. He asked if the children's performance has gone up with this additional funding. Ms. Maestas said there has been an increase in reading and math test scores. Several task force members discussed abuses of the unit system in the current formula. Ms. Maestas pointed out that the new formula would take care of many of these issues.

Representative Miera reported that the AIR study showed that schools are underfunded by approximately \$350 million. The new formula distributes money differently, based on a base per-student cost, which is then increased relative to the needs of the students the district serves to determine the sufficient per-student cost. Because they are predicated on different bases, the two formulas are not interchangeable. He asked if the new formula could be implemented using current dollars. Ms. Maestas said that unless the state held school districts harmless, current funding would not be sufficient to fund the new formula. On further questions from Representative Miera, Ms. Maestas said federal stimulus funds supplanted \$210 million in general fund support for fiscal year 2010; part of that was restored for fiscal year 2011, but there is a \$69.3 million hole in the base that will need to be replaced. She noted that the perception that public education had not taken a budget hit along with state agencies is incorrect.

In answer to Senator Garcia, Ms. Maestas said the reductions in funding have been since 2001, and those reductions have meant that more districts require emergency supplemental funding. She confirmed Representative Stewart's point that special education includes gifted education.

Representative Varela observed that if the new formula cannot be implemented without \$350 million in new funding, then perhaps the solution is not to try to implement it. Ms. Maestas noted that the AIR's recommendation is that the formula, particularly the base per-student cost, be studied and reset every 10 years. It has now been almost four years since the original study was completed, and it may be that, with the current economic situation, the state will have to reset the formula before implementation.

Mr. O'Neill asked if the emergency supplemental problem would be resolved with the new funding formula. Ms. Maestas answered in the affirmative.

Senator Cisneros asked how the students were identified as English language learners. Dr. Garcia said that students are tested for English proficiency.

Public Education Panel

Mr. Karpoff introduced the members of the public education panel. He explained that each would make a short presentation, followed by a question and answer session. After lunch, the task force and panelists will have a roundtable discussion in which formal committee protocol will not apply.

Dr. Veronica Garcia — Secretary of Public Education

Dr. Garcia said that a discussion of major reform ideas requires more time and thought than the structure of the day's agenda would allow. The state's race to the top working group, which was made up of all interested parties, or a similar group, could work for this task force to address really tough reform ideas. Such a group could help determine if there is the political will to do the things that need to be done; for example, linking teacher and principal evaluations to student progress and holding colleges of education accountable for their graduates. She noted that changes in education take time; the reforms put into place by the legislature and the executive in the last several years will not begin to show results for four to six years. High school redesign began for entering freshmen in the 2009-2010 school year; those students will not graduate until 2013. She proposed that reforms spelled out in the race to the top grant application could help move education forward.

Dr. Garcia described two "low-hanging fruit" ideas her department has for improving efficiency and cost-effectiveness. Her first is a better use of IDEAL-NM, which is the state's online educational system, not only for public schools through the New Mexico cyber academy, but also for professional development, other training and classes for all state agencies and for online meetings and conferences as well. Use of online training and meetings could benefit all state agencies by increasing employee productivity and saving per diem and mileage expenses. The second, related, idea is to move to a more electronic department. Dr. Garcia suggested that electronic filing of contracts and required reports and electronic licensing will save the department money.

Noting the Carruthers report recommendation to consolidate the public and higher education departments, Dr. Garcia said it would require a constitutional amendment and probably would not save much money. As for the recommendation to consolidate school districts, she warned that closing schools might not be a good idea because of the effect on communities; however, there may be some administrative functions that could be consolidated to save money.

Winston Brooks — Superintendent, Albuquerque Public Schools (APS)

Mr. Brooks began by noting that about 85% of a school district's budget goes to salary and benefits; there are also other fixed costs, like utilities, insurance and transportation, over which the district has no or little control. There is very little "fluff" in a school budget to cut. To save money, a district will most likely have to cut salaries or classroom activities.

Mr. Brooks said his experience in Kansas does not serve as a good model for New Mexico; for one thing, school districts in that state brought an adequacy lawsuit against the

Kansas legislature. These lawsuits demonstrate that Kansas is having issues similar to New Mexico regarding funding. There are things that New Mexico is doing right when it comes to public education; for example, it has only 89 districts, whereas Kansas has more than 200. He noted that consolidation may still be an option, even if it is only administrative consolidation. Mr. Brooks did emphasize that he does not support de-consolidation. Adding new school districts will clearly cost the state more money, not less. He also recommended a careful examination of charter schools statewide; adding new ones always costs money and dilutes funding for current schools, both traditional and charter.

Mr. Brooks cautioned that when looking at these issues, it is important to keep in mind that large and small districts, urban and rural districts, have distinct interests and problems. The task force must keep these unique factors in mind when trying to find solutions to public education problems. For example, APS is growing by 300 to 400 students a year, but it does not qualify for enrollment growth because it does not meet the 1% threshold. He suggested that perhaps the enrollment growth factor needs to be examined to determine how to make it work for large and small districts. But he also cautioned that school districts that lose students do not necessarily need less money; they still need the appropriate number of teachers and services, and they still must manage their districts.

This coming school year, APS will operate with 437 fewer employees. Reiterating Ms. Maestas' point, Mr. Brooks said that public education has been hit, and hurt, by the budget crunch. He understands that more cuts may be necessary, but the legislature needs to be careful figuring out how to make the appropriate cuts without hurting children. Not much more can be cut before there is a negative impact on students. One way to help districts during these difficult financial times is to give them more flexibility in how to spend the money they are given. For example, the pupil-to-teacher ratio (PTR) could be raised. This would allow districts to increase class sizes, which would save the districts money. He advised that one or two additional students in a classroom would not be detrimental to student outcomes, especially once the students are of high school age. APS is also looking at how to improve its reporting of students who are eligible for free or reduced-fee lunch, the measure of poverty that affects the district's federal and state funding. The measure has always been underreported because many parents do not want to fill out the required form. This year, APS has improved reporting at 59%, but Mr. Brooks believes that students are still underreported by about 11% to 12%. He reported that the Wichita, Kansas, school district has a poverty rate of about 70%, and that Albuquerque is not as rich a community as Wichita.

Dick Pool — Superintendent, Silver Consolidated School District

Mr. Pool, who had been a member of FFTF, said the advantage of the new formula is that it has only eight factors, making it harder for school districts to "chase" the formula. The current formula has about 37 factors, which, between human error and districts chasing, results in inequities in funding. He opined that the more factors in a formula, the easier it is for school districts to chase the formula and get funding in ways that were not intended. Based on the new funding formula study and his personal experience as a superintendent, Mr. Pool urged this task

force to support implementation of the new funding formula as soon as possible, given the current financial situation.

Mr. Pool called the task force's attention to two inequities he sees in the current distribution of school funding: small school and elementary PE funds. He said that the proposed funding formula would take care of both these issues, while acknowledging that the new funding formula is not likely to be implemented soon. Alternative high schools are not eligible for small school adjustments, but charter schools and co-located schools are eligible. He recommends the following requirements for eligibility for all small schools to receive small-school funding:

- ▶ separate location;
- ▶ separate administration, faculty and support staff;
- ▶ separate, unique and defined purpose; and
- ▶ an application, approval and review on an annual, biennial or triennial basis to ensure that schools continue to qualify for small school funding.

While he supports small school funding, Mr. Pool said that he believes the funds can be distributed more equitably by adding these requirements to the law.

The elementary PE funding was in its third year of a five-year phase-in when the phase-in stopped because of the funding shortage. Those districts that initially received funding continue to do so, while other districts that provide elementary PE do not. He recommends either eliminating the statutory requirement and the funding factor or making all elementary PE programs eligible for funding. Either choice will distribute educational funding more fairly, which is the whole reason for having the state funding formula.

Mr. Pool said that when the FFTF began its work, it saw startling numbers in some school districts in special education. One instruction for the AIR was to consider how to keep districts from chasing the funding system. Offering an example of how the formula can be chased, he said that he could inflate his special education needs and request five additional social workers under the current formula. As ancillary personnel, social workers are funded at \$115,000 each, but he can hire them at around \$50,000. He can then use the additional money in other areas of his budget that were not intended to be funded under the formula.

Mr. Pool reiterated Mr. Brooks' request for more flexibility. He said that in his school district, the PTR could be raised without hurting students. The legislature passed a bill last session (Senate Bill 97) that allows school districts to request waivers for PTRs and other requirements of the Public School Code, but that law ends with the 2011-2012 school year. He did say that the public education department (PED) has been very willing to grant waivers.

Mr. Pool briefly addressed school district consolidation. He agreed that it is an area that should be examined. In his experience, some of the small schools that may be ripe for consolidation receive too much emergency supplemental money. The Silver school district is a consolidated school district, with Cliff schools consolidating with the Silver City schools. He

opined that small schools do not have to lose their identity by consolidating. However, he cautioned the task force that consolidation needs to be looked at on an individual basis because it will not work in all situations.

Another recommendation Mr. Pool offered is that the legislature should put a moratorium on new schools. Adding new schools, whether traditional or charter, does not make sense during the state's fiscal crisis. He reinforced Mr. Brooks' point that more schools dilute the SEG for all schools.

Mr. Pool closed his comments by reiterating the importance of implementing the new funding formula. The FFTF spent two and one-half years studying public school funding and came to the conclusion that the new formula, and its required sufficiency funding, would more equitably fund student needs. He advised that as school funding is cut, the number of districts on emergency supplemental funding will increase, which is not the most effective or most efficient way to fund schools.

Dr. Linda Paul — Director, New Mexico School Leadership Institute

Dr. Paul explained that the school leadership institute was created by the legislature to work on statewide school leadership development because strong leaders in schools and districts make a difference. New Mexico needs to work to recruit and retain school district leadership; 23 districts will have new superintendents this coming school year. She proposed three "big ideas" for the task force's consideration to make the public education system more efficient and effective.

1. *Eliminate categorical restrictions on funding.* For example, school districts are not allowed to use transportation balances in other areas of their operating budgets. Dr. Paul suggested that with appropriate checks and balances through the PED, such a restriction could be removed.

2. *Provide incentives for efficiencies.* Currently, if a school district is efficient and saves money, any amount above the allowed cap must be reverted. Dr. Paul suggested that if money is saved through efficiency, at least some portion of it should remain in the district and be used for another purpose. She said that the current cap on cash balances is a disincentive for school districts to be more efficient.

3. *Determine the PED's role vis a vis school districts and charter schools.* Currently, the PED is expected to be both cop and mentor; it is required to ensure compliance with state laws as well as provide technical assistance. If the legislature wants the department to serve both functions, that is a more expensive business model. At present, the department is neither funded nor adequately staffed to provide both services and cannot do the two fully. The department should be reorganized in a way that emphasizes whichever role the legislature chooses.

Dr. Lisa Grover — CEO, Coalition of Charter Schools

Dr. Grover said the current public education system is being reformed through charter schools, although that reformation has been challenging. She noted that the key to public education reform is the political will to do so. For example, charter schools are schools that people like to dislike because they represent a change to the system. There must be the political will to move people out of their comfort zone and to try new things. She emphasized that charter schools are not meant to replace the public education system; they are only a mechanism of reform. Curriculum reform in charter schools has not been dramatic because charter schools are still public schools. That said, charter schools are innovative in that they require performance in exchange for autonomy. If a charter school performs well, it is rewarded with site-based budgeting and autonomy; if it does not perform well, it is closed. Closing poorly performing schools is an extremely innovative and controversial idea in public education. Dr. Grover said that, as a state, New Mexico must decide if it is going to continue pushing these innovations in the public school system by supporting charter schools.

Dr. Grover addressed the three areas of reform she believes the state must examine.

1. *New Mexico must be more specific about what school performance means.* The law should require school performance contracts that create measurable goals for schools. These measures would be reviewed annually, and, at the end of a determined period, e.g., five years, a school would be evaluated to determine if it performed according to its contract. "School performance" includes both organizational performance and academic performance. New Mexico is one of only four states that does not have school performance contracts for charter schools. The same concept of school performance contracts can be applied equally to traditional public schools.

2. *Enact smart charter caps.* Smart charter caps involve an examination of schools with proven performance records. Those schools are then replicated using incentive programs. Dr. Grover said such a program requires making schools more transparent so that overall performance is obvious. Such a program would need to make it easier to close schools for underperformance.

3. *Move toward a portfolio approach to public schooling as a way to manage performance and provide assistance.* Such a system creates an education system in which parents have a broad spectrum of choice for schooling their children. A portfolio system allows creation of many charter schools along with traditional public schools to provide this choice. Dr. Grover said that such a system will work only if the PED and school districts assure performance of schools rather than provide only administrative assistance. The PED, she said, should primarily be managing performance and only providing assistance where needed.

Dr. Grover closed by noting that many other states are examining similar issues, and New Mexico could look to those states for ideas.

Charles Bowyer — Director, National Education Association of New Mexico

Mr. Bowyer said there are both "30,000 feet" lessons and small ideas that can make public education more efficient, effective and transparent. To begin, cash balances must be more visible in school budgets; budget should show for what purpose cash balances are being saved. Making cash balances more visible would make the budgeting process more transparent.

Another "30,000 feet" recommendation is to implement the new funding formula with its required funding. He said the funding formula is extremely important for improving student performance because it works toward providing teachers with necessary resources. However, school funding is not the only thing that will improve student performance. Studies have shown that sufficient funding and poverty level affect children's performance in school, but the most important finding of studies is that those elements act independently. Granted, funding sufficiency helps students of every socioeconomic status perform better; however, student status indicators, including gender, poverty, parental education and parental involvement, also affect student performance, independently of sufficiency. Some of these indicators can be overcome by effective teachers, but teachers may not be able to overcome all of the indicators. Mr. Bowyer said that, when considering tying teacher evaluations to student performance, it is important to differentiate those indicators over which teachers have no control. Rather, student growth in a school year should be monitored because student growth is something teachers and school funding impact.

Mr. Bowyer pointed out that many experts, including two Nobel laureates in economics, agree that during a recession the worst thing to do is to cut public spending, especially public school funding. He told the task force that if the state wants to positively impact the economy, reducing funding is not the way to go.

As for small changes, Mr. Bowyer said the union's members had been surveyed on ways to improve efficiency in public education. The first item backed by most of the membership was reduction in paperwork. He noted that if teachers could spend less time on paperwork, they would have more time for instruction. The second item was reduction in testing. Again, if teachers had more time to teach, rather than test, they could do a better job. He suggested a statute limiting testing time. Third, Mr. Bowyer said that teachers supported less meeting time and more preparation time. A fourth recommendation, based on 40 years of surveys, would be to contain teacher workload. Teachers' hours have expanded, and they are required to take on many different roles, including non-instructional roles. He recommends that the PED examine how to better structure teacher work time, including looking at restructuring the school day and the school year.

After the panel presentations, Mr. Karpoff asked for questions from the task force.

Referring to Mr. Pool's caution to wait to implement the new funding formula until there is sufficient funding, Representative Varela pointed out that the FFTF had made several recommendations regarding revenue sources. One source was a statewide property tax mill levy. He reminded the members and panelists that schools used to have five mills, but the 1981 property tax rate reset changed that. The 20-mill limit was divided between counties and

municipalities, and the districts were limited to a one-half mill after 1983. He noted that counties are not suffering as much in the current economic downturn because they have a stable tax base. He recommended that the task force look at an increased statewide operating levy for school districts to implement the new formula. Representative Varela asked Mr. Pool if he thought certain parts of the new funding formula could be implemented now. Mr. Pool responded that many of the current factors are in the new funding formula; however, the new factors are weighted differently and if not fully funded, the differences in the two formulas will create large inequities in funding. Dr. Garcia reiterated that the new funding formula needs to be fully funded. She proposed that the new formula is better at mitigating the effects of poverty on students; it is designed to increase educational outcomes that could help New Mexico move up in the rankings.

Representative Varela then turned to school district consolidation, saying that 89 school districts is simply too great a number in a state the size of New Mexico. He observed that schools will not necessarily lose their identity if administrative consolidation is examined. Mr. Pool agreed that consolidation should be examined. He said that some districts actually think they are getting too small, which makes students lose out on opportunities; moreover, whether the consolidation is administrative only or more than that, it will save money.

Another concern expressed by Representative Varela was the number of students requiring remediation when they enroll in higher education. He asked the panel what can be done to reduce that number. Mr. Brooks answered that because of state and local policy decisions, districts are doing a very good job in elementary grades, but those gains are being lost in middle school. The level of engagement for students begins to drop. One solution is to require smaller classes in middle school; another might be to reconfigure school grades. He said that content strength was sacrificed when junior high schools were replaced by middle schools. Representative Varela agreed, noting that in Santa Fe the schools that have moved to K-8 are doing well. He also suggested that vocational education must once again be emphasized for those students who do not want to go to college.

Dr. Garcia followed up on the remediation question. She explained that high school redesign will have a positive effect on remediation because of increased requirements for high school graduation. High school redesign changed requirements in math and science as well adding the requirement that students take at least one online, dual credit or advanced placement class for graduation. The redesign push came from recognition that the lottery scholarship program was working well to pay for college for high school graduates, but that the program needed to be coupled with students who were prepared for college-level work. She said that high school redesign is helping, but it will take a few years to fully know how much it is helping; the first redesign cohort to graduate will be in two years. Dr. Garcia pointed to the PED rule that ties student performance to driver's licenses. A student who is not making satisfactory grades has to wait six months before applying for a learner's permit. If a student is reading at grade level by third grade, she said, that student will likely graduate from high school; the converse is also true.

Representative Varela asked Dr. Garcia about the recommendation of the Carruthers report that public school finance be moved back to the DFA. He observed that giving programmatic oversight to the PED and financial oversight to the DFA would strengthen state monitoring for both areas. She responded that the DFA already does some of the financing for the PED. Dr. Garcia said she had discussed the issue with her leadership team, and the initial thought is that such a move would simplify processes and thus be more efficient. The drawback will be in trying to integrate SHARE and OBMS, the two accounting and management systems of the DFA and the PED.

Representative Egolf asked if the current thinking on teacher performance evaluations is fair and how the system of evaluations should be implemented. Dr. Garcia said that there had been a great discussion of the issue during the race to the top application preparation because the federal government is keen to tie student performance to teacher evaluations. She believes that the political will exists nationally to examine the issue and design fair systems. Mr. Bowyer again cautioned that when examining teacher performance, it is important to differentiate the indicators over which teachers have influence from those over which they do not. Teachers do have a great deal of influence over student growth, and that should be the evaluation focus. He noted it is a very difficult measure, and, while some states think that they have figured out how to evaluate in this manner, they really have not done so. He mentioned Tennessee as a state that may be close to designing a fair system for evaluating teachers. Dr. Grover pointed out that charter schools may be more mission-focused and that it is easier to see teacher effects in smaller schools. Some charter schools are experimenting with merit pay and looking at student growth to determine effectiveness. She said that the key to creating such an evaluation system is to work with teachers; excluding them would be a mistake. Representative Egolf asked if charter schools do year-end evaluations of teachers. Dr. Grover said that it depends on the school, but typically student growth scores are evaluated yearly. Mr. Brooks noted that the growth model is not based on test scores. He said that it is important to keep in mind that the evaluation of student growth must be done over a period of time. He proposed that the definition of "highly qualified" needs to change in the current teaching certification standards. Under the current standard, the holding of a degree makes a teacher highly qualified, rather than the person's effectiveness as a teacher. He also recommended that the state consider incentives to teach in high-poverty schools. Representative Egolf asked if there are models in other states that are working. Mr. Bowyer said that mainly there are processes in place to draft the models. He added that New Mexico should examine multiple models to get a fair assessment of what works. In his opinion, merit pay systems do not work, but incentives to work with certain populations may work. Dr. Grover said that the Denver public school district has been working on a model for the last two to three years; Washington, D.C., currently uses a teacher evaluation model. Dr. Paul added that Georgia uses a scorecard system that looks at outcomes, which is much broader than just test scores. Dr. Garcia said that the PED is looking at what other states are doing.

★ Mr. Gasparich, referring to the handouts, said that over the last 10 or 11 years, it appears that the number of students, and thus the workload, has increased by about 5%, while costs have risen about 60%. He said that productivity in other areas of the economy made strides in closing such a gap and wondered why schools have not. Dr. Garcia said that three-tiered license system,

with its statutory minimum salaries, is part of the cost increase, as are fixed costs. She pointed out that 99.8% of the state's teachers are now highly qualified, an increase in that productivity measure. The license system and minimum salaries were created to improve recruitment and retention, which has been done. In addition, other programs have been added, which add to the workload, such as pre-K, K-3 plus, art, elementary PE and high school redesign, the results of which the state will not see for several years. Dr. Paul said that it is very tempting to look at two data points and draw a conclusion, but that may not be an accurate depiction of a system. She said that the LFC is looking at separate measures to understand the return on investment in public education and has been working on a formula of inputs and outputs. The university of New Mexico (UNM) is interested in working with LFC on this issue. She encouraged the task force to look at that formula. Mr. Gasparich asked about technological or other strides that worked to increase productivity. Mr. Brooks said the use of electronic boards, sometimes known as smart boards, has been a great tool to engage students because of the boards' interactive nature. He said that he does not agree that public education has not made strides in productivity. He offered that education is far superior today than when he went to school. Dr. Garcia said that technology, such as data dashboards, makes the system more transparent. Dr. Hyde, assistant secretary for quality assurance and systems integration, PED, said that the last five years of data show positive trends in student attendance, efficiency, transparency and the use of better assessment tools.

Ms. Lujan Grisham returned the conversation to school district consolidation. She noted the importance of political will to accomplish such a task and used the creation of the area agencies on aging as an example of how that could work. That consolidation did save money. She recognized the complexity of school district consolidation. She noted that political will and leadership are needed because all too often reform efforts are stalled because there is not adequate funding. She asked where and what the incentives are to balance reform and funding. Dr. Paul agreed that if there were a magic formula for improving public education, school districts would be using it. There are many different approaches to public education that need to be examined carefully, she said, including more performance-based revenue or reimbursement. Dr. Garcia concurred, saying that as far as consolidation is concerned, it is a very involved topic that must be looked at carefully and, probably, separately from this task force. Savings from consolidation of administrative functions could be used to plug shortfalls elsewhere in district budgets. She again recommended that the task force bring together a group of stakeholders to brainstorm on possible savings in public education.

Senator Garcia urged the continued consideration of the new funding formula because of the major role poverty plays in children's lives. She asked Mr. Brooks about the loss of 437 positions in APS. He replied that the positions, a majority of them teachers, were eliminated through attrition, not through terminating existing employees. The senator said that she supports giving school districts their cash balances. She noted her worries that school districts are gaming the system through special education and bilingual education programs. She supports the secretary of public education's recommendations regarding the use of IDEAL-NM as a cost-savings measure.

Senator Lopez said that she believes that there is the political leadership in APS to get through the necessary changes. She used Rio Grande and Ernie Pyle schools as examples. Senator Lopez told the task force that when the schools have been awarded money to turn things around, they have done so. She argued that the local school boards should also be part of the discussion because they are the governing entities and maybe that governing structure needs to be examined. Senator Lopez also said that the amount of testing must be examined because of the loss of instructional time.

Senator Smith argued that the task force must determine how to maximize excellence in education with the current resources of the state. He recognized the monumental challenge, but the task force and the legislature must be up to the task. He agreed that the formula needs to be changed, but he pointed out that the money to implement the new formula simply is not there. He said that public schools have seen 17 years of increases through the current formula, but there can be no realistic expectation that the trend will continue. Senator Smith asked the task force to focus on suggestions of how to be more efficient without additional resources. He supported Representative Varela's suggestion to move public school finance back to the DFA. He noted that there are not enough auditors in the state to perform in-depth annual audits or for ongoing monitoring. He advised that federal stimulus money is not going to be appropriated again and that the legislature will have to plug the hole in fiscal year 2012. He supports consolidation of administrative functions, but he said that the task force needs to consider more efficiencies. He said that if there is not collective agreement on what to do, the decisions will be made elsewhere; change will come, and it will be brutal. He finished by suggesting that the task force look at administrative consolidation, how to eliminate or ameliorate gaming of the system and more efficient ways to ensure that every child is treated equally.

Senator Eichenberg initiated a discussion of teacher pay-for-performance and the Colorado plan for tying teacher pay and tenure to student performance. Mr. Bowyer explained that the Colorado plan was just recently passed, and the national education association (NEA) opposed the bill. The bill, Senate Bill 891, was Colorado's attempt to position itself for race to the top funding. However, student growth is supposed to be a key element in performance evaluation for race to the top, and the Colorado plan does not necessarily take growth into account. Rather, it primarily takes away due process rights of teachers who fail to make the designation "effective teacher" for two years. It is the NEA's belief that teachers should be in charge of the classroom, and the Colorado plan does not allow teachers to do that. A great teacher may be given tough-to-educate kids two years in a row, which will result in the loss of the teacher's right to protect the teacher's job.

Referring to the point that teachers often have to work multiple jobs to make a living, Senator Eichenberg asked what effect that has on teaching. Mr. Bowyer replied that he cannot provide research findings, but he can say it takes its toll on a teacher. Mr. Pool said that his wife, who is a teacher, works from 7:00 a.m. to 10:00 p.m. doing school work; he cannot imagine how teachers can work more than that job.

★ On questions from Senator Eichenberg pertaining to charter schools, Dr. Grover said there are currently 72 charter schools in the state with an average student membership of 140; in Albuquerque, the average is around 240. The largest charter school has between 500 and 600 students, while the smallest schools have between 40 and 50 students. On request of Senator Eichenberg, Dr. Garcia agreed to provide poverty, special education (SPED) and bilingual data for charter schools. She guessed that rates would mirror traditional schools and noted that one would expect to see higher SPED rates in urban areas. Senator Eichenberg asked if there is an incentive for a charter school to take a student who has been expelled from a traditional school. Dr. Grover replied that charter schools are public schools, so there is no reward for going to charter. However, switching to a charter school is an option for such a student, especially in urban areas. She noted that charter schools are schools of choice and provide a new option for families when choosing schools for their children. Senator Eichenberg inquired about charter school lunch and breakfast programs, saying that he had heard that charter schools do not provide those services. Dr. Grover said that many charter schools do not have the facilities to provide those services, though some of the larger school districts do help charter schools provide them. For example, APS and the Santa Fe districts both provide lunches for charter schools by using district agreements. She added that the state needs to examine how to ensure that charter schools can provide those services as well as adequate transportation for charter school students.

★ Senator Eichenberg asked Mr. Brooks if there are any legislative actions that handcuff him in any way or that he would ask the legislature to do away with. Mr. Brooks responded that the statutory class size requirements hinder school districts. He noted that prior to the law, school districts used the PED PTR guidelines, but specific requirements were not mandated. He did acknowledge that a district may apply for a waiver from the statutory mandate, and that the secretary generally grants those waivers; however, applying for waivers is another time-consuming requirement on schools. Mr. Brooks said that the recent statutory change requiring a 180-day instructional year, rather than a school year, hurts school districts. He thought that local school boards should be able to look at how many days or hours work for their districts. He added that he is not a fan of the half-day off policy. Mr. Bowyer asserted that the NEA supported the 180 days, but that the intent behind the bill was that funding would also increase. He noted that due to the budget crisis, more flexibility in how school districts may spend money is necessary and the 180-day requirement is not feasible. Dr. Garcia said that she supports the need for flexibility, but some students were getting only 160 days of instruction. Senator Eichenberg asked about year-round school. Dr. Garcia said that more instructional days are preferable but expensive. Mr. Brooks said that 2,500 unduplicated students take extended day classes. APS offers more flexible times for high school, including evening high school, without additional resources. APS schools are open until 5:30 p.m. He said that he is anxious to see the 2009 graduation rates because of the extended day. Dr. Garcia pointed out that with IDEAL-NM, students may take courses at any time. Dr. Grover said a number of charter schools offer yearlong or night classes, and any legislative barriers to such flexibility should be removed. She used the example of a box to determine efficiencies, which would result in better outcomes. On the left of the box are inputs, on the right are outputs, or outcomes. She said that the state should be clearer about the outcomes than the middle of the box, which is how inputs are managed to achieve the outputs. Schools need flexibility to determine the middle of the box, and charter

schools are ideal candidates for piloting innovative ideas. Senator Cisneros asked if there would be any financial savings if, instead of requiring 180 days, a certain number of hours is required. Mr. Brooks said it is unclear what the savings would be, but it gives the school district flexibility, which would lead to more efficiency and better programs for students.

Senator Smith asked how charter schools pay their rent when they are not in a school district building. Dr. Grover said districts share facilities funding, and charter schools can use some of their operating money for leases; also, the legislature created the lease assistance program. Senator Smith noted the irony in how charter school buildings are funded. Public school capital outlay is very methodical and requires efficient and cost-effective buildings, so certain school buildings are shut down because they are not efficient. However, charter schools are now required to be in public buildings, so they move into the buildings that were closed because they were inefficient. He stressed that the state is paying for both a new building and the maintenance and upkeep of a building that had been determined to be too inefficient for the school district to maintain; this doubles the operating cost. In addition, in cases where a school building is not available — even an inefficient building — charter schools are paying rent to a private landlord. Dr. Grover replied that the intention of the law is to move charter schools to public school facilities to keep public dollars within the state and not give them to a private landlord. She admitted that the challenge of the facility issue has not been fully explored. She did note that the legislature has passed strong laws to equalize funding for charter schools, and the results of that funding should be seen in the next few years.

Mr. Ortiz asked how charter schools are governed and who manages the daily school operations. Dr. Grover said that charter schools are governed by a governing council. The members are not elected, but they act very similarly to members on school boards. A school administrator runs the school. The school administrator position is similar to a combination of both principal and superintendent. He asked Mr. Pool if Cliff had a separate board under consolidation. Mr. Pool answered in the negative. When Cliff and Silver City consolidated in 1955, the Cliff board was dissolved. The Silver consolidated board includes one member from Cliff.

Mr. O'Neill turned the discussion to the new funding formula again. He asked the panel whether the new formula is structurally the same as the existing formula and, if so, why it cannot be implemented without the proper funding. Mr. Pool responded that the new formula is not the same; it has built-in resources for education, including things that are not currently funded or are funded in different ways. The new items must be adequately funded. Mr. Bowyer said that to keep the schools that are sufficiently funded at that level, they must inject money into them to make sure that all the schools are equal when the new formula is implemented. Dr. Garcia added that the schools would be inequitable if the new formula were implemented without proper funding; that inequity could jeopardize impact aid credits.

Task Force and Panel Discussion

Discussion guidelines:

- ▶ invent options;

- ▶ use stepping-stone thinking;
- ▶ suspend judgment;
- ▶ focus on big ideas; and
- ▶ remember: hard decisions must be made.

Mr. Karpoff asked the task force to remember the big picture goals: access, which means the education delivery system; effectiveness, which means improved outcomes; efficiency, which means less money is needed; and cost-benefit, which means value for investment.

Representative Bandy began the discussion by noting that 85% of the public education budget is salary and benefits, so it appears that the only way to truly save money is to cut salaries or cut staff. He wondered which option would have the least effect on students and whether staff could be cut by changing the PTR. Senator Smith stressed that the longer the tough decisions are put off, the more likely it becomes that salaries will be cut and people will be laid off. Senator Cisneros agreed, saying that the legislature does not have a choice. Cuts will have to be made, but the task force must determine how they can be made without impacting the students.

Representative Varela reminded the members that the funding flows through the formula to the local school districts. It is up to the local school boards to determine how that money can be spent, and the legislature cannot mandate what the school boards do. Mr. Karpoff asked what could be done at the state level if so much control rests with the local school boards. Representative Miera said that decisions must be left up to the local boards. He stated that cuts in funding were already made, and the decisions regarding what programs the cuts affected were left to local boards.

Representative Bandy urged the task force to give school districts more flexibility to make the tough decisions, especially if funding is going to get cut again. Mr. Baca concurred and urged the task force to continue examining consolidation and regionalization.

Mr. Gasparich argued that there are several options that can be done at the state level. He asserted that although school districts make spending decisions, the benefit structure that makes up a large amount of the public education budget can be changed by the legislature. He also thinks the funding formula can be changed to save money. For example, the small school size adjustment should be reexamined.

Senator Lopez asserted that certain constraints on school districts can be alleviated by the legislature. She urged the task force to look at four-day school weeks to save money. Dr. Garcia responded that there are already several districts, most of them rural, that operate on a four-day week. Such a move could save 20% of transportation and food service costs; however, it can be hard on the community because parents have an additional day to take care of their children. She said consolidating some districts would allow more services for students through economies of scale. She suggested that administrative functions, not school closures, should be undertaken, and she recommended using technology for more savings. She again urged the task force to convene a stakeholders' group to provide solutions.

Representative Egolf noted that not a single constituent has come to him supporting additional cuts for education. He urged the task force to look at other ways to fund education, including additional revenues, providing incentives for savings, reducing opportunities for chasing the formula and consolidating school bus routes. He argued that if revenue creation is not examined, it is not a balanced discussion.

Dr. Paul agreed with the task force members that preservation of local autonomy and choice is important. She stated that budgeting decisions must be made locally because New Mexico is a complex state with many different areas. She does not think the legislature needs to micromanage the choices of local school boards.

Representative Varela argued that although flexibility may be good, the legislature must continue to have strong oversight of education to make sure school districts adhere to the proper standards. Dr. Grover said that for charter school infrastructure, the task force could look at co-location with traditional schools and the use of district portables as cost-saving measures.

Mr. Ortiz offered that oversight should include accountability of the school districts to the state. He supports more audits of local school districts. He also agrees with Representative Egolf that new revenue streams must be examined.

Mr. Brooks reiterated that something the legislature can easily do is to put a moratorium on any new school districts or charter schools because the state cannot afford to build new bureaucracies.

Representative Wallace asked what all the federal mandates on schools are costing. She thinks those need to be part of the conversation as well because they cannot be cut.

Senator Smith urged the examination of the new funding formula. He noted that funding cuts are more difficult for those districts that are not gaming the system, but additional cuts will only encourage school districts to game the current system even more. Rather than just putting the new funding formula to the back burner, he would like to set benchmarks over the next five years for SPED and ancillary services. He also agreed that audits of school districts need to be moved forward more quickly.

Senator Garcia expressed concern over the number of new superintendents each year, observing that losing about 25% of the experienced superintendents each year impedes progress. She requested that the task force consider a moratorium on new school buildings. She asked how much money could be saved from eliminating formula chasing. Dr. Garcia said she was very upset that a school district would label a child as developmentally disabled just to receive more funding. She concurred that the department should do more to monitor SPED.

Senator Garcia and Representative Miera concurred on the need to look at the transportation funding formula, school bus routes and school bus contracts.

Representative Gutierrez stressed the impact of poverty on students and suggested the state must look at economic development efforts with the PED and concentrate its efforts in districts with the highest poverty levels.

Representative Stewart suggested that the task force look at certain portions of the current funding formula for revision. For example, the ancillary personnel in SPED funding is misused. She cautioned the task force against changing the PTR, which took a very long time for the legislature to achieve. She warned that if the state wants to think about excellence in education, it must keep class sizes small. She agreed that raising the PTR is the easiest way to save money, but doing so would be harmful to education, and the state may never get back to reasonable class sizes again.

Mr. Pool agreed with the task force members that cuts will happen. He urged the task force to ensure that those cuts are equitable. He reiterated his earlier suggestions.

Mr. Bowyer urged the task force not to remove all oversight in name of local autonomy. He also told the task force that the PTR can already be altered and there is no reason to change the law. Under the Collaborative School Improvement Act, the ratio can be changed if a school gets permission from the superintendent and school board. Thus, this act already gives local school districts great flexibility.

Mr. Karpoff took the opportunity to list the emerging ideas and principles. Those are:

- ▶ local autonomy;
- ▶ diligent program oversight;
- ▶ incentivizing savings;
- ▶ flexibility in categorical funding;
- ▶ consolidating administrative functions; and
- ▶ new revenue.

Senator Payne said that the task force can look at all the various ideas, but at the end of day, it is more important to focus on student outcomes. He noted that charter schools have grown because people were not happy with the product of traditional public schools. The task force should focus on effective measurements and setting performance goals. He agreed that the funding formula should be adjusted for ancillary staff.

Ms. Lujan Grisham said that "local autonomy" must be defined and ideas must be translated into quantifiable measures.

Senator Lovejoy asserted that it is not the task force's job to reform education. Rather, the task force is supposed to save money. The task force should focus on those ideas that may save money, like consolidating the PED with the higher education department (HED).

Mr. Gasparich agreed with Mr. Pool's recommendations regarding the elimination of funding for elementary PE.

Recommendations and Directions to Staff

★ Representative Varela noted that a week before the next meeting, the revenue estimates from the LFC will be complete. He thinks it would be good for the task force to have a presentation on those estimates at the next meeting.

Public Comment

Chad McQuigg; Joe Guillen, director of school boards association; Carol Sanders; and Mark Bralley commented.

The task force recessed at 4:45 p.m.

Tuesday, June 22

Mr. Karpoff commended the members on the attention given to the wide variety of ideas with an attempt to focus on specifics. He noted that by the September meeting, staff will need an integrated framework of suggestions. Representative Miera expressed concern that staff may decide to extrapolate ideas on their own. Senator Payne declared that staff need to analyze agencies to determine cost savings.

Higher Education Panel

The format for the day's agenda is the same as the first day.

HED Master Plan and Higher Education Data Trends — Dr. Viola Florez, Secretary of Higher Education

Dr. Florez began by saying that the state's failure to develop a comprehensive higher education master plan has led to confusion and a lack of consensus as to where New Mexico should be. The department's master plan will serve as a road map for the strategic planning efforts of New Mexico's public and independent post-secondary educational institutions. The department's vision for the state master plan is to: expand educational opportunities for students; increase accountability for performance; enhance efficiency in operations and policies; develop funding mechanisms to provide quality improvement in education programs; enhance student services; improve capital facilities; enhance the effectiveness of instruction and student learning; and define the roles and mission of New Mexico's public universities, colleges and community colleges. The process began by conducting a survey that solicited input from key leaders and beneficiaries of post-secondary education and from policymakers in fields ranging from business and industry to social work, which illuminated issues of concern that will serve as a foundation for the master plan. Over 1,800 surveys were completed. A working group is developing policy papers to be shared with the public during forums throughout August. By mid-September, the HED hopes to have some recommendations for the task force and the state board of finance, but the master plan will not be completed until November. She emphasized that there are no recommendations as yet and asked the task force to be patient and let the process work.

Higher Education Funding Formula: Potential for Savings — Tino Pestalozzi, Deputy Secretary of Higher Education

Mr. Pestalozzi reminded the task force that the higher education funding formula is not in statute. He noted that general fund appropriations for public schools are \$2.4 billion and general appropriations for higher education are \$788 million, which includes the \$10.7 million for the cabinet-level New Mexico department of agriculture and the \$40 million financial aid appropriation given to the HED. He explained the budget expenditures from fiscal year 2010 for UNM: operations at 56%; grants and contracts at 16%; and plant funds at 28%. When summarizing the current funding formula for all universities and community colleges, he said the input measure is instructional hours and that cost factors are used to calculate enrollment. He briefly discussed how teacher preparatory courses generate money from administration costs and how dual credit tuition is reimbursed for fiscal year 2011. The process for changing the funding formula begins with the higher education funding task force making recommendations to the secretary of higher education. The secretary includes the changes in the annual funding recommendation for higher education to the DFA and LFC, due November 1 of each year. The changes that are approved are included in the final appropriations for instruction and general purposes (I&G) for each institution. He touched on funding formula policy issues, such as whether the state should continue to fund excess hours, including remedial courses, since they are more than the typical student requires for a specific degree. He discussed the higher education incentive and matching funds to address statewide objectives. He noted that funding for those funds, including the higher education program development and enhancement fund, the higher education performance fund and the higher education endowment fund, is outside of the formula. He offered an I&G general fund appropriation scenario developed with projected increases and emphasized that there is a two-year lag when thinking about making changes to the formula. The scenario is a 16% increase in student enrollment and a concurrent funding decrease of 10%. With a fiscal year 2012 increase of \$40 million and an anticipated general fund decrease for higher education of \$30 million, schools would be facing a \$70 million hit.

Quality, Efficiency and Cost-Effectiveness: Questions to be Answered — Dave Hadwiger, Higher Education Budget Analyst, DFA

Mr. Hadwiger offered an overview of the structure of general fund support for higher education. He noted that if I&G needs to be altered, it must be accomplished through adjustment of the funding formula. Two-thirds of the HED budget goes directly to financial aid for students. When looking for cuts, he noted, the easiest place to look is not I&G, but in research and public service projects (RPSPs) because they are not directly related to the instruction of students. Earmarked projects should be tied to the central mission of the institution. There are four missions of higher education: education, research, community service and economic development. Of the four, many stakeholders consider education to be foremost as it underpins the other missions. This perspective would encourage structuring higher education finances to place greater emphasis on I&G funding and less on RPSPs. In its fiscal year 2011 budget recommendations, the LFC reduced RPSP funding as follows: 11% from RPSP and P-20 pipeline projects focusing on students; 33% from projects that could be funded by tuition, fees or grants, academic programs receiving start-up appropriations and other projects that fall within the formula funding framework; 50% from projects that duplicate HED and other state agency

projects, teacher continuing education and training projects and new projects initiated by the legislature in fiscal year 2009; and 100% from projects of \$50,000 or less. Special project expansion lump-sum funding was significantly reduced.

There are several policy options to prioritize instruction:

- ▶ maintain I&G by reducing RPSPs;
- ▶ reduce RPSPs by category, as the LFC did, leaving them itemized in House Bill 2;
- ▶ roll RPSPs into blocks, reduce the total appropriation of each block and allow institutions of higher education (IHEs) to allocate the reductions among projects;
- ▶ sand all RPSPs;
- ▶ eliminate RPSPs below a certain threshold;
- ▶ eliminate all RPSPs in certain categories;
- ▶ treat other itemized appropriations, such as athletics, nursing expansions, dentistry and educational television, similar to RPSPs;
- ▶ develop a process to roll RPSPs into base I&G over time, especially to phase out RPSP support for instructional programs;
- ▶ phase out funding for each RPSP after three years, with the IHEs assuming responsibility for funding after that; and
- ▶ evaluate needs of RPSPs that are institutions, such as the New Mexico department of agriculture, office of the medical investigator and Carrie Tingley crippled children's hospital, individually.

Mr. Hadwiger pointed out that New Mexico has more higher education brick-and-mortar institutions than other states in the west, with one for every 287,000 people in both four-year and two-year systems. As one would expect, two-year institutions have a lower cost per credit hour.

Mr. Hadwiger noted several policy questions for the task force's consideration:

- ▶ Are there too many institutions in New Mexico for its population?
- ▶ How does the state ensure quality instruction and quality instructors?
- ▶ Is the system efficient? One IHE web site lists 18 faculty members and 52 administrators.
- ▶ How does New Mexico determine when and where a new campus is needed? Does this reflect careful evaluation of systemic needs or is it earmarking?
- ▶ Does the state equate the existence of facilities with the existence of a quality educational program?

Policy options related to the number of campuses include:

- ▶ centralizing governance, which could mean a single statewide board of regents or governing body, like Oklahoma and Nevada, or multiple systems, like California's university of California, California state university and community colleges;
- ▶ encouraging IHEs to share administration, which includes libraries, bookstores, registrars, financial aid, accounting/human resources, executive offices, public information offices, information technology support and other instructional and institutional support activities. Opportunities include Luna community college and New Mexico highlands

university; New Mexico state university (NMSU) and Dona Ana community college branch; and UNM, NMSU-Albuquerque, highlands-Albuquerque and central New Mexico community college;

- ▶ consolidating smaller community colleges into larger colleges or as branches of universities to reduce cost and improve quality;
- ▶ placing a moratorium on creation of new colleges or campuses;
- ▶ creating financial disincentives to add campuses; and
- ▶ banning the use of unqualified high school teachers to instruct dual credit classes and eliminating double payments to high school teachers for a single course.

Constraints to some of the solutions noted include that:

- ▶ IHEs are generally supportive of efforts to promote greater cooperation, but are not as receptive to efforts to consolidate institutions or functions except voluntarily;
- ▶ cooperation can be constrained by academic standards and by existing contracts with vendors, such as bookstore or food service operators;
- ▶ the funding formula does not allow for the easy capture of savings from changes in institutional structures; and
- ▶ consolidation of IHE governance may result in more administrative costs if the central office duplicates functions performed on each campus.

Ideas from the Two-Year Colleges — Dr. Steve McCleery, President, New Mexico Junior College (NMJC), President, New Mexico Independent Community Colleges

Dr. McCleery proposed five ideas for consideration. First, each IHE should ask itself if it has programs that are failing students and the state. All programs should allow graduates to find jobs in areas related to their degrees, and the supply-and-demand chain should be met; if it is not, the board of regents or governing board should eliminate the program. He noted the dearth of private higher education institutions in New Mexico; in comparable states, 25% of students goes to private institutions. When looking at an IHE's number of employees, the cost-per-student should be analyzed because the dollars should follow the students. NMJC is the only community college to provide campus housing and to have athletics; therefore, it should be evaluated with peer institutions. Revenue streams, including mill levy, tuition and fees, should also be considered. The state needs to reduce programmatic duplication. If an institution wishes to create a new program for widget makers, another institution should not be allowed to do the same thing, nor should an institution be allowed to begin the new program unless it works with local high schools and their widget-making programs. Dr. McCleery recommended that the state take an inventory of vocational education in high schools and community colleges, paying particular attention to location connections between them. Finally, he spoke of his concern about how instruction is delivered. Many educational programs could be delivered more efficiently and cost-effectively through the use of technology instead of campus classrooms.

Ideas from the Universities — Dr. Steve Gamble, President, Eastern New Mexico University (ENMU), Member, Council of University Presidents, and Dr. Dave Lepre, Director of the Council of University Presidents

Dr. Gamble said that higher education recommendations have been topically categorized as structure and efficiency. The Carruthers report recommendation that the PED and HED be consolidated is one that may look good on paper, but may not have positive results. Public schools and higher education have very different missions and are funded through very different formulas. He explained that the HED has a large workload and limited staff; the only way to save money in that instance is to cut back on efficiency. There will be little in the way of personnel savings, at least on the HED side, because of the current understaffing. Dr. Gamble asked the task force to give strong consideration to eliminating the HED as a cabinet position and returning to the commission on higher education structure. The new cabinet position has led to constant turnover in the position; there have been four secretaries in five years. Because the IHEs try to match priorities determined by the secretary, the high turnover makes this nearly impossible. He emphasized that it has not been a problem of people, but of structure, that has led to this recommendation.

Dr. Lepre discussed the lottery scholarship, noting its success, particularly in making higher education accessible to underrepresented groups. He suggested that the task force consider how students enter and move through the educational system. He offered the following cost-saving ideas for the program:

- ▶ use the high school senior year as the qualifying year for the lottery scholarship, which would keep students engaged and prepare them for college;
- ▶ raise from 24 to 27 the number of credit hours a lottery student would have to take each year, which would allow a student to graduate earlier;
- ▶ use bridge scholarships at the end as an incentive to graduate rather than in the qualifying semester; and
- ▶ IHEs should do a better job of assisting students to manage enrollment and courses.

Dr. Lepre raised another concern, the availability of core curriculum classes, which, if students cannot get into a class, often sets them back a full year. He said the university presidents have agreed to implement a cross-registration program with higher education institutions across the state, which should aid in moving students toward graduation.

Danny Earp, director of the New Mexico independent community colleges, urged caution when considering higher education reforms. New Mexico is different from the surrounding states; its population distribution is very different and the values New Mexico has supported in higher education are different. He agreed that the consolidation of the PED and HED would not provide efficiency or cost savings. He pointed out that the long-term financial stability of the lottery tuition fund will be jeopardized by increases in tuition.

Task Force and Panelists Discussion

Senator Smith agreed that the secretary of higher education turnover has been a detriment to higher education, as has the governor's ability to change membership on the boards of regents, his desire to place exempt employees in the universities and the sharing of the secretary's salary with the universities. These moves all dilute a university's autonomy. He said that it is important to protect IHEs from political pressures. He also noted that individual legislators

circumvent the regular budget process and fund special projects at the IHEs, as well as provide capital outlay funds outside the normal HED process. He pointed out that "nice" and "need" must be separated in the system.

Senator Payne said that studies indicate that about 20% of the population should go to college; the abysmal graduation rate in New Mexico may be a result of allowing unprepared students to attend college. He suggested that IHEs be more selective in their acceptance process so that they, and the state, get a higher rate of return on their investment. He used California as an example of a graduated system. He said that remedial education should be transferred to community colleges or high schools so that university money is not spent on students who are not ready to be there. Dr. Gamble agreed that New Mexico universities admit students who are marginal, but open enrollment has been the public policy. As to Senator Payne's point about remediation, he said that the research universities do not receive funding for remediation; they use community colleges for those courses. The three comprehensive universities, however, do get funding for remediation. Given that about 50% of New Mexico high school graduates require remediation, if all remediation was transferred to community colleges, that would result in a substantial enrollment decrease for those universities. On other questions, Mr. Hadwiger said that there has been a proliferation of branch community colleges and learning centers.

Senator Garcia concurred with the presenters' position that combining the PED and HED is not a good idea, but questioned whether there would be savings in reverting to the commission on higher education. Dr. Gamble said he does not think the idea would save money, but it would be more efficient and more insulated from politics, perhaps. In response to the recommendation for more selective admissions, Senator Garcia stated that every student should have an opportunity to attend an IHE. She does not support moving all remedial courses, and, consequently, students, exclusively to the two-year colleges.

Representative Bandy asked if all IHEs are accredited. Dr. Florez answered in the affirmative. On questions regarding articulation, Dr. Gamble said that there had been an articulation task force a few years ago that addressed transferability; if students at San Juan college were still having problems, there is a complaint and appeal process. Representative Bandy asked if higher education had objective performance standards similar to the K-12 system. Dr. Gamble said performance measures are student retention and graduation rates; there is not a "rising junior" type of testing in New Mexico. There is voluntary testing in some disciplines and degree programs. Dr. Lepre noted that there is a national movement beginning to require learning measures, but it is expensive and there has not been much progress with the idea. Dr. Florez said the master plan process will provide some answers to those questions.

Mr. Gasparich asked about the percentage of courses offered online. Yosh Morimoto answered that about 11% of courses are offered through ITV, online or the web. Those courses are reimbursed at the same rate as other courses.

Representative Gutierrez asked about the private IHEs in New Mexico. Dr. Gamble said the regionally accredited schools were St. Johns college, the college of the southwest and the

college of Santa Fe. Representative Gutierrez pointed out that there are other private colleges, like the university of Phoenix and Kaplan university, that are making money because traditional institutions are not meeting the needs of students. She noted that the university of Phoenix charges 17 times more than NMSU for certain courses. She suggested that the universities look to a more entrepreneurial spirit to increase resources. She gave as an example the renting of empty dormitory rooms during the summer. Mr. Pestalozzi said IHEs do rent available space and use it to support the facilities.

Representative Gardner asked why the costs for the special needs schools doubled from 2006 to 2009. Mr. Pestalozzi said the New Mexico military institute, which is a high school and a junior college, does not receive general fund money for its operations. The factor increase for the New Mexico school for the blind and visually impaired is due to opening an early childhood program in Albuquerque. The New Mexico school for the deaf has had an increase in enrollment. In answer to a question about savings as a result of articulation agreements, Dr. Gamble said that has not been quantified, but he is certain there have been savings. Representative Gardner said some four-year institutions have remedial branch campuses on site, which is a disadvantage to other institutions. On the issue of dual credit, he pointed out that high school students cannot take higher education courses for high school credit; he thought students should be allowed to take the high school courses at the university since the student is responsible for the tuition. Dr. Gamble said the universities would probably not have a problem with that idea, but the PED would have to allow it. Representative Gardner recognized that there would be problems with public schools losing units, and thus funding, but the policy causes the high school student to learn less and then be less prepared for college. On another point, he asked if ENMU participates in the tuition waivers for out-of-state students. Dr. Gamble said the program only applies to the border universities, western New Mexico university, NMSU and ENMU; two-year schools are not eligible. Mr. Morimoto said that all tuition waivers, not just the border waivers, amount to about \$60 million in added general fund support through the funding formula. The state has 20 different tuition waivers, and, without them, New Mexico would not have as many students in higher education. Representative Gardner said that he likes the lottery scholarship ideas offered by Dr. Lepre.

In response to Mr. Ortiz's questions concerning the dual credit program, Mr. Pestalozzi said that it is funded three ways: by the schools that pay for textbooks; by the parents who pay for transportation; and by the institution that waives tuition and fees. The student pays for concurrent enrollment. Mr. Ortiz asked about the senior year being a qualifier for the lottery scholarship for higher education. Dr. Lepre said that the scholarship would be a big incentive for senior high school students to stay engaged and take remedial courses then, if necessary. He added that the suggestion should be worked out between IHEs and the PED before it is ready to be presented to the legislature. Mr. Ortiz asked if the HED master plan would include analyses of cross-registration, duplication and the use of increased distance learning to ease the need for bricks-and-mortar institutions. Dr. Florez replied that the HED is currently analyzing technology for accessibility. Cross-registration and duplication have already surfaced, and action needs to be taken now for short-term results.

Mr. O'Neill asked what constitutes a learning center. Senator Smith said the law on learning centers was enacted as a way to eliminate the need for the state to fund bricks and mortar; it was intended to mitigate the need for branch colleges. Some graduate programs are offered at learning centers. Mr. O'Neill asked if there is any county that does not have an IHE presence. Dr. Florez said Catron county is the only one she could think of. Mr. O'Neill pointed out that graduate programs, major capital projects and land acquisitions must be approved by the state board of finance, while undergraduate programs are approved only by the institution.

Senator Eichenberg asked if there are surfacing trends in the master plan development. Dr. Florez said that she is hesitant to discuss them, that she wants to respect the process that is not yet complete, but the way in which remedial courses are funded is one issue. For example, if an institution offers a remedial math course, a student may continue taking the course until the student passes it, and the institution receives funding for every time the student enrolls. Other states limit the number of times a student may take, or the institution may offer, the course for reimbursement. She said that the areas of concern she has noted in surveys are governance; funding; work force development; access, including technology and lottery or other financial aid; the P-20 system, meaning the interdependence between K-12 and higher education; and assessments and accountability. She told the task force that issue papers would be available in July.

Senator Eichenberg asked if funding based on graduation rates instead of enrollment rates is being considered. Dr. Florez said that the western states, the members of the western interstate compact on higher education, have different methods of funding and suggested that New Mexico step back and analyze performance. Dr. Gamble said graduation rate funding is performance funding. If a four-year institution graduates 10,000 students a year with an increase of 7% over the past five years, it is going in the right direction; however, graduate rate funding could water down the value of degrees, as institutions focus on getting students out the door. He asked, if a two-year institution graduates more students than a four-year institution, should certificates or associate degrees be worth as much as a bachelor's degree for funding purposes? Dr. Lepre suggested that a more comprehensive student-tracking database would help. Dr. Florez said that performance cannot be judged only by graduation rates.

Senator Eichenberg asked about the proliferation of campuses. Mr. Hadwiger said that he did not know the specific number; however, several IHEs have both branch and additional campuses as well as learning centers. Learning centers do not go through the HED's capital outlay process, and the department does not make recommendations for legislative capital outlay funding for them. Mr. Pestalozzi said that IHEs receive funding for infrastructure and space based on eligible square feet.

After lunch, Mr. Karpoff initiated the roundtable discussion. First, he requested that the discussion center on ideas that resonate and that members and panelists consider what ideas or actions could help meet the task force's objectives. Participants should determine what qualifies as the top four or five big ideas and what the task force should move forward on. He reminded the participants that the task force will have to make hard decisions.

Dr. Gamble said that there may not be cost savings, but the state does need to reconsider how it redistributes finite resources.

Senator Smith asked for clarification on the return to the commission on higher education. Dr. Gamble said he recommends that it have the same authority as before. Senator Cisneros asked if he made the same recommendation for the PED. Dr. Gamble replied in the affirmative, though he noted that he was not as familiar with the PED. Senator Smith concurred that both should be shielded from political pressure. Dr. Florez pointed out that there is not a higher education system in place; people refer to a system, but there is no real systematic way to make changes to higher education. She told the task force that the HED does have an advisory board, similar to the old commission on higher education, except it is advisory rather than policymaking. She said that there is a greater need for coordination, consistency and communication. As an example, she said the advisory board may vet a degree program but not recommend it; however, politics then take over and the degree program is created in law. Senator Smith asked if there is a hybrid structure between university presidents and a secretary of higher education — something that is stronger than the cabinet department model and could withstand political pressure. He wondered if naming the college presidents as the commission on higher education would work. Dr. Florez said that the master planning process is looking at governance and how to align state duties and responsibilities with the constitutional power of the boards of regents. She said the issue is not whether there is a cabinet department; the fact that the secretary has been constantly changing makes it seem as though the structure is broken. Senator Cisneros stated that the focus needs to be on the advantage to the student.

Representative Gutierrez noted that one difference between discussions of the PED and HED is that yesterday focused a great deal on the public school funding formula and today's discussion has not had the same focus. She said that this may be a function of the higher education formula not being in statute, so legislators cannot see it or proposed changes to it. Mr. Pestalozzi said that some changes occur annually through the higher education funding task force, which gives recommendations to the secretary of higher education, who includes her recommendations and forwards them to the LFC and DFA. They continue through the process to the house appropriations and finance committee and the senate finance committee and are inserted into House Bill 2.

Ms. Lujan Grisham asked if the state takes credit for internet enrollment. Mr. Pestalozzi said the funding formula takes credit for tuition, land grant permanent fund income, mill levies and other revenues.

Mr. Baca expressed frustration that the panel had not shown an entrepreneurial spirit and that it appears that New Mexico IHEs are not willing to change, even though the world is changing, and are not willing to compete with the private proprietary schools.

Representative Varela pointed out that the 1977 reorganization took over two years to put together, and he expressed concern about push-back from state agencies in the current endeavor. He said that saving money should not be the only goal of restructuring; providing better services

to citizens is also of paramount importance. He recommended that more staff be assigned to the task force.

Senator Lopez said that community colleges, the workforce solutions department and the state workforce development board have similar missions and functions, and she suggested streamlining in that area.

Senator Payne observed that good internet courses and common course materials should cut down on the costs for both schools and students; one savings for schools could be a reduction in the number of tenure-track professors. He recommended that the IHEs operate more like proprietary schools, which are structured more for students than faculty and are much more flexible, e.g., offering an executive master's degree of business administration through online and weekend courses. He noted that IHEs accept military training and work-in-field for credit. Dr. Gamble said that the state has made a start in internet education through IDEAL-NM, but pointed out the difficulty in getting faculty to agree with common textbooks.

On remarks from Representative Bandy, Mr. O'Neill recommended that universities consider sharing administrative costs. Mr. Hadwiger said there could be opportunities for shared administration if there are two or three schools in the same city. He reported that because of the way I&G is funded, it is difficult to track back savings.

Mr. Gasparich was concerned with textbook costs, especially relative to tuition costs. He gave an example of a student's textbook costs for one semester being about \$1,100 for a full time course load, with tuition being about \$2,300. He stated there are 150,000 students taking courses at institutions and asked why the books are not in electronic form.

Mr. Ortiz said the interim committees and the departments should coordinate their efforts in the restructuring. Senator Eichenberg concurred, saying he hopes the committees will give input to the task force. Dr. Florez said that the HED will be sharing its master plan information in the fall.

In answer to points made by Mr. Baca, Dr. McCleery said that there are a lot of creative ideas happening in higher education; for example, one-third of the curriculum at NMJC is online. IHE funding is formula-driven; if institutions are too entrepreneurial, they lose money. Currently, the system is stuck in an old model, focusing on credit hours, and the challenge is to not "throw the baby out with the bath water". Mr. Baca said that universities need to apply more creativity and need to provide policymakers with more creative solutions.

When asked by Senator Eichenberg which model would be preferable, Dr. McCleery answered candidly that the number-one priority is to create an environment in which all the players are free to pursue multiple options without anger or threat of lost revenue and an environment in which compromise may be reached. Currently, each institution has to protect its piece of the funding pie, and that mindset has proven difficult to get past. Dr. Lepre remarked that he understands Mr. Baca's frustration, and he does not want the task force left with the

impression that institutions are stonewalling. There is room for reform in higher education, but there are also outside forces that control programming and degrees at universities that may not be present in proprietary schools. For example, the universities must offer degrees that meet academic rigor, that mean something in either the academic or "real" world. They must meet professional standards, and many are credentialed by national organizations. For example, NMSU's doctorate of psychology is credentialed by the American psychological association. Dr. Lepre said he thought Senator Payne's idea to credit work experience has merit.

Representative Gutierrez stated that reducing duplication across institutions may be a starting point for reorganization. She pointed out that UNM has model architecture, pharmacy and medical programs that the university should concentrate on, but perhaps it should consider competing with schools like the university of Phoenix by offering similar courses in the same kind of time frames as that school, perhaps even at its price.

Ms. Lujan Grisham said that while the economy has compelled the state to react immediately, it should be operating effectively and efficiently even if there were no budget crisis. She noted other revenue sources of universities, such as patents and royalties. The department of health has a number of contracts with universities, which include sometimes steep indirect costs that go to the universities.

Representative Gardner asked the panelists to consider what statutory or agency requirements cost IHEs money. Dr. Gamble said one thing is the number of requests for reports that are prefaced by "this has been requested by the legislature". It is not necessarily the cost of preparing reports, but the time that is lost for what might not be very valuable. Another area is capital outlay. The HED now requires drawings of the institution's buildings, which takes time and money; the required LEED certification has added 15% to the cost of a building. Dual credit is another expenditure for which IHEs must account. In the human resources arena, most of the reporting is a federal requirement, but institutions are hampered by requirements relative to interviewing and hiring. Although New Mexico has the lowest tuition and fees of IHEs in the southwest, tuition is laid on the back of students because the formula takes credit for that revenue source. Dr. McCleery agreed that information requests can often be a burden. He said that institutional memory varies, particularly in the HED with its high turnover rate, and new analysts want new information or the same information in a different way. Representative Gardner asked what the institutions would do if they were told higher education funding would be cut by 10% or 15%. Dr. McCleery said that if the cut were 15%, he would have to cut staff because 75% to 85% of the budget is personnel costs. He asked that the legislature provide as much lead time as possible if cuts are going to be that deep. Dr. Gamble agreed. ENMU grew by 10.5% last year, but that will not help in the funding formula. He will have to raise tuition and/or cut staff, but he also has to protect the mission of the institution.

Wrap-Up

Representative Varela suggested that the task force look at the exempt salaries plan and the provisions of Section 10-9-4 NMSA 1978 that lists those policymaking positions that are exempt. The legislature needs to strengthen the oversight function of the DFA, including

moving public school finance back to that department. He suggested using staff to put together reorganization plans for task force consideration.

★ Senator Lovejoy asked for pros and cons of moving public school finance to the DFA.

Mr. Ortiz suggested that the task force solicit input from state employees, teachers and university-level staff before it gets too far along toward its recommendations for reorganization or restructuring. Mr. Baca mentioned the draft language for the task force to approve a public survey that is supposed to be finished by the July meeting. He does not want the task force to hear from only a few employees as if they represented all state, public school or IHE employees.

Representative Miera suggested that the task force look at the structure of school transportation funding and school bus routes.

Mr. Karpoff asked what changes the task force would like to see in terms of meeting structure. Senator Cisneros appreciated the format because it allows free-flowing thought and honesty; however, he and Mr. O'Neill agreed that they had not heard enough solutions. Mr. Gasparich observed that the panelists are advocates of their programs, and he would like to hear from qualified critics of the topics brought to the table. Representative Miera asked how the public will know what the task force has been deliberating. Mr. Burciaga said staff will issue a press release on webcasting, a public comment page of the legislative web site and the *Legisletter*, which publishes agenda topics for upcoming meetings.

★ Mr. Ortiz requested more timely information for the task force prior to the meeting.

Public Comment

Public comment was made by Chad McQuigg, Glenn Carlburg and Mark Bralley.

Other Business

Senator Eichenberg created a boards and commissions subcommittee with membership consisting of Representative Bandy, Representative Wallace, Ms. Lujan Grisham, Mr. Gasparich and Representative Varela.

There being no further business, the task force adjourned at 3:20 p.m.

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