

THINK NEW MEXICO

A Results-Oriented Think Tank Serving New Mexicans

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NM
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Re-Allocating Resources:
How to Pay for Voluntary Prekindergarten
for Four-Year-Olds Without Raising Taxes

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About Think New Mexico

Think New Mexico is a results-oriented think tank serving the citizens of New Mexico. We fulfill this mission by educating the public, the media and policy makers about some of the most serious problems facing New Mexico and by developing effective, comprehensive, sustainable solutions to those problems.

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. We use advocacy and, as a last resort, legal action but only within the constraints of Federal tax law.

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 see New Mexico succeed. They are also the brain trust of this think tank.

As a results-oriented think tank, Think New Mexico measures its success based on changes in law or policy that it is able to help achieve and which improve New Mexico's quality of life. We are best known for our successful campaigns to make full-day kindergarten accessible to every child in New Mexico and to repeal the state's regressive tax on food.

Think New Mexico began its operations on January 1, 1999. It is a tax-exempt organization under section 501 (c)(3) of the Internal Revenue Code. In order to maintain its independence, Think New Mexico does not accept government money. However, contributions from individuals, businesses and foundations are welcomed, encouraged and tax-deductible.

Think New Mexico's Board of Directors



Edward Archuleta, a 13th generation New Mexican, is the former Director of the Santa Fe office of 1000 Friends of NM, a nonprofit organization that advocates responsible land-use planning, growth management and sustainable development. Edward previously served as the top assistant to former NM Secretary of State Stephanie Gonzales.



Paul Bardacke served as Attorney General of NM from 1983-1986. Paul was Chairman of Bill Richardson's successful 2002 gubernatorial campaign. He is a member of the American College of Trial Lawyers. Paul currently handles complex commercial litigation and mediation with the firm of Eaves, Bardacke, Baugh, Kierst & Larson.



David Buchholtz has served on a long list of NM boards and commissions and has advised several New Mexico governors on fiscal matters. David recently served as Chairman of the Association of Commerce and Industry. He is Senior Counsel at Brownstein, Hyatt, and Farber.



Garrey Carruthers served as Governor of NM from 1987-1990. Garrey is Dean of New Mexico State University's College of Business, and was formerly President and CEO of Cimarron Health Plan. He is a member of the Board of Directors of the U.S. Chamber of Commerce and the NM Business Roundtable for Educational Excellence.



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LaDonna Harris is an enrolled member of the Comanche Nation. LaDonna is Chairman of the Board and Founder 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.

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



Frank Ortiz, a career Foreign Service Officer of the United States, has served as United States Ambassador to several countries, including Argentina, Guatemala and Peru. Frank serves on many boards throughout NM.



Roberta Cooper Ramo is the first woman elected President of the American Bar Association. Roberta serves on the State Board of Finance and is a former President of the Board of Regents of the University of NM. She is a shareholder with the Modrall law firm and serves on many national boards. *Roberta abstained from consideration of this report due to a possible conflict of interest.*



Stewart Udall served as Secretary of the Interior under Presidents Kennedy and Johnson. Prior to that, Stewart served three terms in Congress. He is the author of *The Quiet Crisis* (1963) that tells the story of humankind's stewardship over the planet's resources, and *To the Inland Empire: Coronado and Our Spanish Legacy* (1987) which celebrates Hispanic contributions to our history.



Photo Credit for Mr. Archuleta and Ms. Koch: Kathleen Dudley

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The territorial legislatures of 1872 and 1876 were the first to wrestle with the question of how to fund the public schools in New Mexico. Ultimately, they chose to use county fines collected for cockfighting, burying the dead on Sunday, and marrying a close relative, among other things, according to Tom Wiley's book *Politics and Purse Strings in New Mexico's Public Schools*.

Since then, New Mexico has developed more traditional and reliable public school funding sources that totaled nearly \$2 billion last year. School financing, however, remains a hot topic both in New Mexico and nationally.

On one side are those who argue that more money is all the public school system needs to boost student performance. On the other side are those who argue that more money has no effect on student achievement. In this report, Think New Mexico takes a third approach: that money does matter, but only when it is targeted directly to instruction rather than to administration or other non-instruction related activities.

In 2001, the Southwest Educational Development Laboratory studied 1,500 southwestern school districts, including some in New Mexico. They concluded that one of the most critical factors in improving student achievement was "higher spending on instruction and lower spending on general administration and non-instructional services." Researchers at RAND and other education research organizations have made similar findings.

Unfortunately, however, New Mexico ranks 50th among the 50 states for the percentage of each dollar spent on education that reaches the classroom, according to the National Center for Education Statistics.

In the following pages, we identify savings from administration and other non-instruction related expenses and propose that those savings be re-allocated to the classroom to make high quality, voluntary prekindergarten available to every four-year-old in New Mexico.

Fortunately, Governor Bill Richardson and Lieutenant Governor Diane Denish are already championing prekindergarten. We believe this is a wise idea based on New Mexico's recent experience with full-day kindergarten, which has demonstrated enormous success in better preparing New Mexico's children to enter first grade ready to learn how to read.

By enacting a landmark full-day kindergarten law in 2000 and sustaining a bipartisan commitment to funding it, the Legislature expanded access to full-day kindergarten from 14% to 100% of New Mexico's five-year-olds and led New Mexico from the bottom to the top of this national ranking. Lifting New Mexico from the bottom of the nation in instructional spending and providing voluntary prekindergarten to each of New Mexico's four-year-olds are equally achievable goals.

In preparing this report, we consulted dozens of government reports, journal studies, and newspaper stories. To help us better understand New Mexico's school funding challenges, we analyzed the last three years of audits and budgets for school districts as well as financial data available from the Public Education Department (PED). We obtained salary and other data from school districts under the Inspection of Public Records Act—generally with a bit of a struggle.

Next, we interviewed a variety of experts, including teachers, principals, district administrators and officials at the PED, the Office of Educational Accountability, the Legislative Finance Committee, the Legislative Education Study Committee, the State Auditor's Office, and the Education Commission of the States. We also interviewed experts in other states and national experts, like Dr. William Ouchi at UCLA and Dr. Bruce Cooper at Fordham. Those who assisted us are listed in the Acknowledgments, although several preferred to have their contributions remain anonymous.

Finally, I want to thank the talented members of Think New Mexico's staff, who put in long hours researching and writing this report with me, and introduce our new Field Director, Chris Chavez, a recent graduate of the Anderson Schools of Management at the University of New Mexico.

Think New Mexico depends on the quality of reports like this, and people like you who find our work worthwhile, to generate our operating support. We welcome your tax-deductible contributions, which make Think New Mexico's work possible.

Fred Nathan

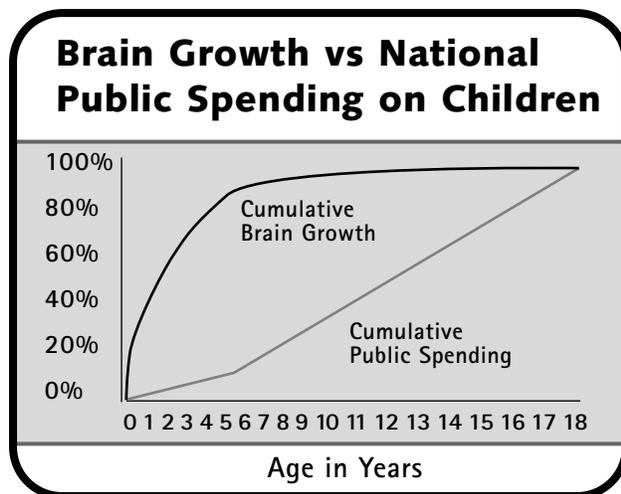
Founder and Executive Director
September 15, 2004

THE CASE FOR PREKINDERGARTEN

A generation ago, it was assumed that serious learning began with formal schooling, when children were about six.

Over the last twenty years, however, scientists, including many at the Santa Fe Institute, undertook extensive studies of younger children and were startled to discover just how much activity is actually occurring in their brains. These "scientists in the crib" discovered that, from birth, children are intensely engaged with the world around them. They rapidly develop and use skills including spatial reasoning, physical causality, and categorization.

Far from the old understanding that meaningful learning begins with formal schooling, researchers discovered that about 90% of a person's brain growth occurs between the ages of 0-5, before he or she even enters school. Yet because our national educational system remains based on an outdated model of childhood development, approximately 90% of public spending for children is received after age five. These early years of life are a missed opportunity.



Source: Education Commission of the States, RAND analysis

Prekindergarten for four-year-olds would take advantage of that opportunity by allowing teachers to build on young children's extraordinary mental abilities to enhance their learning and development. Because the environment our children experience during their first five years of life lays a foundation that will either improve or impair their ability to succeed in the rest of their lives, studies have repeatedly shown impressive long-term dividends produced by high quality prekindergarten classes.

The most immediate payback from prekindergarten is higher student achievement. Research including the Carolina Abecedarian Project, the Chicago Child-Parent Center Study (Chicago Study), and a recent study conducted in Albuquerque by the Institute for Social Research have shown that children who participate in prekindergarten programs enter kindergarten ahead of their peers in language, literacy, creativity, music, movement, and social skills.

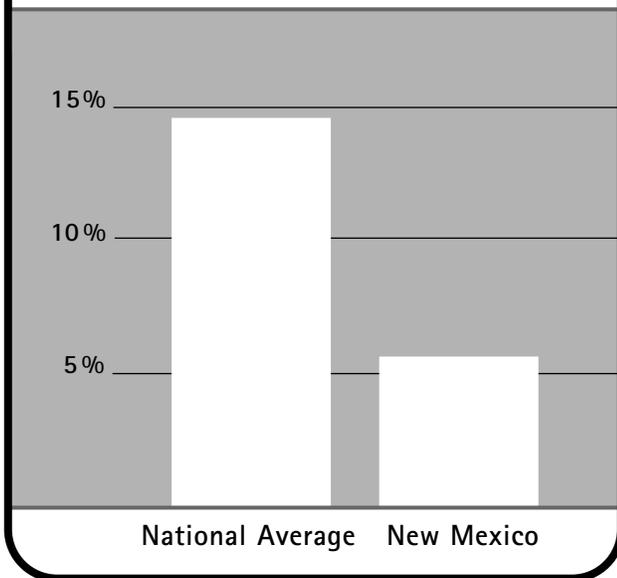
Recent research by RAND found that low- and middle-income students who had attended public prekindergarten scored about 10% higher than their classmates on standard math and reading tests in fourth and eighth grade.

Prekindergarten's economic benefits are equally dramatic. As prekindergarteners continue their schooling, they experience lower special education needs, lower rates of grade retention, lower rates of juvenile and violent arrests, fewer teenage pregnancies, higher rates of high school graduation and college enrollment, and ultimately enjoy higher employment rates and reduced welfare dependency as adults.

Reduced costs for special education, welfare, and the juvenile justice system are all direct returns to tax-

Access to Prekindergarten

Percentage of 4-Year-Olds Attending Prekindergarten in NM and Nationally



Source: "The State of Preschool 2003,"
National Institute for Early Education Research

payers' pockets. The High/Scope Perry Preschool study showed a long-term return to society of seven dollars for every dollar invested in high quality early education. The Chicago Study conducted during the 1980s-90s showed a net return to taxpayers of \$47,759 per prekindergartener by age 21.

Considering that New Mexico has the nation's highest rate of children living in poverty and is plagued by consistently low student test scores, providing high quality prekindergarten here is even more important than in most states. This makes it especially troubling that in 2002, the most recent year for which data are available, only 5.6% of New Mexico's four-year-olds (those with special needs) were enrolled in state prekindergarten classes, compared with

14.8% of four-year-olds nationwide, according to the National Institute for Early Education Research.

The good news is that Governor Bill Richardson and Lieutenant Governor Diane Denish, Chair of New Mexico's Children's Cabinet, are working with legislators of both parties to make high quality, voluntary prekindergarten available throughout New Mexico.

We estimate that approximately \$90 million annually would make high quality prekindergarten classes available to every four-year-old in the state on a voluntary basis, with parents responsible for deciding whether their child should attend for a half day, a full day, or not at all. This figure is calculated from the cost of providing full-day kindergarten to New Mexico's approximately 24,000 five-year-olds: \$4,370.62 per child.¹ Based on the experience of other states with prekindergarten, we project that New Mexico will have about 15% fewer prekindergarteners than kindergarteners.

New Mexico's experience with full-day kindergarten suggests that prekindergarten classes may take up to ten years to phase in to allow time to build the classroom facilities, where necessary, and to train high quality teachers.

Implementing voluntary prekindergarten for four-year-olds is one of the best investments New Mexico can make toward improving student performance, closing the achievement gap, and breaking the grip of the state's seemingly unyielding poverty. The only question is how to pay for it.

1] This figure is derived from multiplying the public school unit value of \$3,035.15 by the "weighting factor" of 1.44, which takes into account the low student-faculty ratios state law requires for kindergarten classes.

THE NEED TO RE-ALLOCATE RESOURCES

One good way for New Mexico to pay for statewide high quality, voluntary prekindergarten for four-year-olds is by re-allocating educational resources from administration and support services to the classrooms, where the actual learning takes place.

Each year for the past ten years, the National Center for Education Statistics (NCES) at the U.S. Department of Education has produced a survey of how the states allocate each educational dollar between instruction (i.e. "activities directly associated with the interaction between teachers and students"), support services (e.g. administration, building maintenance), and non-instruction (e.g. food services).

In 2001-02, the most recent school year for which NCES data is available, New Mexico ranked below every other state for the percentage of each dollar (55.9%) invested in education that goes to instruction. This is especially tragic since New Mexico is a poor state where dollars for public schools are scarce.

Compare New Mexico to Utah, another rural, sparsely populated, and relatively poor Western state, which ranks third for getting educational dollars the classroom. Utah invests 65.2 cents of every dollar spent on education on instruction, or 9.3 cents more of each dollar than New Mexico.

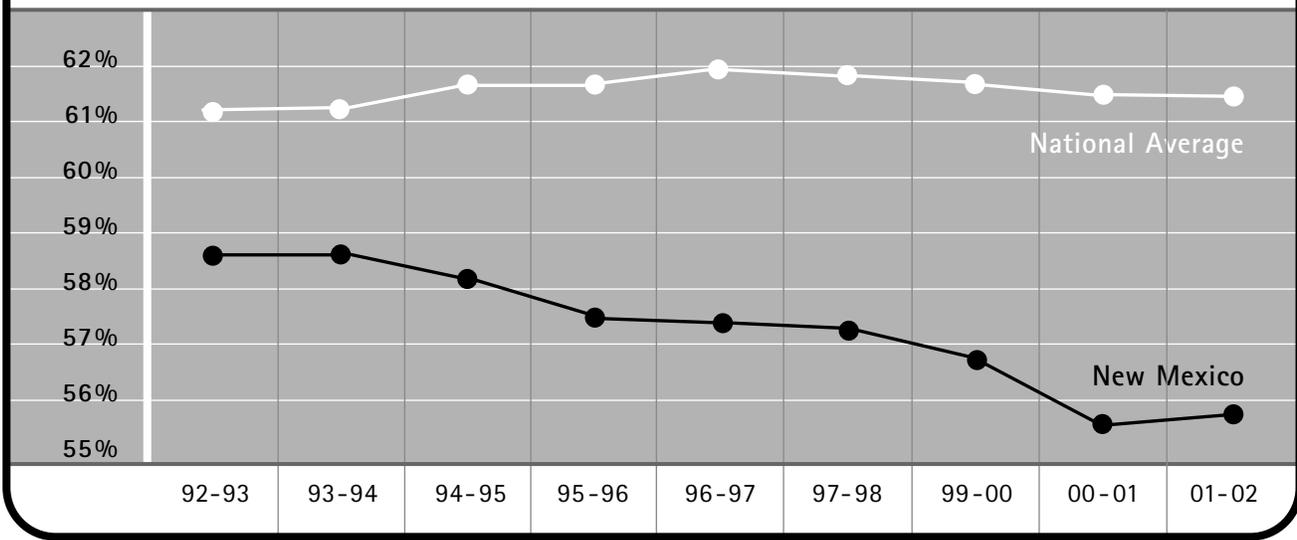
That 9.3 percentage difference in New Mexico's \$1.99 billion total recurring General Fund budget for public schools represents more than \$185 million—enough to pay for every four-year-old in New Mexico to attend prekindergarten and have another \$95 million available for additional school reforms. Just moving to the national average of 61.5% of every

Percentage of Public Education Expenditures Used for Instruction

State / Percentage		State / Percentage	
New York	68.3	Alabama	61.2
Maine	66.6	Idaho	61.1
Utah	65.2	Louisiana	61.1
Tennessee	65.1	Indiana	60.9
New Hampshire	64.9	Missouri	60.9
Rhode Island	64.5	Wyoming	60.9
Vermont	64.4	Hawaii	60.5
Connecticut	64.0	Texas	60.4
Georgia	63.9	Mississippi	60.2
Massachusetts	63.7	South Carolina	60.2
Minnesota	63.6	Iowa	59.6
North Carolina	63.3	Illinois	59.5
Nebraska	63.0	Washington	59.5
Nevada	62.4	South Dakota	59.2
Pennsylvania	62.3	New Jersey	59.1
Maryland	62.2	Florida	59.0
Wisconsin	62.0	Oregon	58.8
Montana	61.9	Alaska	58.7
California	61.7	Kansas	58.5
West Virginia	61.7	Ohio	58.0
Arkansas	61.6	Colorado	57.8
Delaware	61.6	Oklahoma	57.8
Virginia	61.6	Michigan	57.4
Kentucky	61.4	Arizona	56.8
North Dakota	61.4	New Mexico	55.9

Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data "National Public Education Financial Survey," 2001-02

Change in Percentage Spent on Instruction 1992–2002



Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data, "National Public Education Financial Surveys," 1992-2002

dollar spent on instruction would yield 5.6% more for instruction in New Mexico, or about \$112 million.

Remarkably, as the chart above indicates, New Mexico's percentage of each dollar spent on instruction has been steadily declining since NCEES began tracking it in the 1992-1993 school year. As a consequence, New Mexico's overall ranking has declined from 43rd in the 1992-1993 school year to 50th in the 2001-2002 school year.

In addition, there is strong evidence that the percentage New Mexico reports as invested on instruction is inflated. An October 2003 report by the Legislature's auditors entitled "Review of Public School Accountability" found that "school district personnel admitted misclassifying expenditures to direct instruction in order to reach the Department-mandated national average of about 62 cents of each educational dollar being spent on instruction."

Fortunately, Governor Richardson and several legislators have made getting dollars to the classroom a priority. In 2003, they successfully squeezed 1% out of administration and moved it to the classroom. However, many states have been pursuing such efforts for years. So despite our recent efforts, New Mexico is unlikely to have significantly improved our ranking since the 2001-2002 school year.

Budgets are zero-sum games. Every dollar New Mexico spends for administration or support services is a dollar less for classroom reforms like prekindergarten, which lead directly to higher student achievement. The rest of this report examines where the money in New Mexico's school system goes now and identifies opportunities to re-allocate resources from administration and support services to our children's classrooms.

REALIZING ECONOMIES OF SCALE

According to the National Center for Education Statistics (NCES), of every dollar spent on education in New Mexico, more than 44 cents are not spent on instruction.

The bulk of that, 39.5 cents, is spent on a broad category which NCES classifies as "support services."² It includes school district administration, building operation and maintenance, student support services (e.g. guidance counselors) student transportation, business services and data processing, among other things. In fact, New Mexico spends a larger percentage on support services than any other state (except Michigan, which ties for last place), as the accompanying chart from NCES demonstrates.

When Governor Richardson and the Legislature moved 1% of New Mexico's education budget from administration to classroom instruction in the 2003 legislative session (the original goal was 5%), many central office administrators argued that they had already cut their individual school district budgets to the bone. For instance, the Superintendent of the Pecos School District told the Santa Fe New Mexican, "It's going to destroy us," referring to the effect a 5% change would have on his district's budget.

However, some of the biggest savings are found not by looking for savings **within** individual district budgets, but by eliminating inefficiencies and duplication **across** districts—mostly in support services.

2] The remaining portion of each educational dollar in New Mexico, approximately 4.6 cents, goes to the third and final NCES category, "non-instruction," which goes "mostly toward food service." New Mexico ranks in the middle of the 50 states in this category—25th highest.

Percentage of Public Education Expenditures Used for Support Services

State / Percentage	State / Percentage
New York 29.0	Hawaii 34.0
Utah 29.3	Nevada 34.3
Nebraska 29.9	South Carolina 34.4
Maine 30.0	California 34.5
Tennessee 30.0	Virginia 34.5
North Carolina 30.9	Idaho 34.6
North Dakota 30.9	Missouri 34.6
Georgia 31.0	Texas 34.6
Alabama 31.8	Wisconsin 34.8
New Hampshire 31.9	Indiana 35.0
Minnesota 32.1	South Dakota 35.4
Connecticut 32.4	Washington 35.6
Louisiana 32.5	Oklahoma 35.7
West Virginia 32.5	Wyoming 35.8
Rhode Island 32.8	Florida 36.1
Vermont 32.8	Arizona 36.9
Maryland 33.0	Kansas 36.9
Iowa 33.1	Illinois 37.3
Kentucky 33.1	New Jersey 37.8
Massachusetts 33.2	Alaska 37.9
Arkansas 33.3	Oregon 37.9
Mississippi 33.3	Ohio 38.5
Delaware 33.7	Colorado 38.7
Montana 33.9	Michigan 39.5
Pennsylvania 33.9	New Mexico 39.5

Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data, "National Public Education Financial Survey," 2001-02

Utilizing Cooperative Purchasing

New Mexico's public education system of 89 school districts fails to fully exploit the one major competitive advantage that the public schools enjoy over private, parochial, and home schools: the sheer volume of students – more than 322,000 last year.

Consider the buying power and economies of scale that could be harvested to benefit students. Yet the public school system too often continues to purchase and deliver support services, supplies and equipment through 89 separate school districts.

There already exists an excellent vehicle in New Mexico to realize economies of scale, Cooperative Educational Services (CES). Through CES, all 89 school districts can leverage their collective purchasing power to obtain a wide variety of products and services at lower prices, including school supplies, software, computer hardware, office machines, food services, and even school buses and band uniforms.

However, school districts do not use CES nearly as much as they could. CES was founded more than a quarter century ago, but today has a procurement staff of just five. Last year total purchases through CES were less than \$50 million, about 2.5% of the nearly \$2 billion public school budget.

After analyzing statewide public school budget data, we estimate that at least 10% or approximately \$200 million of the budget for public schools can be purchased through a buying cooperative in addition to what is already purchased at CES. Applying a conservative rate of savings of 12%, after fees, yields \$24 million in savings – enough to make prekindergarten accessible to nearly 5,500 children.

Unfortunately, opportunities to realize economies of scale on behalf of public school students are often defeated by other considerations. Some superintendents, for example, prefer to purchase goods and services in their local communities for economic development reasons. One superintendent also pointed out that local vendors underwrite the costs of school bond campaigns.

The Richardson Administration's "Save Smart New Mexico" program, which promotes collaboration among state agencies to leverage their collective purchasing power, was also originally resisted because of fears that it would hurt local vendors. In actuality, the Save Smart program has increased the amount of money spent on purchases from New Mexico vendors, while saving taxpayers 10% – 15% on average on purchases by state agencies, according to the New Mexico General Services Department.

While Save Smart New Mexico and CES make some purchases out of state or beyond the boundaries of a particular school district, the resulting savings can be used to hire new prekindergarten teachers. Those new jobs also constitute economic development. Ultimately, of course, the most effective long-term economic development is higher student achievement.

In order to promote more collaborative purchasing among school districts and to realize greater economies of scale, we would encourage the Legislature to create incentives, like a 1% cash rebate that would reward districts which make purchases through either CES or Save Smart New Mexico. It would likely pay for itself and would be more effective than a state mandate forcing school districts to use collaborative purchasing.

Streamlining Administrative Duplication

Another way New Mexico's public schools could take advantage of economies of scale would be to remove some of the duplication in administrative personnel. Consider the nearby chart, which shows some of the overlap in administration across school districts in New Mexico.

To take one example, there are 67 food service directors within the public school system in New Mexico. (In seven districts these Food Service Directors wear multiple hats, but in other districts the Food Director also has an "Assistant Food Director" or a "Food Specialist.")

We believe these same services could be provided more economically by replacing the current system with a single food service director at each of New Mexico's nine Regional Educational Cooperatives (RECs), which were created to provide education-related services and technical assistance to multiple school districts. For instance, REC 6 in Clovis serves ten districts (Dora, Elida, Floyd, Ft. Sumner, Grady, House, Logan, Melrose, San Jon, and Texico), each one of which has a food service director. Likewise, RECs 5 and 7 together serve nine school districts, all of which have food service directors, according to the *2003-2004 New Mexico Educational Personnel Directory*.

This pattern of duplication of administrators is repeated across many services that the 89 school districts in New Mexico provide, from athletic directors to transportation service directors to accountability data system coordinators to personnel directors to resource and testing coordinators. Many, if not all, of these top administrative positions could be consolidated at the regional level.

Selected New Mexico District Administrators

Resource & Testing Coordinator	577
Accountability Data System Coordinator	75
Food Service Director	67
Assistant Superintendent	59
Federal Project Supervisor	49
Athletic Director	41
Technology Coordinator	31
Transportation Service Director	30
Personnel Director	22

Source: *District Personnel by Experience & Salary Report 2003-2004, NM PED; 2003-2004 New Mexico Educational Personnel Directory; and NM PED Finance Statistics 2002-2003*. Compiled by Think New Mexico

States with Least and Most District Administrators as % of Total Educators

Arizona	0.4%
Louisiana	0.4%
South Carolina	0.4%
Utah	0.4%
Massachusetts	0.5%
Kansas	1.9%
South Dakota	2.4%
Ohio	2.7%
New Mexico	2.8%
North Dakota	2.9%

Source: *U.S. Dept. of Ed., National Center for Education Statistics, Common Core of Data "State Nonfiscal Survey of Public Elementary/Secondary Education," 2001-2002*



A class at Clayton Public School in 1914. Moving some administrative duties from districts to RECs would make more money available for use in New Mexico's classrooms. Photo courtesy Museum of New Mexico, #50786.

Currently, the nine RECs serve 65 of the 89 school districts in New Mexico, but those districts comprise only 15% of the student population. However, the Public Education Department is considering a proposal to require each district to belong to an REC. Among other benefits, this would give more districts the ability to streamline their administration and deliver services to students more economically.

New Mexico's school districts could potentially save \$13.9 million in salaries alone (not including benefits) if RECs employed food service directors, transportation directors, technology directors, athletics directors, personnel directors, federal projects supervisors, accountability data system coordinators, and resource and testing coordinators, in place of multiple district administrators. These savings could make pre-kindergarten accessible to more than 3,100 children.

Moreover, the RECs could offer higher salaries and hire better qualified people for these positions, resulting in better performance as well as savings.

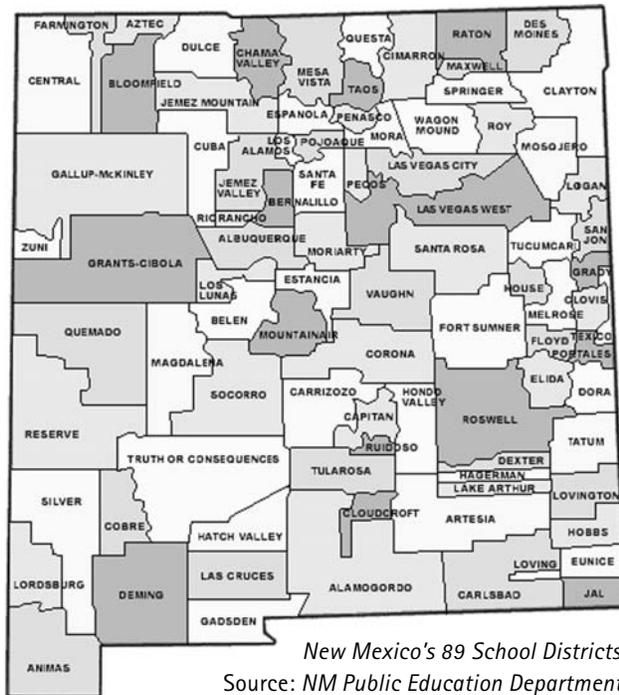
Consolidating administrators may yield other savings. By hiring a single Transportation Director to serve multiple school districts instead of a single district, it might be possible to identify fewer and shorter routes that cut across artificial district boundaries, thereby saving gas and maintenance costs.

Streamlining central office administration would entail some loss of jobs, which of course is never popular, but it could be done through attrition over the next decade with the savings set aside for gradually hiring new prekindergarten teachers as the classes are phased in. The new teaching positions created for prekindergarten would outnumber the jobs lost at the administrative level in every district in the state.

RESTRUCTURING SCHOOL DISTRICTS

A substantial body of research has found that education expenditures per pupil exhibit a U-shaped association with district size—both the smallest and the largest districts spend more per pupil than medium-sized districts.

New Mexico has districts on both ends of this “U.” Some very small districts would benefit from combining their administrative operations; others need to decentralize oversized, inefficient bureaucracies. Savings can be found at both ends.



Cuba, Mesa Vista, Vaughn, Wagon Mound & Las Vegas

The number of school districts in New Mexico has declined dramatically from 947 in 1940 to 89 in 1970, where it remains today.

Why has there not been any further consolidation in the past three decades? It might have something to do with the fact that while smaller New Mexico school districts have higher per capita costs, they also tend to have higher student performance. That, of course, is and should be the true bottom line.

This is reflected in the results of the 2003–04 math and reading proficiency assessments for 11th graders in New Mexico. Only nine school districts in New Mexico had average proficiency scores of 68% or above in math, and eight of those were small districts with student populations of fewer than 620 students: Clayton, Cloudcroft, Dora, Grady, Hagerman, Peñasco, Quemado, and Texico. (The other high performing district was Los Alamos, which has 3,647 students.) Statewide, only 47% of 11th graders were rated proficient in math.

Likewise, only ten school districts in New Mexico had average proficiency scores of 70% or above in reading, and eight of those were districts with student populations of under 620: Animas, Cloudcroft, Dora, Grady, Hagerman, Peñasco, Roy, and Texico. (The other high performing districts were Los Alamos and Ratón, which has 1,419 students.) Statewide, only 56% of 11th graders were rated proficient in reading.

Although test scores do not tell the whole story, they do paint a vivid portrait here. Only 4% of New Mexico public school students are in school districts of fewer than 620 students, yet those districts are overwhelmingly represented among the highest achieving districts in New Mexico.

We believe students in smaller school districts generally perform better because these districts often do a better job of tailoring their budgets, curricula, and hiring to the needs of the individual populations



A class at the North Public School in Las Vegas during the 1890s. Merging the two Las Vegas school districts would free up resources that could be used to provide prekindergarten to children in Las Vegas. Photo courtesy Museum of New Mexico, #70248.

of their schools, which tend to be strongly supported by parents and local community members. Moreover, smaller school districts, not surprisingly, have small schools and small class sizes, which also correlate with higher student achievement.

In deciding whether to consolidate school districts, we would suggest examining district achievement rates and district audits rather than simply looking at the size of districts. Such an exercise would reveal that there are at least four school districts that have had persistent histories of serious financial or management problems or both: Cuba, Mesa Vista, Vaughn, and Wagon Mound.

For example, in August 2001 the independent auditor for the Mesa Vista Consolidated Schools sent a letter to the State recommending that the district's

business manager be removed from her position and replaced with someone trained in accounting, auditing, and budgeting. The auditor stated that the business manager, who was married to the president of the school board and whose brother-in-law also served on the school board, had lost files and made a mess of the district's finances.

Likewise, the state education department's deputy division director for finance chastised the board for wasting money trying to train the business manager and for hiring new employees to do her work instead of simply replacing her. The board, however, declined to remove the business manager. In the three years since then the district has had five different superintendents, but the business manager and her husband on the school board remain.

The state education department relieved the Cuba Independent School District of its financial authority in 2000 and the Vaughn Municipal School District in 2001 for fiscal mismanagement and lack of accountability. The State Auditor's investigation of Vaughn revealed that the district had failed to maintain a general ledger and therefore overspent its budget. (Vaughn's authority was returned earlier this year, but Cuba remains under state control.) Meanwhile, Wagon Mound might have detected that a bank employee was embezzling \$103,092 from the district's bank account from 1999 through 2001 had the district reconciled its account with its monthly bank statements.

These districts do not enjoy good test scores either. For example, only 27% of 11th graders in Wagon Mound are proficient in reading and only 13% are proficient in math, the lowest scores in the state.

In the case of the two school districts in Las Vegas, the problem is not financial mismanagement, but obvious duplication. Until 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 and two police departments. Three decades later, however, Las Vegas still has two school districts, even though municipal consolidation is widely considered a success, according to former Las Vegas Mayor Matt Martinez, a strong backer of a merged school district.

Both Las Vegas districts have been losing students, and a merged district would begin with fewer than 4,200 students. (We note that while the two districts have similar enrollment numbers, the West Las Vegas school district has significantly lower test scores, more administrative staff, and was recently ordered to repay the federal government \$526,000 for mismanaging their Head Start program.)

We recommend that legislation to merge the two districts in Las Vegas and consolidate the other four districts with better performing, small, neighboring school districts be presented to the next Legislature for an up or down vote without amendment, like a military base closing bill.

It should be emphasized that consolidating school districts and their central office administration does not mean consolidating schools. In fact, as stated earlier, we are strong proponents of small schools. Consolidating district administration, while maintaining all of the schools in those districts, would yield savings of nearly \$2 million. The chart below of savings was compiled by carefully calculating the administrative costs of other districts and projecting the administrative costs that would be necessary to run these four consolidated districts and the merged district in Las Vegas. The money saved can be better spent on the needs of children by hiring 49 new prekindergarten teachers.

Estimated Savings from Restructuring Districts		
District	Savings	Savings as % of Total Budget
Cuba	\$350,747	3.56%
Mesa Vista	\$257,443	4.12%
Vaughn	\$62,871	4.31%
Wagon Mound	\$70,148	1.53%
Las Vegas	\$1,195,512	2.82%
TOTAL	\$1,936,721	

Calculated by Think New Mexico using "New Mexico Public School Finance Statistics, Fiscal Years 2002-03 Actual & 2003-04 Estimated"

Albuquerque and Las Cruces

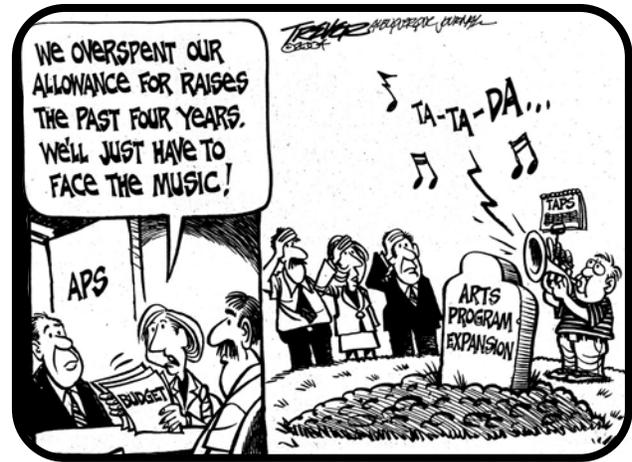
Many different studies of school district size and efficiency from New York to Arizona have found that larger districts devote more resources to "secondary or non-essential activities" than smaller districts. As a result, many of the nation's largest districts spend less on instruction than the national average.

The research indicates that school districts larger than 6,000 students begin to experience these "diseconomies of scale"—and once the district enrollment exceeds 15,000 students, those inefficiencies become very significant.

Only two New Mexico school districts exceeded 15,000 students in the 2003-04 school year: Las Cruces Public Schools, with 23,101 students, and Albuquerque Public Schools (APS), with 90,214 students.

In fact, APS is one of the largest school districts in the nation. Some of its recent actions provide good illustrations of the problems that emerge from an oversized bureaucracy:

- Purchasing a \$12 million central administrative office building in the high-rent district of Albuquerque.
- Paying an additional \$494,000 to put a new roof on the central office building, triple the roofing estimate obtained by the building's prior owners three years earlier.
- Spending \$7 million on a new computerized financial system, but giving its employees only four hours of training in how to use it. By June 2003, APS was months behind in payments of hundreds of thousands of dollars to its 18,000



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vendors. District administrators blamed the new financial system for a six-month delay in completing the district's audit.

- Spending \$386,000 to buy out the contract of former Superintendent Brad Allison, and then replacing Superintendent Allison with four "co-superintendents" costing over \$480,000 a year.
- Neglecting to prevent APS employees from making 61 unauthorized personal purchases totaling \$123,461 between April and June of 2002.

In addition to the almost inevitable financial mismanagement large districts tend to spend too much on non-essential activities. For example, the 55 separate administrative departments at APS include: carpet cleaning (6 employees), small appliance repair shop (2), locksmiths (7), blinds and shades shop (2), materials management (26), musical instrument repair shop (3), surfaces team (13), lawn mower shop (2), re-roofing (12), telephone repair shop (7), and portable moving (4), according to budget informa-



A Santa Fe teacher at work in the 1950s. School districts between 10,001-15,000 students, like Santa Fe, are generally more cost effective than larger districts. Photo by Tyler Dingee, courtesy Museum of New Mexico, #91882.

tion that we received through an Inspection of Public Records Act Request. The larger and more bureaucratic the system, the less transparent it becomes. Once money enters the district system, it becomes difficult to track. As a result, the district is less accountable to the public.

Today APS faces a \$40 million budget shortfall, largely as a result of handing out unauthorized raises that have exceeded state funding by \$17.8 million since 2001. In 2002, teachers received raises of 1% while administrators were given raises that ranged from 2% to 16%. To make matters worse, in many cases these raises were paid for with one-time, non-recurring revenues, such as district reserve funds, even though raises are a recurring expense.

The real bottom line is student achievement, and that is not encouraging either. Only 52% of APS 11th graders were proficient in reading and only 48% were proficient in math on the 2003-04 assessments. In New Mexico's second largest school district, Las Cruces, 61% of the 11th graders were proficient in reading and 50% were proficient in math.

New Mexico Expenditures Per Pupil by District Size

School District Enrollment 2002-2003	Average Net Operational Expenditures Per Pupil
Under 500	\$7,821
501-1,000	\$6,829
1,001-2,500	\$5,900
2,501-5,000	\$5,701
5,001-10,000	\$5,163
10,001-15,000	\$5,072
Over 15,000	\$5,400

Source: "New Mexico Public School Finance Statistics, Fiscal Years 2002-03 Actual & 2003-04 Estimated," New Mexico Public Education Department (page C-303)

The most cost effective districts in New Mexico, on a relative basis, are those serving between 10,001 and 15,000 students—Santa Fe, Rio Rancho, Gadsden, and Gallup—which spent an average of \$5,072 per pupil on operational expenses (including instruction, administration, business support, operation and maintenance) in 2002-03, the most recent year for which data are available. By contrast, Las Cruces spent nearly \$300 more per student (\$5,362), and APS spent over \$350 more per student (\$5,438). The evidence contradicts the pervasive myth that the largest districts are the most efficient.

The best way to reform oversized districts like APS and rapidly growing Las Cruces is to de-consolidate them into several smaller districts (e.g. by breaking off the West Side of APS). Rio Rancho, which broke off from APS in 1994, now spends \$341 less per pupil than APS.

Reaching optimal size in Albuquerque would entail transforming it into at least six smaller districts. The goal would be to create smaller autonomous districts without establishing six new bureaucracies. This could be accomplished by converting the APS central office into an REC from which the new districts with skeletal staffs could purchase food services, transportation services, legal services, information technology services, and so on. This would ensure that no cooperative savings opportunities are lost in the transition. At the same time those services currently provided by APS for which the new districts are unwilling to pay would be eliminated, in the same way that a business ceases to offer products for which there is no demand.

In addition, this de-consolidation would decentralize some central office functions, like budgeting and hiring, to school sites, similar to New Mexico's very efficient, decentralized Catholic school model. Dr. William Ouchi, a management professor at UCLA who has studied inefficiencies in public schools, has found that more decentralized school systems are more efficient and accountable because more of the money goes "all the way to the local school, where many pairs of eyes, including those of parents and teachers, are watching every dollar."

The key is to decentralize those functions that should be decentralized (e.g. curriculum, budget and hiring) while continuing to centralize those functions which make sense for efficiency purposes (e.g. purchasing). In the case of Albuquerque, we would also recommend maintaining a unified tax base and allowing the new districts to share resources for capital outlay on a proportionate basis.

De-consolidating large districts into smaller entities is politically challenging. However, there is momentum toward de-consolidating up large districts from Las Vegas, Nevada (265,000 students) to Greenville, South Carolina (61,000 students). The Los Angeles Unified School District, which has over 700,000 students, has taken a number of steps toward de-consolidation in the past several years, including reorganizing the system into 11 semi-autonomous sub-districts, which reduced the levels of administration from six to four and decreased the paperwork burden on educators and staff.

In New Mexico, Representative and now Senator James G. Taylor sponsored legislation during the 2002 session that would have required any school district larger than 35,000 students to hold a special election allowing the public to decide whether to de-consolidate it into smaller districts. Although the bill won bipartisan support and passed 56-10 in the House and 26-14 in the Senate, it was vetoed by then-Governor Gary Johnson. We recommend that such legislation be pursued again and be made applicable to any district over 15,000 students.

If the district structure at APS was reformed so that spending per pupil were equal to that of the more efficient medium-sized districts, the savings would be \$366 for each of the APS's 90,214 students—more than \$33 million. Similar reforms at Las Cruces would yield savings of \$6.7 million. Taken together, a restructuring of New Mexico's two largest school districts would eliminate most of the spending on secondary and non-essential activities and free up \$39.7 million—enough to make prekindergarten accessible to more than 9,000 children.

RETHINKING DISTRICT ADMINISTRATIVE SALARIES

New Mexico's public schools are often referred to as a "system of education." However, when it comes to employee compensation, New Mexico actually has 90 "systems of education"—one set by the Legislature for teachers, principals, and the staff at the state's Public Education Department (PED), and 89 more set by each of the district school boards and superintendents for administrators in the districts' central offices.

Not surprisingly, that leads to some disparities, inconsistencies, and more than a few serious problems that undermine the quality of education in New Mexico.

One major disparity is between the salaries at the district central offices and the salaries at the PED, which tend to be substantially lower. As a consequence, the PED has had a difficult time attracting and retaining staff. The PED's Vacancy Reports from late 2001 through June 2004 reveal that the number of vacancies within the PED has ranged from 32 to 52 positions for a department with an authorized staff of 268. This places the new Cabinet Secretary of Education, Dr. Veronica Garcia, at a severe disadvantage in performing her job.³

Another serious disparity is between New Mexico's relatively low teacher salaries and relatively high district administrator salaries. For example, the 59 Assistant Superintendents earn an average of \$83,561, while the 33 Directors of Instruction earned \$64,552 on average during the last school year,

3] On the other hand, we should acknowledge that Dr. Garcia has successfully recruited excellent assistants, some of whom left higher paying jobs at the district level.

Selected Annual Salaries in New Mexico's Education System 2003–2004

Superintendent of Albuquerque Public Schools	\$150,000
Assistant Superintendent of Personnel, Carlsbad Municipal Schools	\$120,184
Superintendent of Gallup-McKinley County Public Schools	\$113,300
Deputy Superintendent for Operations, Las Cruces Public Schools	\$112,200
Governor of the State of New Mexico	\$110,000
New Mexico Cabinet Secretary of Education	\$96,437
Average New Mexico School Principal	\$58,522
Average New Mexico Teacher	\$38,551

Sources: "New Mexico Public School Finance Statistics, Fiscal Years 2002-03 Actual & 2003-04 Estimated," New Mexico Public Education Department; "The Book of the States 2004," The Council of State Governments; Carlsbad Municipal Schools; Las Cruces Public Schools.

according to data compiled by the PED. Because New Mexico's education retirement formula is based on the employee's final five years of salary, there is a perverse incentive for teachers to leave the classroom and go into administration. Sometimes this has the effect of robbing classrooms of the best teachers while producing under-qualified mid-level administrators.

A third major disparity is among the districts themselves. For instance, the Superintendent of the Carlsbad Municipal Schools receives \$133,200 to run a district of 6,212 students, while the Superintendent of Los Lunas Public Schools earns \$95,950 for a district with substantially more students (8,590). Meanwhile, the Superintendent of Gadsden Independent Schools, which has more than twice the number of students as Carlsbad (13,796), earns significantly less: \$106,295. These disparities only exacerbate the disruption and lack of continuity caused by the high turnover of district superintendents in New Mexico. According to the New Mexico Coalition of School Administrators, superintendents stay in their jobs an average of four years. This year alone, 23 districts have new superintendents.

In 2003, Governor Richardson and the Legislature took some control away from the districts by establishing mandatory minimum salaries for teachers and principals in order to boost salaries for those employees. Because state taxpayer dollars also pay for the salaries of district administrators, we would encourage the Governor and the Legislature to step in again and bring these salaries in line with the rest of the school system and the public sector generally. More reasonable salary ranges for top administrators could be tied to beginning teacher's salaries.

For example, the salaries of superintendents of large districts might be capped at three times the salary of a beginning teacher (\$30,000), while the salaries of superintendents of medium-sized districts might be no more than two and a half times the salary of a beginning teacher. We would also recommend a merit pay component, to reward administrators in high-performing districts.

Some district administrators may argue that if their salaries are not competitive with national averages, New Mexico's school districts will risk losing key personnel to other states. Given that New Mexico ranked between 49th and 50th on the TerraNova tests nationally and that approximately half of New Mexico's public school students are not proficient in reading or math, we believe that providing our children with the many advantages of high quality prekindergarten is more important than competing with national administrative salaries.

Bringing coherence to the pay scales for district administrators could yield savings from top administrators of as much as \$2.9 million, while salaries of lower level staff would be unchanged or increase slightly. This figure was calculated by creating a hypothetical single district administrative salary schedule, benchmarked against the salary of the Cabinet Secretary and PED employees. (In determining these savings, we did not include salaries of any of the district employees whose positions we recommend moving to the RECs.)

If adopted, these recommendations could strengthen the PED, improve the quality of teaching and alleviate the disruption to students caused by high district administrator turnover, while freeing up enough dollars to make prekindergarten available to more than 650 children.

REVOLUTIONIZING ENERGY EFFICIENCY IN SCHOOLS

While energy expenditures make up only about 2.1% of New Mexico's public education budget, nearly \$42 million in the 2002-03 school year, the potential for savings is significant.

A national survey found that in 2001, school districts in Western states spent an average of \$149 per pupil on energy. However, in the same year 49 of New Mexico's 89 school districts spent more than that—and ten spent over twice as much, more than \$300 per pupil.

Energy savings can be achieved through both changes in behavior and physical retrofits of equipment. Techniques for saving energy can be as simple as having students act as "energy monitors" to ensure that lights and computers are turned off in unoccupied rooms and as technologically advanced as installing digital timers and motion sensors to shut off equipment during periods of non-use.

Promising efforts are already underway to reduce energy consumption in New Mexico's schools, prompted by the rising cost of natural gas and electricity in some areas of the state. For example, all new school construction plans must be approved by the Energy Conservation Division of the New Mexico Energy, Minerals, and Natural Resources Department. As called for in Governor Richardson's "Green Building Initiative," starting in July 2004 those new buildings must be 50% more energy efficient than required by the state's 1986 Model Energy Code.

The Energy Conservation Division has also allocated about \$1 million to energy-saving retrofits in schools throughout New Mexico, including a number of lighting projects and a biomass heating system for the Jemez Mountain School District.



Children at the Picacho Village School in Lincoln County, 1915. By retrofitting older school buildings and implementing energy efficiency practices, more of New Mexico's education dollars can reach the children. Photo courtesy Museum of New Mexico, #1374.



One of the first projects of the Schools with Sol initiative, this 1-kilowatt solar photovoltaic energy system at Rio Grande High School in Albuquerque will produce hot water and electricity and help reduce the school's energy costs. Photo by Brian Johnson, used by permission of The Sacred Power Corporation.

Dave Robertson, a staff engineer at Albuquerque Public Schools (APS) is leading the state's most comprehensive school energy efficiency project. It includes retrofits of heating, cooling, and lighting systems as well as behavioral changes such as teaching students and custodial staff about turning off lights and computers and optimizing temperature settings. Some of the money saved is used for additional energy saving measures, while the rest goes directly to teachers and students to use in their classrooms.

In the first three years, with the program only reaching 41 of 126 schools, APS has realized savings totaling close to \$1 million dollars, or a district-wide savings of 12% of the energy budget. Robertson believes that the savings are likely to reach 30% when the program is fully implemented.

That goal may actually be a modest one. An energy management consulting group, Energy Education

Inc., that has worked with more than 600 diverse school districts nationwide in the past twenty years has achieved independently verified savings of up to 30% with behavior adjustment programs alone – requiring no retrofits or initial investments in equipment or technology. With the combination of behavioral changes and retrofits currently underway at APS, the school district should easily reach savings of 30%—saving additional recurring funds of \$3 million per year.

There is nothing to suggest that the rest of New Mexico's school districts could not undertake similar systematic energy efficiency efforts. If they did so, they could realize a total savings of as much as \$12.5 million dollars a year, 30% of the \$41.6 million New Mexico's schools spent on energy in 2002-03.

Additional savings could be achieved in the long term by switching to renewable energy, such as solar, geothermal, or biomass, especially as natural gas prices rise. The Schools with Sol initiative developed by the Energy Conservation Division recently began to retrofit about ten schools a year with small photovoltaic systems.

Increasing the energy efficiency of New Mexico's schools is a direct way to save money on non-instructional costs at school sites to generate additional funds for use in the classrooms, where it could provide prekindergarten to over 2,850 children.

RE-ENGINEERING THE PED

Governors and state legislatures across the nation are reducing the size of state departments of education and streamlining the agencies' missions to focus primarily on improving student achievement by enforcing higher standards and demanding greater accountability.

A recent article by *Education Week*, a leading national education publication, notes that at least 27 state education departments had fewer employees in 1998 than they did in 1980, their high-water mark. For example, the number of state education department employees in North Carolina, one of the most successful states at boosting student achievement, declined from 1,018 in 1980 to 465 in 1998, a drop of 54%.

Meanwhile, New Mexico's state education department grew from 216 to 268 positions or 24% between 1992, the earliest year for which we could obtain data, and 2004. During this same period, student enrollment only grew from 315,668 to 322,790, or 2.3%, according to information provided by the National Center for Education Statistics and the department.

When Governor Richardson appointed Dr. Veronica Garcia as New Mexico's first Cabinet Secretary of Education earlier this year, she inherited a Public Education Department (PED) with at least two conflicting roles: enforcer and nurturer.

On the one hand, the PED is charged with being a cop: taking over the control and management of public schools and school districts when necessary, enforcing higher standards and requirements for graduation, assessing student achievement, and licensing teachers. At the same time, the PED is

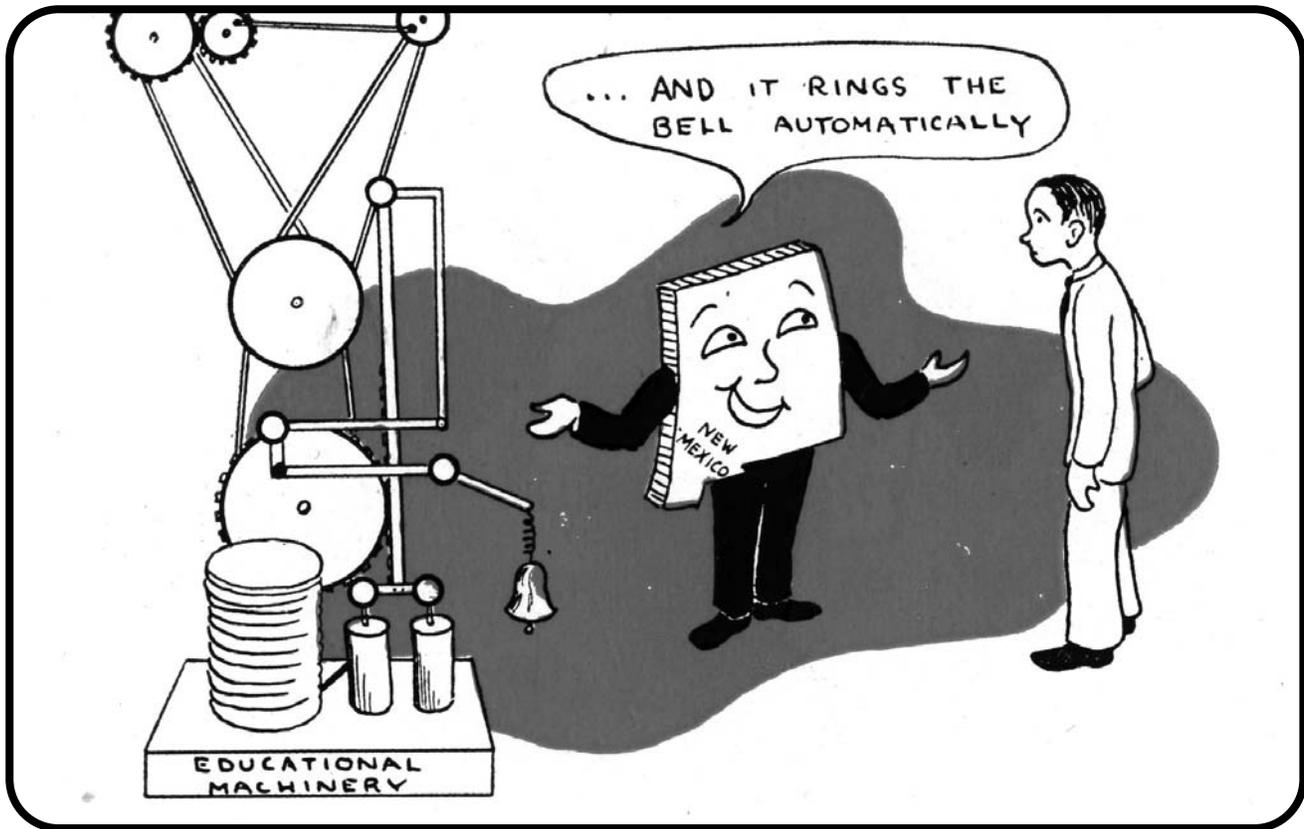
charged with being a mentor by providing services to schools and districts such as professional development and technical assistance.

This nurturer role duplicates the role played by New Mexico's nine Regional Education Cooperatives (RECs), which are also specifically charged by statute with performing functions like providing "technical assistance and staff development opportunities."

Because RECs are closer to schools, teachers and students than the PED, we believe that RECs can more effectively and efficiently provide these services. This is especially true with regard to the small, rural districts that are most in need of technical assistance. Therefore, we recommend that the professional development and technical assistance functions at the PED be decentralized to the RECs, as Texas did in 1995 with good results.

Fortunately, the PED is beginning to embark on a reorganization effort led by Secretary Garcia, who will make recommendations to the Legislature in 2005. As part of that reorganization, we would encourage the PED to follow the model of the majority of states by streamlining its mission, decentralizing some PED functions to the RECs, and, wherever possible, shedding positions that have little or no real effect on advancing student achievement.

This process should begin with an evaluation of the necessity of each of the more than two dozen state-funded vacant positions. In addition, the PED should eliminate the Instruction Materials Bureau. This would give school districts more flexibility to pick textbooks and select instructional material tailored to their particular needs. In the future, districts should purchase textbooks through CES or Save



State level administration of New Mexico's schools has long been considered overly elaborate, as illustrated by this cartoon from the digest of the report on "Public Education in New Mexico" prepared for the New Mexico Educational Survey Board, in 1948. At that time, the report noted that the state department had 11 employees – one for every 11,818 public school students in New Mexico. Today the PED has one for every 1,204 students.

Smart New Mexico with the savings passed on to the classrooms.

The majority of the PED's budget, about \$15 million, comes from the federal government to fund a variety of programs ranging from Leveraged Integrated Networks of Consumer Support (LINCS) to Migrant Assistance Program (MAP) to Whatever it Takes (WIT). For savings, we focused instead on the state-funded portion of the PED, which this year is approximately \$10.35 million.

Savings would be modest from implementing the reforms outlined here – we calculate about \$900,000,

mostly from cutting non-essential vacant positions. (We note that decentralizing functions of the PED will not save money, although it would go a long way toward improving service delivery and streamlining the agency's mission.)

With a new governor, a new cabinet secretary of education and an upcoming reorganization, this is the ideal time for the PED to realign its mission. By pursuing the strategy outlined here, the PED could also set a good example for the rest of the public education system by tightening its belt and producing savings that could be re-allocated to make prekindergarten accessible to more than 200 children.



A first grade class in Los Alamos works through the basics in 1965. Photo courtesy of Museum of New Mexico, #29345.

RESTORING COMMON SENSE: REDUCING RULES AND REGULATIONS

As of August 2004, the section of the New Mexico Administrative Code (NMAC) regulating "Primary and Secondary Education" ran to 665 pages. Fewer regulations would require fewer people to interpret and enforce them.

New Mexico's school regulations cover a vast hodgepodge of topics, ranging from detailed content standards for each grade and subject (e.g. eighth graders must be able to "describe and explain the significance of the Line of Demarcation on the colonization of the New World") to the licensure

requirements for school nurses to "the amount of space that will be permitted for commercial advertisements on the interior portion of school buses."

New Mexico's school regulations cannot serve as a guide to action if they are so long and complex that no one ever reads them. Many school administrators juggle multiple duties and do not have time to familiarize themselves with a 665-page manual. For example, along with running his district, the Superintendent of Roy Municipal Schools is also a principal, food service director, coach, athletic director, classroom teacher, and the person who turns on the boiler each Monday morning.

Rather than sifting through 665 pages of fine print, many administrators will simply work out *ad hoc* solutions to the situations they encounter on a day-to-day basis. Most of the time, the judgment and common sense of these decision-makers results in a solution that is appropriate to the situation and clearer and more straightforward than the procedures delineated by the regulations. So why do we have all these regulations in the first place?

The regulations derive primarily from state—and in a few cases federal—law. In fact, some of them simply restate existing statute. For instance, New Mexico Statute 22-10A-7 specifies the qualifications necessary for a teacher to be granted a Level One license, such as having successfully passed the New Mexico teacher assessments. In school regulation 6.61.5.8, we find the exact same information, slightly expanded upon. If these provisions are already written into state law, it begs the question of why they must be repeated in regulations.

Even when they are not repetitive, many of the school regulations are condescendingly self evident. For example, is it really necessary to state, as the school regulations do in 6.10.7.9, that when proctoring a standardized test, “prohibited practices” include “changing a student’s standardized test answers or directing a student to change a standardized test answer”?

The regulations also create additional work for school system employees by demanding reams of needless paperwork. For example, school regulation 6.10.7.9 requires New Mexico’s 577 Resource and Testing Coordinators to hold in-service trainings and “develop and disseminate handouts” to “inform all district teachers, aides, educational assistants,

substitutes, volunteers, licensed and unlicensed office staff, and anyone else who is likely to come into contact with standardized testing material, of the need to maintain strict standardized test security.”

Today, New Mexico’s school regulations fill 35 chapters of the Administrative Code. However, an additional 67 chapters of school regulatory code are currently being held “in reserve,” waiting to be filled. This would suggest that we are headed in the wrong direction.

The only plausible reason New Mexico has an unwieldy, ineffective 665-page regulation manual for our schools is that it takes far less time and effort to continue adding provisions to the code than to seriously examine it and eliminate all but the most essential rules and standards.

If we are asking New Mexico’s school administrators to do their jobs as efficiently as possible, the least we can do is provide them with a simple, clear, and straightforward set of guidelines to follow. Simplifying and reducing the state’s encyclopedic regulations would allow them to focus on the most important part of their jobs: guiding our children’s education.

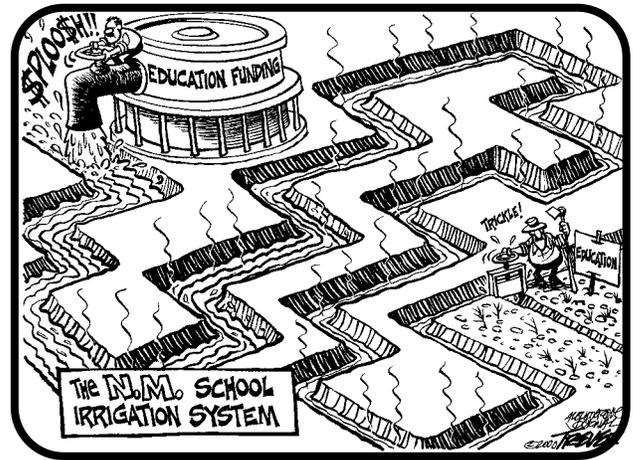
CONCLUSION: RE-EVALUATING OUR CHOICES

One theme that we have stressed throughout this report is that public school budgets are zero-sum games. Every dollar spent outside of the classroom is a dollar less for instruction. Every dollar saved is another dollar that can be invested in prekindergarten, an education reform with proven, positive results.

Every day in every part of the educational system in New Mexico, adult administrators make budget choices that directly impact the hundreds of thousands of children that they are entrusted to care for and to educate. In this report we have sought to make those choices explicit.

Abundant evidence demonstrates that high quality prekindergarten classes would improve our children's school readiness, enhance their language, math, and social skills, and better prepare them to succeed for the rest of their lives. Yet we are choosing to spend our dollars on lower priorities.

Consider, for example, the disparities in administrative spending across districts. Santa Fe spends more than four times what Gadsden does on communications (i.e. telephone, fax, internet) despite having a nearly identical student enrollment. Central Consolidated Schools in Shiprock spends more than twice what Clovis does on travel, despite enrolling fewer students. Six districts have budgeted a total of \$228,000 for lobbyists this year, according to contracts we obtained through Inspection of Public Records Act requests. These expenditures, if redirected, could make prekindergarten available to another 200 students.



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The net effect of these budget choices, along with the others in this report, has been New Mexico's last place ranking for the percentage of each dollar spent on education that reaches the classroom. These choices are also reflected in our student test scores, which rank at the bottom nationally.

The truth is that, as we have illustrated, too much of New Mexico's school system is organized around the convenience of adults rather than the needs of children. If New Mexico is going to lift itself up in these national rankings, this is where the change needs to begin.

A good place to start is with the recommendations made here. By fully harnessing the enormous buying power represented by New Mexico's more than 300,000 public school students, by restructuring districts that have consistently failed their students and failed to properly account for taxpayer dollars, by modernizing our energy practices, and by streamlining state and district administration, we can immediately improve our public schools. At the same time we can

begin to make prekindergarten available to every child in New Mexico.

Some will argue that New Mexico cannot afford prekindergarten's \$90 million price tag. However, as the accompanying chart shows, our report has identified nearly \$96 million of savings from administration and support services that could be gradually re-allocated to phase in prekindergarten over the next decade. It should be noted that the savings we have identified in this report are only a starting point.

Beyond providing prekindergarten, additional savings should be invested in the rest of the K-12 system on a restricted grant basis to be used solely for investments that have been shown to increase student achievement—such as well-stocked and staffed libraries, adequate classroom supplies and summer remediation classes.

The reforms outlined in this report would result in net job creation. As administrators would be lost through attrition, more than 2,000 new teaching positions would be created across New Mexico.

It may be argued that these reforms are politically too challenging to implement. However, executive officers and legislators have been able to achieve reforms like these in other states. Arizona, Florida, Hawaii, Michigan, Missouri, New Jersey, Pennsylvania, Oregon, South Carolina, and Virginia all have ongoing campaigns to drive dollars down to the classrooms and are realizing real savings every day. As early as 1993, the Texas State Auditor's Office found that \$185 million could be saved annually by cutting travel expenses, buying cheaper supplies, soliciting bids for services, reducing excessive staff and salaries and eliminating overly generous benefits. If other states can move dollars from administration to the classroom, so can New Mexico.

Summary: Total Cost Savings

Realizing Economies of Scale:

Utilizing Cooperative Purchasing	\$24.0 million
Streamlining Administrative Duplication	\$13.9 million

Restructuring Districts:

Cuba, Mesa Vista, Vaughn, Wagon Mound & Las Vegas	\$1.9 million
APS and Las Cruces	\$39.7 million

Rethinking Administrative Salaries

\$2.9 million

Revolutionizing Energy Efficiency

\$12.5 million

Re-Engineering PED

\$0.9 million

TOTAL

\$95.8 million

Calculated by Think New Mexico

New Mexico ranks first in the nation for child poverty and 46th for child health and well-being. Our state cannot afford to squander our education dollars. New Mexico's children deserve—and our economic future demands—the best education we can provide, including high quality, voluntary prekindergarten classes. The time has come to redesign public education in New Mexico and put the needs of our children first.

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**The difficulty
lies, not in
the new ideas,
but in escaping
the old ones.**

– John Maynard Keynes