



Fall 2017



**IMPROVING OUR PUBLIC SCHOOLS
BY REALLOCATING DOLLARS FROM
ADMINISTRATION TO THE CLASSROOM**

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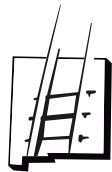
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THINK NEW MEXICO

A Results-Oriented Think Tank Serving New Mexicans

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About Think New Mexico

Think New Mexico is a results-oriented think tank whose mission is to improve the quality of life for all New Mexicans, especially those who lack a strong voice in the political process. We fulfill this mission by educating the public, the media, and policymakers about some of the most serious challenges facing New Mexico and by developing and advocating for effective, comprehensive, sustainable solutions to overcome those challenges.

Our approach is to perform and publish sound, nonpartisan, independent research. Unlike many think tanks, Think New Mexico does not subscribe to any particular ideology. Instead, because New Mexico is at or near the bottom of so many national rankings, our focus is on promoting workable solutions.

Results

As a results-oriented think tank, Think New Mexico measures its success based on changes in law we help to achieve. Our results include:

- Making full-day kindergarten accessible to every child in New Mexico
- Repealing the state's regressive tax on food and successfully defeating efforts to reimpose it
- Creating a Strategic Water Reserve to protect and restore the state's rivers
- Redirecting millions of dollars a year from the state lottery's excessive operating costs to full-tuition college scholarships
- Establishing New Mexico's first state-supported Individual Development Accounts to alleviate the state's persistent poverty
- Reforming title insurance to lower closing costs for homebuyers and homeowners who refinance their mortgages
- Winning passage of three constitutional amendments to streamline and professionalize the Public Regulation Commission (PRC)
- Modernizing the state's regulation of taxis, limos, shuttles, and movers
- Creating a one-stop online portal to facilitate business fees and filings
- Establishing a user-friendly health care transparency website where New Mexicans can find the cost and quality of common medical procedures at any of the state's hospitals

Think New Mexico's Board of Directors

Consistent with our nonpartisan approach, Think New Mexico's board is composed of Democrats, Independents, and Republicans. They are statesmen and stateswomen, who have no agenda other than to help New Mexico succeed. They are also the brain trust of this think tank.



Clara Apodaca, a native of Las Cruces, was First Lady of New Mexico from 1975–1978. She served as New Mexico's Secretary of Cultural Affairs under Governors Toney Anaya and Garrey Carruthers and as senior advisor to the U.S. Department of the Treasury. Clara is a former President and CEO of the National Hispanic Cultural Center Foundation.



Jacqueline Baca has been President of Bueno Foods since 1986. She helps teach a class about family businesses at the University of New Mexico, where she received her MBA. Jackie was a founding board member of Accion and has served on the boards of the Albuquerque Hispano Chamber of Commerce, the New Mexico Family Business Alliance, and WESST.



Paul Bardacke served as Attorney General of New Mexico from 1983–1986. Paul is a Fellow in the American College of Trial Lawyers and he currently handles complex commercial litigation and mediation with the firm of Bardacke Allison in Santa Fe. In 2009 and 2013, Paul was appointed by President Obama to serve on the National Park System Advisory Board.



David Buchholtz has advised more than a dozen Governors and Cabinet Secretaries of Economic Development on fiscal matters. He has served as Chairman of the Association of Commerce and Industry and was appointed to the Spaceport Authority Board of Directors by Governor Martinez. David is Of Counsel to the Rodey law firm.



Garrey Carruthers, *Chair Emeritus*, served as Governor of New Mexico from 1987–1990 and is now President of New Mexico State University, where he previously served as Dean of the College of Business. Garrey was formerly President and CEO of Cimarron Health Plan and he serves on the board of the Arrowhead economic development center in Las Cruces.

LaDonna Harris is Founder and Chair of the Board of Americans for Indian Opportunity. She is also a founder of the National Women's Political Caucus. LaDonna was a leader in the effort to return the Taos Blue Lake to Taos Pueblo. She is an enrolled member of the Comanche Nation.



Edward Lujan is the former CEO of Manuel Lujan Agencies, the largest privately owned insurance agency in New Mexico. Ed is also a former Chairman of the Republican Party of New Mexico, the New Mexico Economic Development Commission, and the National Hispanic Cultural Center of New Mexico, where he is now Chair Emeritus.



Liddie Martinez is a native of Española whose family has lived in northern New Mexico since the 1600s. She is the Market President-Los Alamos for Los Alamos National Bank, and also farms the Rancho Faisan. Liddie has previously served as Executive Director of the Regional Development Corporation and as Board Chair of the Los Alamos National Laboratory Foundation.



Brian Moore is a small businessman from Clayton, where he and his wife own Clayton Ranch Market. Brian was a member of the New Mexico House of Representatives from 2001–2008, where he served on the Legislative Finance Committee. From 2010–2012, Brian worked as Deputy Chief of Staff and Washington, D.C. Director for Governor Martinez.



Fred Nathan founded Think New Mexico and is its Executive Director. Fred served as Special Counsel to New Mexico Attorney General Tom Udall from 1991–1998. In that capacity, he was the architect of several successful legislative initiatives and was in charge of New Mexico's lawsuit against the tobacco industry, which resulted in a \$1.25 billion settlement for the state.



Roberta Cooper Ramo is the first woman elected President of the American Bar Association and the American Law Institute. Roberta has served on the State Board of Finance and was President of the University of New Mexico Board of Regents. In 2011, she was inducted into the American Academy of Arts and Sciences. Roberta is a shareholder in the Modrall law firm. *Roberta abstained from participation in this report due to a conflict of interest.*



Dear New Mexican:

This report presents policymakers with an innovative way to pay for effective, sustainable, and workable education reforms.

Over the last two decades, governors and legislators have done a very good job of increasing resources for K–12 education in New Mexico relative to other states. New Mexico now ranks in the middle of the nation for spending per student. New Mexico's investment in education is especially remarkable when one considers the state's low per capita income. In fact, earlier this year the National Education Association, which represents teachers, ranked New Mexico second in the nation for spending on education per every \$1,000 of personal income.

Yet, New Mexico's rank for educational outcomes doesn't seem to match our rank for spending per student in New Mexico. This report endeavors to explain the reasons behind that anomaly.

To answer this question, we gathered an enormous amount of data from the National Center for Education Statistics and the New Mexico Public Education Department about how New Mexico school districts are performing academically and how they spend their resources. With this data, we were able to compare New Mexico school districts with one another, with other states, and with themselves across many years.

Rather than dwelling on the all too familiar litany of rankings where New Mexico scores toward the bottom of the nation, we decided instead to look to New Mexico's highest performing school districts for clues that would help us solve the riddle of why our outcomes do not more closely parallel our spending per student.

We discovered that there are a good number of high performing school districts in New Mexico. These include the school districts in Corona, Dora, Elida, Farmington, Gadsden, Hobbs, Logan, Los Alamos, Reserve, Roy, Tatum and Texico, among others.

However two districts stood out as truly exceptional and inspiring: Texico Municipal Schools and Gadsden Independent School District, the former for its overall excellence and the latter for its consistent annual improvement.

While Texico is smaller (560 students) and more rural than Gadsden (13,478 students), the districts have many more similarities than differences. Both consistently set high standards and have a "no excuses" culture. Both are data driven in their decision-making. Perhaps most importantly, both are focused on getting dollars to the classroom, where the actual learning happens. Both districts also educate a higher proportion of students from low socioeconomic backgrounds than the state as a whole, which makes their academic achievements even more impressive.

As we describe more fully in the following report, Gadsden and Texico, along with New Mexico's other high-performing districts, provide hopeful examples of what is possible in terms of improving New Mexico's public schools.

Kristina Fisher, my co-author, and I benefited greatly from the extensive research completed by Think New Mexico's interns this past summer. These interns were: Shea Fallick of Albuquerque and Emory University; Peyton Lawrenz of Santa Fe and Princeton University; Joli McSherry of Deming and New Mexico State University; Raffaele Moore of Albuquerque and Brown University; Abel Romero of rural Valencia County and Williams College; and Phil Wilkinson of Albuquerque and Yale University.

We are also much indebted to our two colleagues. Jennifer Halbert, Think Mexico's Business Manager, coordinated the printing of this report and its distribution to about 14,000 people across New Mexico. Meanwhile, Othiamba Umi, Think New Mexico's Field Director, is already working to build a broad coalition to enact and implement the reforms proposed in this report in the next legislative session. We are also grateful to a variety of education experts who assisted us with our research and who are listed in the Acknowledgments in the back inside cover.



Fred Nathan, Executive Director; Jennifer Halbert, Business Manager; Kristina G. Fisher, Associate Director; Othiamba Umi, Field Director. Photo by Stephen Lang.

If you would like to become more involved in this effort to reform our public schools, I encourage you to visit our website at www.thinknewmexico.org, where you can sign up for email updates and contact your legislators and the governor. You are also invited to join the more than a thousand New Mexicans who invest in Think New Mexico's work by sending a contribution in the enclosed reply envelope.

Fred Nathan

Founder and Executive Director

INTRODUCTION: TEXICO, A MODEL FOR NEW MEXICO'S PUBLIC SCHOOLS

Ten miles east of Clovis and just west of the Texas border lies Texico, New Mexico, the oldest town in Curry County. Texico began as a railroad boom town during the decade preceding statehood in 1912. It was during this period that people in Texico built four churches, as well as several saloons that made almost as much money from gambling as from selling liquor. Texico back then was “as wild and almost as disorderly as any of the early mining camps in Colorado,” according to the town’s historian, Harold Kilmer.

Burlington Northern Santa Fe Railroad’s transcontinental line from Chicago to Los Angeles still runs through the center of town, but the boom slowed down considerably in 1906 when the Atchison Topeka and Santa Fe Railway selected Clovis for its division headquarters, instead of Texico. Local merchants and others soon followed the railroad to Clovis.

Texico persevered, however, and built its economy around farming and ranching. As in so many New Mexico towns, the school district is one of the largest employers.

It is the local public schools where Texico really shines. In fact, Texico boasts one of the best school systems in New Mexico. For those wondering how we can turn around the performance of New Mexico’s public schools, studying Texico’s elementary, middle, and high school, as well as the 560 students who attend them, would be a very good place to start.

Texico High School had a 95% graduation rate in 2016, the highest rate in New Mexico according to preliminary figures released a few months ago



School class in Texico, 1915. Photo from Curry County History Book, High Plains Historical Foundation.

by the state’s Public Education Department. This was not a surprise considering that Texico has ranked at or near the top of the state since 2011 when the Public Education Department implemented better high school graduation tracking methods. During that period, Texico’s graduation rate averaged 94.3%, easily surpassing the national average of 81.2% and New Mexico’s statewide average of 68.8% for the same period.

Texico also ranks very high statewide in its reading and math proficiency rates. In 2017, the district was seventh in the state for reading and ninth for math.

It is worth noting that Texico students don’t just excel in the classroom. The Texico Lady Wolverines have won nine state volleyball championships since 2006, and the boys’ baseball team won state championships the past two years in a row. Meanwhile, Texico Future Farmers of America students have qualified to compete at the national level every year for the past 16 years.

Texico schools have recently earned some well-deserved national recognition. In 2014, the U.S. Department of Education recognized Texico High School (along with 289 other public schools across the nation) as a National Blue Ribbon School, based on its overall academic excellence.

So why do students in Texico so consistently outperform?

It is not because they are especially wealthy. The median family income in Texico is \$34,241 and the poverty rate is about 30%, according to the most recent U.S. Census Bureau figures. Texico's median family income is significantly below the statewide median family income of \$44,963 and Texico's poverty rate is significantly above the statewide poverty rate of 21%. In addition, as we learned when we visited, the agricultural industry in Texico attracts many migrant workers from Mexico and Latin American countries whose children are learning English as a second language. (According to the Census Bureau, the overall Texico demographics are 53.6% Hispanic/Latino, 43.3% Anglo, and 2.1% Black.)

Students from higher income families have access to greater resources, and as a result generally perform better in school. However, the success of Texico demonstrates that every school district in New Mexico can perform at a high academic level.

Community members, administrators, teachers, and students in Texico all mention setting high standards as a key factor in the district's success. Every semester for the past 18 years, students

from all three Texico schools, from kindergartners to high school seniors, gather in a districtwide assembly to celebrate successes, from county spelling bee winners to state athletic champions. Former superintendent R.L. Richards says that the high level of achievement by the older students sets a tone for the elementary students. "Little eyes are watching," he notes.

Meanwhile, the school board and superintendent focus on driving the dollars that they receive from the state down to the classroom. The central administrative office consists of just the superintendent, a business manager, and a secretary. While Texico is a relatively small district, ranking 48th of New Mexico's 89 school districts based on its enrollment, it ranks 18th for efficiency in terms of the percentage of its budget that reaches the classroom. In other words, Texico outperforms 30 larger districts in New Mexico that enjoy greater economies of scale, thanks to a focus on prioritizing the academic needs of their students.

This raises an interesting question. What if other school districts in New Mexico borrowed Texico's model and shifted more of their resources from administration to the classroom?



Texico Elementary School, Middle School, and High School, September 2017. Photos by Arlyn Nathan.

A PRIMER: HOW NEW MEXICO FUNDS ITS PUBLIC SCHOOLS

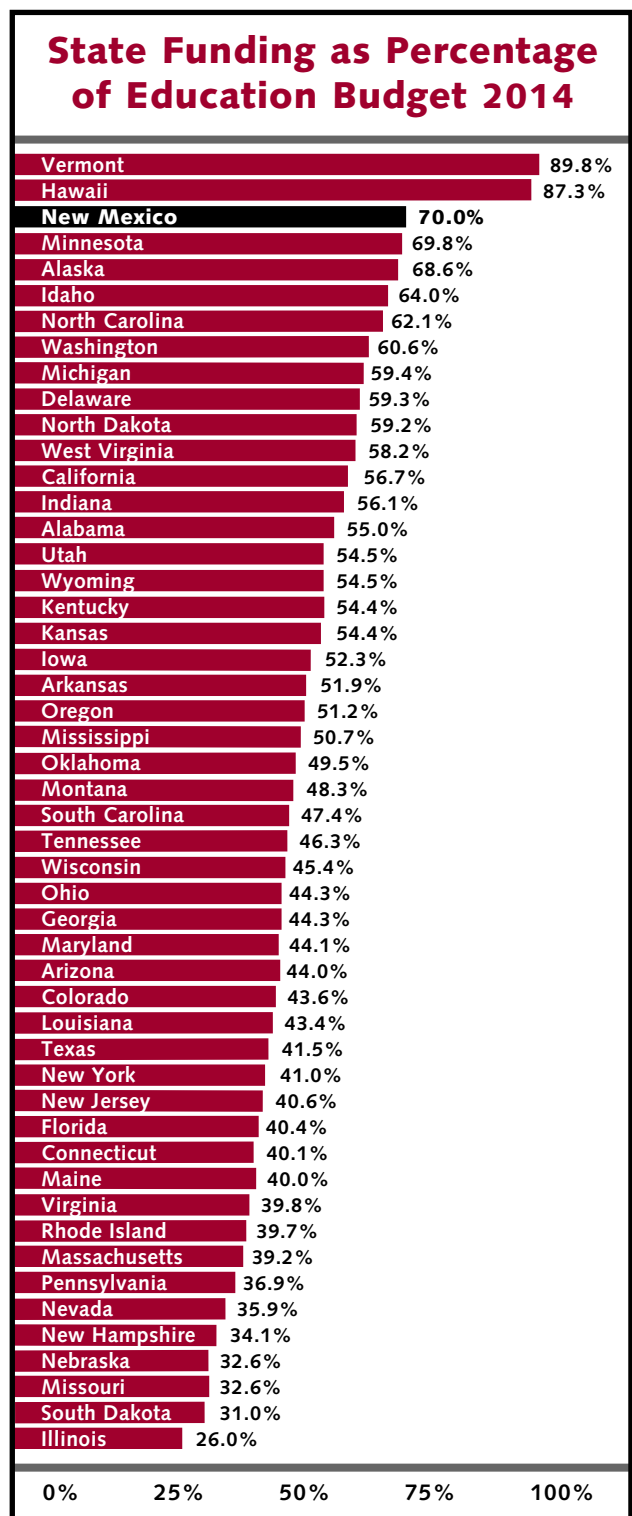
The way in which New Mexico funds its public schools is somewhat unusual.

Today, about 70% of New Mexico’s annual K–12 public education spending comes from the state budget, a larger proportion than any state other than Hawaii and Vermont.

Another 13.4% of New Mexico’s public school funding comes from the federal government. New Mexico ranks fourth highest among the states in its proportion of federal funding, with only Louisiana, Mississippi, and South Dakota receiving higher percentages of their education budgets from the federal government. Federal dollars are restricted to specific programs such as school lunches, assistance for students with disabilities, programs for Native American children, professional development for teachers, after-school and summer programs, and technology purchases.

The remaining 16.6% of funding for New Mexico public schools comes from local property taxes. New Mexico ranks third lowest in the nation for the proportion of public school funding coming from local property taxes, ahead of only Hawaii and Vermont. This money is restricted by New Mexico’s constitution to “erecting, remodeling, making additions to and furnishing school buildings or purchasing or improving school grounds” and buying computer technology.

The bottom line is that, after setting aside the restricted monies received from the federal and local governments, more than 90% of all operational dollars for New Mexico public schools come from the state.



Source: National Center for Education Statistics. *Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2013–2014*. October 2016.

New Mexico didn't always finance the bulk of its public school budget with state tax dollars. In 1930, more than 75% of the money used to operate New Mexico's public schools came from local property taxes, which created great funding disparities between wealthier and poorer districts. Governor Bruce King chronicled how this finally changed in his autobiography, *Cowboy in the Roundhouse*:

"In the early 1970s, the state wasn't doing a good job of sharing the wealth among all the districts. With funding based largely on county property taxes, obviously the poorer counties would have less money to work with. They couldn't give their kids the same opportunities that the larger city schools provided...The end result was our proposed 1974 school equalization bill [The Public School Finance Act], which included a school funding distribution formula [the Public School Funding Formula and the State Equalization Guarantee] that used state revenues rather than county revenues to pay for school operational costs on a per-student basis, thereby spreading the money equally across all the districts."

The essence of the funding formula and the state equalization guarantee is that "the elementary and secondary education provided in every New Mexico community is a function of the wealth of the state as a whole, rather than the wealth, or poverty, of the community in which the child lives," according to David Colton and Luciano Baca, leading experts on the governance of New Mexico's public schools.

As a result, New Mexico generally ranks in the top five states for providing equal financial opportunity for every student, according to "Quality Counts,"



Source: New Mexico Educational Survey Board. *Public Education in New Mexico*. 1948.

an annual report published by *Education Week*. Over the years, New Mexico has served as a model for other states, many of which followed its lead and adopted equalization formulas of their own.

The funding formula is the key to understanding how the financing of New Mexico's public schools works. The process begins with the legislature and the governor, who annually agree on a total budget for all 89 school districts and 102 charter schools, which combined educate about 332,000 public school students. For the current school year, that budget is around \$2.7 billion.¹

¹ About \$2 billion of that figure comes from revenue sources like the statewide gross receipts (sales) tax and state corporate and individual income taxes, while nearly \$700 million comes as distributions from the Severance Tax and Land Grant Permanent Funds, which is made up of taxes paid by oil and gas, mining, ranching, and other land users.

How New Mexico Funds Public Education

**Legislature & Governor
Pass Budget**

**Public Education Department
Receives Funds and Applies the
Equalization Formula**

**Based on the Formula, PED
Sends Block Grants to Each
School District and Charter**

**89 School
Districts Each
Pass Their
Own Budgets
(subject to
PED approval)**

**102 Charter
Schools Each
Pass Their
Own Budgets
(subject to
PED approval)**

Next, the Public Education Department (PED) applies the funding formula to determine how much money each district will receive. That formula has been modified more than 80 times since 1974, and it now takes into account 24 separate factors, ranging from student enrollment to the number of at-risk students to the number of teachers certified by the National Board for Professional Teaching Standards. Once those calculations are made, the big pot of money appropriated by the legislature and approved by the governor is essentially divided into block grants to each district and charter school.

As the PED explains, “The formula is designed to distribute operational funds to school districts objectively and in a non-categorical manner while providing for local school district autonomy.” The boards of school districts and charter schools receive these annual block grants and have wide latitude to decide how much to spend on administrative expenses and in the classroom.²

In addition to creating more equality of opportunity, the fact that so much of New Mexico’s operational funding for public schools comes from state government also provides a pathway for reforming the public schools. That is because reforms can be accomplished by making a single change to state statute, rather than having to enact them in each of New Mexico’s 89 school districts one by one.

² School transportation costs are funded through a separate state appropriation that is distributed to districts using a different funding formula, and food service costs are primarily funded with federal dollars.

THE RIDDLE: WHY DOES NEW MEXICO RANK LOW FOR STUDENT OUTCOMES BUT NOT FOR SCHOOL SPENDING?

By now, the disheartening statistics where New Mexico falls at or near the bottom of the nation are all too familiar.

Education Week, which has been evaluating the quality of state school systems for over two decades, ranked New Mexico 49th of the 50 states and D.C. in its 2017 “Quality Counts” report.

Only about a quarter of the state’s students are proficient in reading and math based on the standardized PARCC tests. New Mexico’s graduation rate is consistently the lowest in the U.S., with just 68.6% of high school students graduating in 2015, far below the national average of 83.2%. (It is encouraging that preliminary numbers from 2016 show New Mexico’s graduation rate climbing to 71%.)

Moreover, the New Mexico Higher Education Department reports that 43% of the state’s high school graduates end up in remedial math and writing classes when they enter college. A study by the Center for American Progress ranked New Mexico seventh highest in the nation for the percentage of its college students taking remedial classes. These classes increase the cost of higher education, and the students who have to take them are less likely to earn college degrees.

In an April 2017 interview with *Albuquerque Business First*, former Eclipse Aviation CEO Vern Raburn pointed to the schools when he was asked why New Mexico was failing to attract and grow

STATE	GRAD RATE	STATE	GRAD RATE
Iowa	90.8%	Utah	84.8%
New Jersey	89.7%	South Dakota	83.9%
Alabama	89.3%	United States	83.2%
Texas	89.0%	Rhode Island	83.2%
Nebraska	88.9%	Oklahoma	82.5%
Wisconsin	88.4%	California	82.0%
New Hampshire	88.1%	Minnesota	81.9%
Kentucky	88.0%	Hawaii	81.6%
Tennessee	87.9%	Ohio	80.7%
Missouri	87.8%	South Carolina	80.3%
Vermont	87.7%	Michigan	79.8%
Maine	87.5%	Wyoming	79.3%
Massachusetts	87.3%	New York	79.2%
Connecticut	87.2%	Idaho	78.9%
Indiana	87.1%	Georgia	78.8%
Maryland	87.0%	Washington	78.2%
North Dakota	86.6%	Florida	77.9%
West Virginia	86.5%	Louisiana	77.5%
Montana	86.0%	Arizona	77.4%
Kansas	85.7%	Colorado	77.3%
Virginia	85.7%	Alaska	75.6%
Delaware	85.6%	Mississippi	75.4%
Illinois	85.6%	Oregon	73.8%
North Carolina	85.6%	Nevada	71.3%
Arkansas	84.9%	New Mexico	68.6%
Pennsylvania	84.8%	D.C.	68.5%

Source: National Center for Education Statistics. *EDFacts, Four-Year Adjusted Cohort Graduation Rate Data, 2014–2015*.

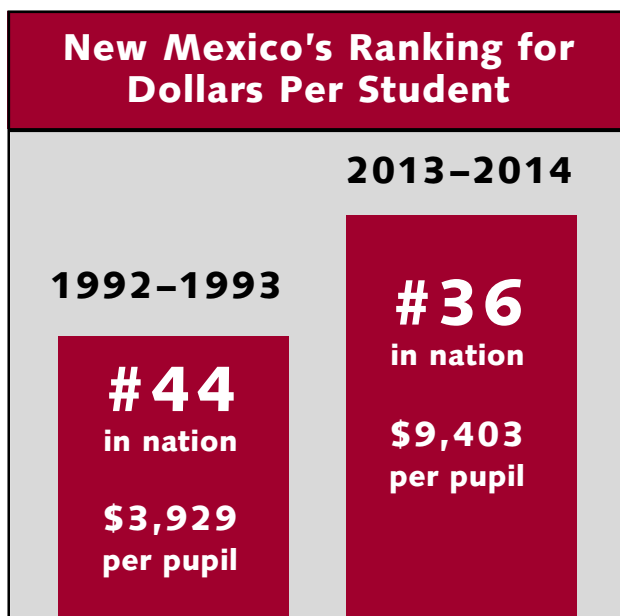
Note: Since 2011, states have calculated graduation rates by tracking students from the beginning of ninth grade through the end of twelfth grade. As a result, these graduation rates fail to capture students who drop out prior to the ninth grade.

businesses. “The worst part... is the education system in New Mexico,” he said, explaining that he could not keep his best engineers in the state because they were unwilling to have their children attend New Mexico’s public schools.

Dollars to Schools Have Increased; Student Outcomes Have Not

It would be natural to assume that the reason why New Mexico’s schools underperform is simply due to a lack of funding. After all, New Mexico is a poor state, and one would expect that we would not be able to invest as much in our public schools as wealthier states.

However, New Mexico governors and legislators of both parties have actually done a valiant job of stretching scarce resources to increase our investment in public schools. In 1993, when the National Center for Education Statistics first began reporting data on school finances, New Mexico ranked 44th in the nation for the amount we spent per pupil in our public schools.



Source: National Center for Education Statistics. *Revenues and Expenditures for Public Elementary and Secondary Education*. Fiscal Years 1993-2014.

Over the following two decades, New Mexico outpaced the nation in its investments in public schools. By 2014, the most recent year for which data is available, New Mexico had climbed to 36th in the nation.³ During that period, New Mexico’s total spending per student rose from \$3,929 to \$9,403, an increase of nearly 140%. Meanwhile, the U.S. average per pupil spending grew from \$5,107 to \$11,066 during the same time period, an increase of just 54%.

If simply spending more on education improved student performance, we should have seen New Mexico’s student outcomes climb in the rankings as our education spending increased. Today, our state should be outperforming at least some of the states that spend less per student than New Mexico. Yet our student performance has remained stuck at the bottom of the nation.

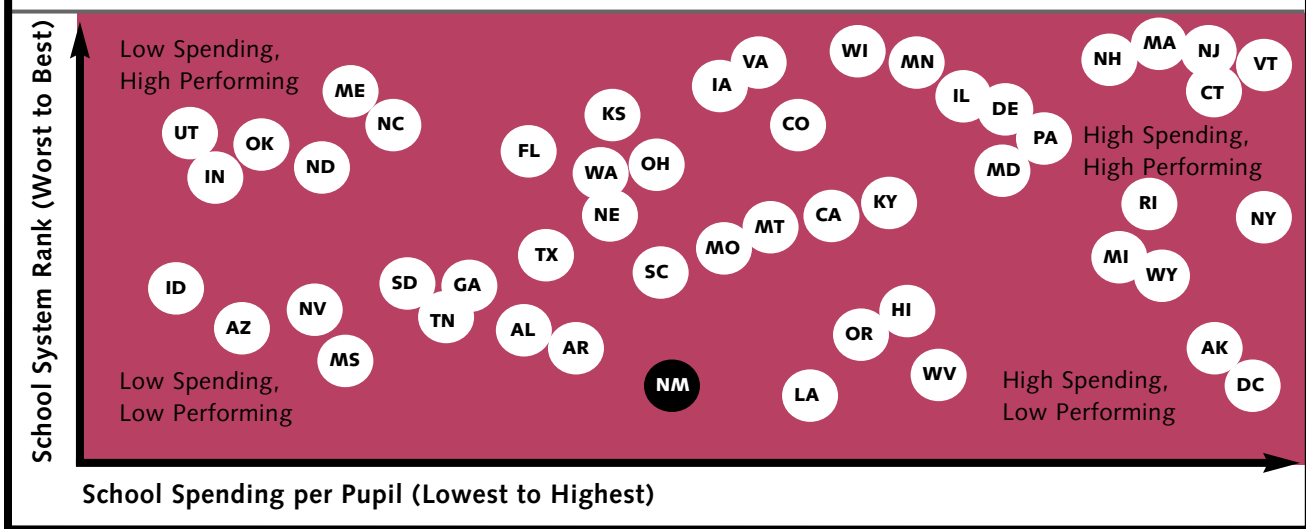
How We Spend Education Dollars Matters

New Mexico’s experience with education spending illustrates a counterintuitive truth: there is little to no correlation between student success and the total dollars spent per pupil.

A 2017 analysis by the online news and finance publication WalletHub included an intriguing chart comparing states’ education spending with their student outcomes. The results were literally all over the map. Alaska (AK), for example, spends a great deal per student but its students perform about the

³ There are several different organizations that each track school spending slightly differently. According to the U.S. Census Bureau, New Mexico ranks 34th in the nation for funding per student; meanwhile, the National Education Association ranks New Mexico 29th in the nation. Think New Mexico has chosen to use data from the National Center for Education Statistics because it has the most robust methodology for ensuring that the data is accurate.

State Spending Per Student and Education System Quality 2017



Source: Adapted by Think New Mexico from WalletHub. *2017's States with the Best & Worst School Systems*. July 31, 2017.

same as students in Arizona (AZ), which spends thousands of dollars less per student. Likewise, Connecticut (CT) spends a lot per student but its student performance is about the same as Utah (UT), which spends thousands of dollars less per student.

The New Mexico Legislative Finance Committee, our legislature's budget staff, reached a similar conclusion in a 2009 analysis of selected school districts within the state: "Increased spending does not appear to guarantee higher or improved student performance. ...80 percent of all districts with above average student performance have below average student costs. ...even when controlling for the socio economic profile of a district's student population."

Think New Mexico also crunched the numbers, and we found the same thing: there was very little correlation between how much a state spends per student and how well its students perform. (We

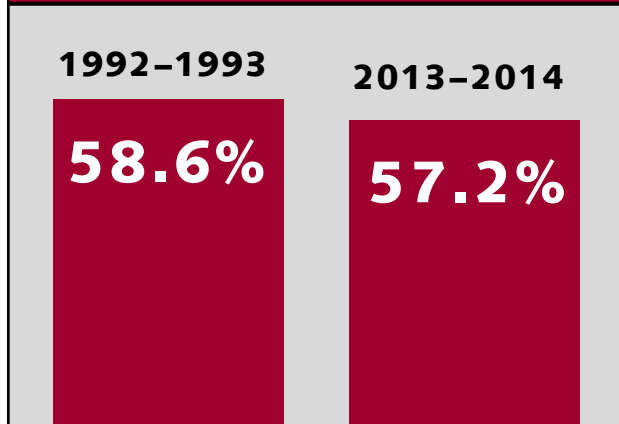
used graduation rates and national math and reading scores as indicators of student success.)

However, there was a much stronger correlation between the proportion of a state's education budget that was dedicated to instructional expenses and student success.⁴

Not every dollar appropriated for New Mexico's schools actually reaches the classroom. Significant proportions of the state's education budget go to the administrators overseeing operations in school district central offices, data analysts compiling information and producing reports for the state and federal governments, purchasing and procurement, and maintenance and operation of school buildings.

⁴ Correlation does not necessarily imply causation, but as we discuss in the following pages, there is a great deal of research indicating that dollars spent on instruction do improve student outcomes.

Percent of New Mexico's Education Budget Spent on Instruction



Source: National Center for Education Statistics. *Revenues and Expenditures for Public Elementary and Secondary Education. Fiscal Years 1993-2014.*

For over two decades, the National Center for Education Statistics has tracked how every state allocates its education budget, providing an overview of how much money is going to instruction rather than administration or student support. In most of those years, New Mexico ranked 49th or 50th in the percentage of its educational budget going to instruction.

The good news is that by 2014 New Mexico had risen to 43rd in the nation. The bad news is that this improvement in our ranking did not reflect an increase in the proportion of funding going to instruction in New Mexico. Instead, New Mexico rose in the rankings because several other states actually reduced the proportion of their budgets that they are spending on instruction in recent years.

New Mexico spent 57.2% of its education budget on instruction in 2014, down slightly from the 58.6% it spent on instruction in 1993.

It is no coincidence that New Mexico performs poorly in both student outcomes and the proportion of our educational dollars reaching the classroom.

In 2003, researchers at the Southwest Educational Development Laboratory conducted an extensive study of 1,500 school districts in Arkansas, Louisiana, Texas, and New Mexico, and concluded that "student achievement is linked to spending patterns, and money matters when spent on instruction." The study found that, in general, high-performing school districts spend a larger percentage of their budgets on instruction and a lower percentage on general administration than lower-performing districts, and they also tend to employ smaller numbers of administrative staff.

Other studies over the past 15 years have come to the same conclusion: increasing the dollars available for education can improve student outcomes if they are targeted to the classroom.

It is important to acknowledge that allocating more dollars to instruction is only one of many factors that impact student success. Family income and other socioeconomic factors; the leadership ability of a district's superintendent and principals; teacher quality; and district and school size all affect how well students perform on math and reading assessments and how likely they are to graduate. However, spending education dollars effectively is both a critical piece of the puzzle and one that we can impact with public policy.

TAKING A CLOSER LOOK AT SOME OF NEW MEXICO'S OUTPERFORMING DISTRICTS

Some of New Mexico's most effective school districts are already doing an excellent job of maximizing dollars to the classroom, and it shows in their student outcomes.

A good example is Gadsden Independent Schools, a district of 13,478 students south of Las Cruces that continues to climb in the rankings for student performance. Over the past four years, Gadsden has boasted an average graduation rate of 80%, surpassing the state average of 68.8% for the same time period. In the most recent year, the district ranked 26th highest in the state for math and reading proficiency.

These results are especially impressive when one considers that the median household income in Gadsden is \$29,069 (dramatically lower than the statewide average of \$44,963) and Gadsden's overall poverty rate is 39% (52% for children), much higher than the statewide average of 21%. (According to the Census Bureau, Gadsden Independent School District's most recent five year average demographics are 89.9% Hispanic/Latino, 9.4% Anglo, 0.3% Native American, and 0.2% Black.)

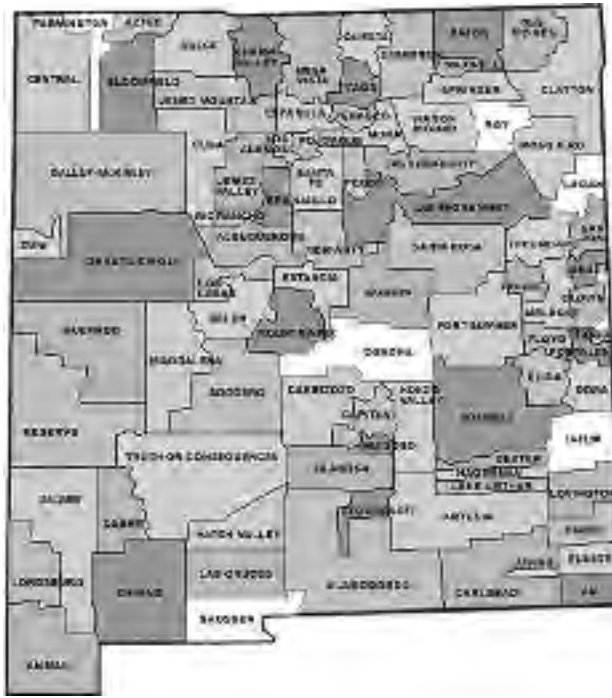
Like Texico, Gadsden prioritizes spending in the classroom. Think New Mexico compared how much each of the state's 89 districts spend on general administration (i.e., office of the superintendent, deputy, associate and assistant superintendent) and central services (i.e., business office, purchasing, warehousing and distribution services, print-

ing, publishing, and duplicating services, human resources, and public information services) for the 2015–2016 school year. When these two categories of administrative expense are combined, Gadsden ranks second most efficient of the 89 districts. Gadsden spends a mere \$219 on these administrative costs per pupil. The statewide average is \$1,164.

To place this figure in context, we looked at Albuquerque Public Schools (APS), which has 85,336 students, or more than five times the number of students in Gadsden. One would expect APS to be more efficient than Gadsden because APS can spread its administrative costs across so many more students. Yet, APS actually spends about 25% more, a total of \$274 per student each year on its general administration and central services. If APS were as efficient as Gadsden, the district would save \$4.7 million on general administration and central services.

Santa Fe Public Schools (SFPS) has 13,437 students, about the same number of students as Gadsden, yet SFPS spends more than 60% more on general administration and central services: \$350 per student. If SFPS were as efficient as Gadsden, it would save about \$1.7 million.⁵

⁵] The one area of administrative spending where Santa Fe does outperform Gadsden is operation and management of school facilities. Santa Fe is the most efficient district in the state in this category, spending only \$624 per student, compared to the state average of \$1,682. The primary way that Santa Fe has been able to achieve this is by investing more of its capital dollars in energy efficiency and solar power at its school sites. This has dramatically reduced the district's utility bills.



New Mexico's 89 school districts, with the high-performing districts discussed here highlighted in white. Source: New Mexico Public Education Department.

By being so efficient in its central administrative office, Gadsden is able to push more of the dollars it receives from the state down to the classrooms where the learning takes place. The results can be seen in the district's academic performance. Gadsden has a higher graduation rate and higher proficiency rates in reading and math than both SFPS and APS, despite having a significantly lower median family income and higher rates of poverty.

Another highly effective school district is Farmington Municipal Schools, where 15 of the 18 schools received either an "A" or "B" in the most recent round of school grades issued by PED, the highest rate for medium and large districts in New Mexico.

Farmington is also the most efficient school district in New Mexico in its general administration and

central services. It is the second most efficient district in the state when factoring in all non-classroom expenses. With its population of 10,995, Farmington is more than seven times smaller than APS, which ranks fifth most efficient on all non-classroom expenses.

Farmington's superintendent, Gene Schmidt, regularly substitute teaches in the district's classrooms to better understand the financial needs of his schools. He notes that delivering more to the classroom resonates with Farmington voters, who approved a \$26 million school bond by a margin of 85% to 15% in February 2017.

Corona, Logan, Roy, and Tatum are small school districts, with fewer than 400 students each, but they prove that even small districts with fewer students can be efficient in getting dollars to the classroom. For example, Corona is the 85th largest district in the state, yet it is the 56th most efficient of the 89 school districts, delivering a higher proportion of its funding to the classroom than 29 larger districts. Likewise, Logan gets a higher percentage of its dollars to the classroom than 30 larger districts; Roy outperforms 28 larger districts; and Tatum outperforms 14 larger districts.

Along with being efficient in getting resources to the classroom, these districts also outperform academically, ranking in the top fifth of the state for proficiency in both reading and math.

The success of this geographically diverse group of districts — Texico, Gadsden, Farmington, Corona, Logan, Roy, and Tatum — shows that maximizing dollars to the classroom is not only possible but is already being achieved by some of New Mexico's highest performing school districts.

REALLOCATING ADMINISTRATIVE DOLLARS TO THE CLASSROOM

Despite the terrific examples being set by some of New Mexico's school districts, if the legislature and governor appropriate more money for education, only about 57 cents of every dollar will go to instruction statewide.

As a resource-scarce state, New Mexico cannot afford to waste a single educational dollar. Fortunately, New Mexico has an advantage over most other states in shifting dollars to the classroom: because 90% of our school funding comes from the state, the state can take action to direct more of those dollars to the classroom, rather than administration.

In fact, the legislature and executive branch have already taken a first step in that direction. Under the state's Government Accountability Act, every year the New Mexico Legislative Finance Committee and the state Department of Finance and Administration work with agencies to set performance goals. Since 2015, one of the Public Education Department's (PED) performance goals has been to "increase percentage of dollars to the classroom." Under this goal, the PED must report the percentages of school district budgets that are reaching the classroom.

These percentages are determined separately for school districts that are larger than 750 students and smaller than 750 students. Smaller districts tend to spend more per pupil than larger districts, and often also spend a higher proportion of their budgets on administration than larger districts, simply because they have fewer students to spread

the expenses across. (However, the economic inefficiency of small districts is in many cases more than outweighed by their above-average academic performance, as we explain later in this report.)

Currently, New Mexico's performance goals set targets that aim to have school districts of under 750 students spend at least 65% of their budgets in the classroom, and school districts of over 750 students spend at least 75% in the classroom. Unfortunately, these performance measures are purely aspirational, and there are no incentives for school districts to meet them or consequences if they fail. Today, 50 of the 89 school districts fail to meet the targets.

We recommend that the legislature and governor move beyond performance guidelines and set enforceable minimum percentages for classroom spending. In order for districts to have their budgets approved by the PED, they must spend at least a minimum percentage in the classroom.

Rather than simply having two categories of school districts (over and under 750 students), Think New Mexico would recommend a sliding scale that is more sensitive to what differently sized districts can achieve (e.g., districts could be split into five tiers: 1–600 students; 601–3,000 students; 3,001–7,500 students; 7,501–25,000 students; and over 25,000).

The legislature and governor would set targets for the minimum percentage of their budgets that each size district must spend in the classroom. These minimum percentages could be phased in over several years to allow districts more time to gradually make the necessary changes to their spending.

CHARTER SCHOOLS SHOULD PLAY BY THE SAME RULES

New Mexico has 102 charter schools, public schools that are operated independently of school districts by their own separate boards. About 7% of New Mexico's students attend charter schools. Essentially, charters function as tiny, stand-alone school districts, and like districts, there is a wide range of both administrative spending and student performance at charter schools.

High-performing charter schools, like the South Valley Academy in Albuquerque and the Academy for Technology and the Classics in Santa Fe allocate upwards of 75% of their budgets to instruction; others fail to spend even half of their dollars in the classroom. In 2016, the Legislative Finance Committee (LFC) evaluated half a dozen charter schools, and their data showed a correlation between dollars spent on instruction and student reading proficiency.

The same LFC analysis raised serious questions about the cost-effectiveness and accountability of some charter schools. Instances of financial mismanagement have included La Promesa Early Learning Center spending allegedly nearly \$700,000 on the personal expenses of two employees (a mother and a daughter), and Great Academy paying its husband and wife headmasters \$305,652 a year while its teachers received the sixth lowest salaries in the state.

Think New Mexico recommends that charter schools be held to the same standards as school districts. For the purposes of this reform, charters would need to spend the same percentage in the classroom as similarly sized districts.

The minimum percentages for classroom spending would be monitored through the existing budget review process. Currently, school districts must submit their budgets to the PED for approval and provide quarterly reports of their spending. The PED has enforcement powers, so if a district fails to submit an appropriate budget, the PED can write the budget for the district. Similarly, if a school district or charter school fails to keep its expenditures reasonably close to what it has budgeted, the PED can step in and require more frequent reports, exert control over the district's finances, and in extreme cases, take over a district's financial management, as it recently did in Española.

Since New Mexico, unlike most states, funds the vast majority of its education budget with state tax dollars, the legislature and executive have a responsibility to taxpayers to make sure that the money is used as effectively as possible. This state role must be balanced against the fact that school boards are independently elected bodies that are closer to their students, parents, and communities.

The reforms proposed here respect the power of school boards to control their spending. Essentially, each school district's operating budget would be divided into two: a budget for classroom expenses and a budget for administrative expenses. The total amount of money going to each school district would continue to be calculated just as it is currently, with districts receiving funding based on the state equalization formula, but each district would need to dedicate a certain minimum percentage of its budget to classroom expenditures. Within the broad categories of classroom and administrative spending, school districts would continue to have complete discretion to decide how to allocate their expenditures.

Defining Classroom Spending

CLASSROOM SPENDING

- **Instruction** (teachers and supplies)
- **Instructional Support** (librarians, IT)
- **Student Support** (counselors, nurses)
- **Principals**

ADMINISTRATIVE COSTS

- **General Administration**
(school board and superintendent)
- **Central Services**
(business office, purchasing, printing, human resources, PR)
- **Operation & Management**
- **School Administration**
(other than the principal)
- **Transportation** (*funded separately*)
- **Food Service** (*funded separately*)

Defining Classroom Spending

One key issue that must be addressed in this reform is defining exactly what constitutes “classroom expenditures.” In its performance measures, the PED includes not only instruction (teachers, coaches, books), but also instructional support – such as librarians and information technology – and direct student support – such as school nurses and counselors.

It makes sense to include these sorts of expenditures in classroom spending because the research indicates that they can make a difference for student success. For example, a 2016 study of North

Carolina schools by a Duke University researcher found that increasing spending on student health and counseling services lowered the number of student absences, reduced disciplinary problems, and increased math and reading scores significantly among low-income students. In a high-poverty state like New Mexico, this sort of direct support is particularly important for many students who have fewer resources available to them at home.

Think New Mexico would recommend adding one additional expenditure to the category of classroom spending: salaries and benefits for school principals.

Principals are classified by the National Center for Education Statistics and PED as part of school administration. However, highly qualified and effective principals can improve the educational climate of a school and have a major positive impact on student achievement.

Interestingly, school administration (including principals) is the only category of administrative spending where Texico ranks higher than the state average.

Another high-performing district, Hobbs Municipal Schools, spends 81% of its budget in the classroom (the highest percentage in the state). Yet while Hobbs ranks at or near the top of the state for efficiency in most categories of administrative spending, it ranks 25th for school administration. About a third of the district’s administrative spending goes to its principals’ offices, where those dollars can make a much bigger difference for students than they can at the central administrative office.

FINDING SAVINGS IN THE SYSTEM

Reducing Reporting Burdens

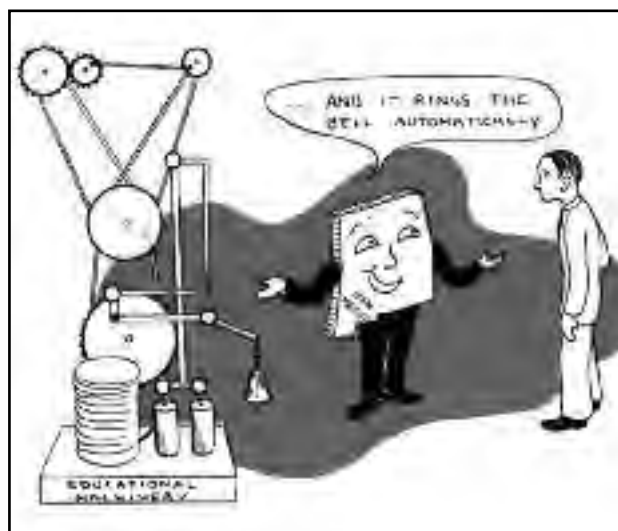
One way that the state could help school districts cut their administrative costs is by reducing the reporting burdens on district staff.

In 2016, a statewide study funded by the Thornburg Foundation found that “New Mexico school districts and charter schools spend up to 15,000 staff hours annually complying with reporting requirements,” and they spend “66% more resources on reporting than peers in states with advanced data collection systems.”

The study detailed the 140 reports that every school district and charter school must submit to the PED each year. About 20% are required by the federal government, while the rest are mandated by state statute or regulation.

State Representative Dennis Roch, who is Superintendent of the Logan Municipal Schools, highlighted how challenging this reporting burden is, particularly for small districts and charter schools. In many cases, he has found himself compiling the same information for multiple bureaus of the PED. Superintendent Roch has also raised the question of why there is not a centralized system in place for school districts to simply submit their data where it can be accessed and analyzed by the PED’s many different bureaus. In 2017, he sponsored successful legislation to begin the process of reform by streamlining a few of the state reports.

The Thornburg report estimated that New Mexico currently spends about \$212 per student per year complying with reporting requirements. That



Source: New Mexico Educational Survey Board. *Public Education in New Mexico*. 1948.

alone equals about 2% of the state’s total spending per student, and multiplied by the approximately 332,000 students in New Mexico schools, it adds up to more than \$70 million a year.

Cutting reporting costs by two-thirds, which would bring New Mexico in line with our peer states, would free up more than \$46.5 million that could be better spent in the classroom.

Reducing Administrative Costs

Every year, the National Center for Education Statistics publishes reports detailing how much states spend on different categories of instructional and administrative costs. For example, in the most recent year available (2014), New Mexico ranked 11th highest in the nation for spending in the category of operations and management (which includes things like building repairs, utilities, landscaping, and security). The state was also above the national average in the other major categories of administrative spending.

These high rankings on categories of spending that do not reach the classroom are the other side of the state's low rankings in spending on instruction (43rd in the nation) and instructional support (49th in the nation).

Each of the administrative categories where New Mexico spends more than the national average offers opportunities for savings. For example, if the state reduced its operations and management costs by about 1%, that would bring New Mexico to the national average in that category and save \$27 million.

The areas where savings can be found will vary from district to district. For example, Cloudcroft currently spends \$1,058 per student on general administration, well above the state average of \$667 per student and more than 72 other districts in the state, including 13 that enroll fewer students. It is likely that there are good potential savings that could be realized in Cloudcroft's central district office.

Similarly, Cuba spends \$998 per student on central services. This is more than twice the state average of \$497 per student, and tenth highest in the state. There are 40 districts that have smaller student populations than Cuba and spend less per student on central services.

One tool that school districts can use to reduce administrative costs (particularly in areas like central services and operations and management) is cooperative purchasing. All of the state's school districts are members of Cooperative Educational Services (CES), which was formed in 1979. CES provides cooperative purchasing opportunities that

Key Areas for Savings

Reduce State Reporting Burdens **\$46.5 million**

Reduce Districts' Administrative Costs **\$54.6 million**

TOTAL **\$101.1 million**

can help school districts get better prices and save money on supplies and professional services.

New Mexico also has nine Regional Educational Cooperatives (RECs), which provide services such as teacher evaluation and mentoring, technology assistance, business management, and professional development trainings. However, 31 of the state's 89 school districts are not yet members of an REC, including many small districts that stand to gain the most savings.

If New Mexico reduced its spending to the national average in every category of administrative spending, it would free up \$54.6 million that could be better spent in the classroom.

Eliminating Spending on Lobbying and Public Relations

Along with reducing costs in specific areas, there is some school district spending that should simply be eliminated altogether. For example, some districts spend money on public relations. Earlier this year, the Española School Board terminated a

OTHER STATES' EXPERIENCES

Over the past 15 years, several other states have enacted reforms to direct more of their educational dollars to the classroom.

Illinois, Maine, and New Jersey all limit the growth of school district administrative costs. Georgia requires districts to spend at least 65% of their budgets on instruction. Oklahoma caps school district central administrative spending on a sliding scale based on the size of the districts.

A couple of states provide cautionary tales. In 1998, Alaska began requiring school districts to spend at least 70% of their budgets on classroom instruction. Small, rural school districts found that it was more challenging for them to comply with the mandate than urban districts, and in 2016, the Alaska legislature repealed the requirement.

Similarly, in 2005, Texas Governor Rick Perry signed an executive order mandating school districts to spend at least 65% of their budgets on instruction. However, instruction was defined very narrowly and critics noted that it included sports coaches, but not counselors. Although the Texas legislature rolled back the requirement in 2009, a 2011 peer-reviewed study found that student achievement was significantly higher in Texas districts that spent more than 60% of their budgets on instruction.

The experiences of Alaska and Texas teach us that: (1) minimum classroom percentages should be tailored to district size, and (2) the definition of "classroom spending" should be broad enough to encompass all of the professionals who work with students. Both of these lessons learned are incorporated into the recommendations in this report.

\$50,000 annual no-bid contract with Rio Arriba County Commissioner Barney Trujillo, whose company Trujillo Media (formerly "2 Smooth Advertising") was hired to market the district and improve declining enrollment. Over the course of the contract, Trujillo received more than \$136,000. (During this same period, the district's student population declined by an additional 88 students.)

Even more troubling is the fact that at least five school districts pay tens of thousands of dollars a year for the services of hired lobbyists. Considering that every school district falls into two or more legislative districts, schools are already well-represented by their elected legislators. It is unclear what private lobbyists are actually accomplishing on behalf of the school districts that hire them, but it may well come at the expense of smaller districts that do not hire lobbyists.

Senate Finance Committee Chair John Arthur Smith recently posed pointed questions to school districts that were using state taxpayer dollars to hire lobbyists, asking: "my question is, how do you spend your money?" If school districts were prohibited from hiring lobbyists, at least \$340,000 a year would be available for spending in the classroom.

Right-Sizing Underperforming Districts

Consolidating small school districts is often suggested as a strategy to move more dollars to the classroom, and it has a long history in New Mexico. In 1940, the state had 947 school districts, but it steadily consolidated districts until the 1970s.

Further consolidation of districts would likely be counterproductive in terms of academic achieve-

Top 15 Districts for Reading Scores 2017

DISTRICT	RANK	SIZE
Animas	1	145
Cloudcroft	2	355
Des Moines	3	83
Los Alamos	4	3,478
Dora	5	246
Corona	6	73
Texico	7	560
Logan	8	297
Grady	9	125
Melrose	10	210
Reserve	11	128
Capitan	12	477
Elida	13	116
San Jon	14	143
Springer	15	178

Top 15 Districts for Math Scores 2017

DISTRICT	RANK	SIZE
Des Moines	1	83
Los Alamos	2	3,478
Corona	3	73
Grady	4	125
Dora	5	246
Reserve	6	128
Clayton	7	479
Mosquero	8	44
Texico	9	560
Elida	10	116
San Jon	11	143
Cloudcroft	12	355
Logan	13	297
Roy	14	52
Melrose	15	210

Source for both charts: New Mexico Public Education Department. *2016–2017 Stat Book*, and Kids Count Data Center. *PARCC Proficiency Spring 2017*. Compiled by Think New Mexico.

ment. The top 15 school districts in New Mexico for both reading and math proficiency in the 2016–2017 school year all had fewer than 600 students, with the exception of Los Alamos Public Schools. This is particularly impressive considering that only 4% of New Mexico public school students attend districts with fewer than 600 students.

In addition, as described earlier, some smaller districts are very efficient at delivering resources to their classrooms. Therefore, district consolidation should be done sparingly and should not be based on district size, but rather on whether the district is achieving solid academic results and spending taxpayer dollars efficiently.⁶

We identified three districts where students would likely benefit from consolidation. The first is Mesa Vista, a school district that seems to be perpetually in crisis. Currently, the Mesa Vista school board is split between two factions of two school board members. These factions were unable to fulfill their statutory obligation to select a fifth school board member, forcing the PED to intervene.

6] In 2014, the New Mexico Legislative Finance Committee published a report recommending that the central administrative services of the state's smallest school districts be combined, noting that "by consolidating central administrative functions of 89 school districts into 52 school districts, \$8.3 million could be redirected to instruction and services for students."

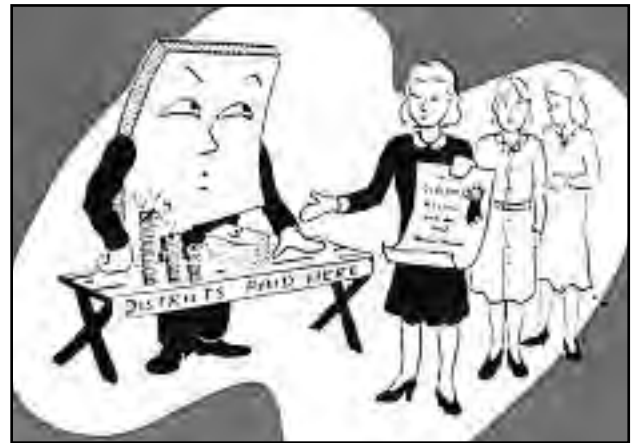
As recently as 2013, Mesa Vista had to ask the PED for emergency funding. Four years earlier, a former superintendent, the father of the then-school board vice president, resigned in the middle of the school year after it was revealed that one of his former employees at the Jemez Mountain School District had embezzled over \$3 million. In 2001, the district's auditor recommended that the district's business manager, who was married to the board president at the time, be removed because she was unqualified for the job and had demonstrated gross incompetence in handling the district's books.

In addition to this turmoil (or maybe because of it), Mesa Vista ranks 84th in the state for math proficiency and 87th of 89 districts in maximizing dollars to the classroom. At an August 2017 school board meeting, a Mesa Vista parent and former high school counselor for the district observed, "We have less teachers and less kids and our central administrative office seems to keep getting top heavy," according to an article in the *Rio Grande Sun*.

The other obvious candidates for consolidation of their central administrative offices are the two school districts in Las Vegas.

Prior to the consolidation of the City of Las Vegas and West Las Vegas in 1968, Las Vegas had two city halls, two mayors, two fire departments, two fire chiefs, two police departments and two police chiefs. A half century later, Las Vegas maintains two separate school districts, even though the municipal consolidation is widely considered a success.

West Las Vegas School District, in particular, has been plagued by management problems. A 2009



Source: New Mexico Educational Survey Board. *Public Education in New Mexico*. 1948.

Legislative Finance Committee program evaluation revealed that the district spent barely half of its operational funds on instruction. The LFC found that West Las Vegas "has the highest administrator to teacher and student ratio among medium sized districts. The district employs an administrator for every 17.3 teachers, whereas the peer group average was 43.9 teachers per administrator." Because so many administrators are former teachers, a merger of the central administrative offices of the two Las Vegas districts would likely result in some of those administrators returning to the classroom and reducing class sizes.

That would be helpful since both Las Vegas districts score poorly on reading and math proficiency. In addition, the Las Vegas City School District and the West Las Vegas School District are the 31st and 33rd largest districts in the state, respectively, but they are only the 69th and 63rd most efficient at delivering dollars to the classroom.

We estimate that a merger could save as much as \$3.5 million per year. Together, the Las Vegas City and West Las Vegas school districts spent about \$9.5 million on non-classroom expenses last year.

That compares to the approximately \$6 million that the Aztec Municipal School District spent on non-classroom expenses. Aztec has 3,070 students, while a combined Las Vegas District would serve 3,099 students.

At the other end of the spectrum from Mesa Vista and Las Vegas is Albuquerque. With 85,336 students, APS ranks in the top forty largest districts in the nation. Many assume that, due to economies of scale, larger school districts cost less to operate per student. However, the research indicates that beyond a certain size, large districts actually begin to experience diseconomies of scale.

This helps explain why APS is not the most efficient school district in New Mexico in any of the four major categories of administrative spending that are tracked by the state. Among New Mexico's 89 school districts, APS is second most efficient in its spending per student on general administration, sixth most efficient in school administration, 11th most efficient for operation and management, and 16th most efficient for central services. APS's online directory lists 106 different departments and offices within the district.

If APS were as efficient as Hobbs Municipal Schools (the most efficient school district in the state in terms of its total non-classroom spending), its administrative costs would be nearly \$29 million less.

The true bottom line for school districts is educational outcomes. On this point, Florence Webb of the University of California, Berkely, has observed that researchers who have examined the question of district size fall into two camps: "those who see no advantage for big districts and those who find that achievement drops as enrollment levels

rise," especially for students from lower-income families.⁷

Here again, APS's large size helps explain its average graduation rate of 63.2% between 2011–2015, well below the state average of 68.8% and the national average of 81.2%. In addition, despite the best efforts of the district's leaders, 52 of 137 APS schools received an "F" in the most recent round of school grades by PED, a higher proportion than all but seven other school districts in New Mexico.

Fortunately, new APS Superintendent Raquel Reedy is a reformer, and it was clear when we spoke with her that she recognizes the challenges of managing such a large district. Recently, Reedy announced a plan to divide the district into four "learning zones" of about 35 schools and 20,000 to 22,000 students each. "If you are closer to the problem, you are closer to the solution," said Reedy in explaining the plan to the *Albuquerque Journal*. This is a promising first step, and hopefully it will set the stage for further reforms to the district's structure.

7] Smaller districts tend to have smaller schools, which tend to have better student outcomes as Think New Mexico explained in a 2008 report.

A VISION FOR THE FUTURE

If New Mexico were able to shift just 4% of its \$2.7 billion state education budget from administration to the classroom, it would free up more than \$100 million to help New Mexico's students succeed. This modest proposal would be a great start in addressing our lagging student outcomes.

While each district would decide how to spend its portion of that additional classroom money, there are many potential areas that districts could invest in that have been demonstrated to improve student success.

Expanding Access to K–3 Plus

K–3 Plus works with low-income students during the summer to help them keep up with their school work and enter the next school year better prepared. The program was started in 2003 thanks to the leadership of State Senator Mimi Stewart (who was then a state representative). A 2015 University of New Mexico study found that students who participate in K–3 Plus demonstrate improved reading, writing, and math skills, as well as larger vocabularies in the early years.

Yet despite this strong track record, the program was cut by 28% in 2017, a loss of \$7 million which reduced enrollment by more than 5,000 children. If spending on education administration were reduced, one place those savings could be invested is expanding K–3 Plus to more of New Mexico's students.

Prekindergarten Classes

Another education reform that is solidly supported by the evidence is increasing access to high



Source: New Mexico Educational Survey Board. *Public Education in New Mexico*. 1948.

quality early childhood education. Many studies have found that investments in prekindergarten education return at least \$3–4 for every \$1 invested by improving student outcomes later in life. Prekindergarten classes are already available at over 100 public school sites across New Mexico thanks to other state funding. With more education dollars directed to the classroom, some districts could launch or expand their own prekindergarten programs and better prepare their students to succeed in later years of schooling.

Arts, Athletics, & Extracurricular Activities

When money is tight, arts, athletics, and other extracurricular activities always seem to be on the chopping block. In the spring of 2017, for example, APS was seeking to close a potential \$26 million shortfall and the district proposed eliminating all middle school sports for a savings of \$600,000. Yet the research shows that arts, athletics, and

other extracurricular activities help students stay engaged in school, which improves academic performance and graduation rates. Expanding access to these opportunities would be an excellent use of additional classroom dollars.

Better Pay for Principals

As we explained earlier in this report, principals have such a powerful positive impact on students that their salaries and benefits should be considered part of classroom spending. Yet principals tend to receive salaries that are far lower than those of central office administrators, meaning that they are incentivized to leave the school site and go work in the central district office.

For example, in the Santa Fe Public School District the average salary of a principal is currently \$73,667 while the average salary of an administrative associate is \$124,092. Making principal pay more competitive with that of central office administrators will help attract and retain the best principals, who will raise the quality of the schools they lead.

Improved Teacher Pay and Training

According to the National Education Association, New Mexico ranks 44th in the nation in teacher pay. This is a big part of the reason why we rank 43rd in the proportion of our educational budget dedicated to instruction, since teacher salaries make up the largest portion of spending in that category.

Starting teachers in New Mexico earn only \$34,000, which is a major reason why New Mexico has the second highest rate of teacher “churn” in the country, with 23.2% of teachers leaving the profession between 2011–2013. In 2016, the NMSU

College of Education issued a report concluding that the state was in “dire” need of more teachers, with 443 teacher vacancies across the state.

One of the best ways to improve the educational environment is to attract, train, and retain highly qualified teachers. A study by researchers at Harvard and MIT found that raising teacher wages reduced student dropout rates. Stipends could be targeted to raise the salaries of beginning teachers and incentivize teachers to take on hard-to-fill positions in high-poverty districts and special education. Increasing teacher pay and training may be one of the most valuable investments that could be made with additional classroom dollars.

These are just a few examples of how New Mexico's schools could be improved if more money were reaching the classroom. Each district would have the power to make the choices that are tailored to the needs of their students and community.

CONCLUSION

Throughout the summer of 2017, a legal battle raged over New Mexico's school funding.

The lawsuit had been filed three years earlier by a group of parents and about a dozen New Mexico school districts. They argued that the state has failed to appropriate enough money to provide an adequate education as required by the state constitution.

As the eight-week, \$3.6 million trial unfolded, over a million pages of documents were entered into the record. One national expert testified for the state that he had examined 400 studies on school funding and concluded that more money generally does not make a difference in student success. On the other side, experts countered that additional resources are essential in order to meet the needs of disadvantaged students, including children from low-income families, English language learners, and students with disabilities.

However, overlooked in the pitched battle was a small piece of common ground: "both sides agree that a vital component to investing more money is to ensure it is spent on the right resources to help students," as the *Santa Fe New Mexican* put it.

The reforms outlined in this report speak to that shared goal, and should resonate with both sides of this debate. New Mexico has limited resources, and we must make sure that the dollars we are currently appropriating for education are spent as effectively as possible. At the same time, if we enact reform measures that maximize the proportion of our education budget that reaches the classroom, then every additional dollar New

Think New Mexico's Reforms to Move More Dollars to the Classroom

ENACT LEGISLATION TO:

- Establish minimum budget percentages that each school district and charter school must spend in the classroom
- Use a sliding scale to set the minimum percentages, based on the size of the school district or charter school, and phase the minimums in over several years
- Define "classroom spending" to include instruction, instructional support, student support, and salaries and benefits for principals

REALLOCATE \$100+ MILLION TO THE CLASSROOM:

- Reduce New Mexico's burdensome state reporting requirements to the level of our peer states
- Reduce administrative expenses to the national average

Mexico appropriates for our schools will make a much bigger difference for students.

In April 2016, a National Public Radio investigation compared the experiences of Camden, New Jersey and Revere, Massachusetts, two high-poverty districts that increased spending on their schools.



The Field of Hopes and Dreams in Texico. Photo by Arlyn Nathan, September 2017.

While students in Camden showed little to no improvement, graduation rates soared in Revere, and the percentage of graduates going on to higher education rose from 70% in the early 1990s to 90% today. The difference, according to the report, was that in Revere, “the money stays in the classroom: paying, training and supporting strong teachers, improving curriculum and keeping class sizes manageable.” In Camden, too much of the increased funding was spent outside the classroom where it did not make a difference for students.

We know that the reforms recommended here are achievable, because the outstanding districts

that we have highlighted throughout this report are already implementing them. Texico, Gadsden, and others show us how all New Mexico school districts can help their students succeed.

Just as New Mexico broke new ground four decades ago in developing a funding formula to equalize education funding that became a model for other states, we can also transform the way those dollars are allocated to maximize spending in the classroom, where it will make the most impact for New Mexico’s children.

TAKE ACTION! Visit www.thinknewmexico.org and sign up for email alerts to join the fight to reallocate dollars from education administration to the classroom!

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