

**Examining the Distribution of State Equalization Guarantee  
Funding in New Mexico with a Particular Focus on the  
Hobbs Municipal School District**

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# **Examining the Distribution of State Equalization Guarantee Funding in New Mexico with a Particular Focus on the Hobbs Municipal School District**

## **Executive Summary**

The state government in New Mexico plays a larger role in financing K12 education than in most states with close to 70 percent of total funding coming from the state (3<sup>rd</sup> highest nationally). New Mexico distributes most of its education aid through one general-purpose aid program, the State Equalization Guarantee (SEG). The objective of this project is to provide a detailed analysis of the State Equalization Guarantee program in New Mexico with a particular focus on determining what drives the SEG funding received by the Hobbs Municipal School District. The study has two major objectives: 1) determine why Hobbs is receiving one of the lowest levels of SEG funding per pupil in the state; and 2) evaluate proposed modifications to the SEG formula.

### **General Observations about the Existing SEG Formula**

The State Equalization Guarantee program shares similarities with the type of education aid program used by most states, typically called a “foundation aid program,” but it includes a number of provisions unique to New Mexico. Foundation aid programs can be designed to help all districts provide students with an adequate education. If well-designed, they can also be conceptually simple and can do well on efficiency grounds. *Unfortunately, New Mexico’s version of a foundation formula, the State Equalization Guarantee, does not do well on transparency, efficiency, or equity grounds.*

- **Transparency:** As documented in a recent report (Legislative Finance Committee and Legislative Education Study Committee, LFC/LESC, 2011) and in this study, the SEG formula is very complex with over 20 components involved in the calculation of funding. *The complexity of the SEG formula makes it difficult for districts to determine how aid is calculated and what accounts for differences in SEG funding across school districts in New Mexico.*
- **Efficiency:** An efficient aid formula is one that does not encourage districts to divert resources into unproductive uses. Several parts of the SEG formula, including the

Training and Experience (T&E) Index, school size adjustments, special education funding provisions and the mobility index—may not do very well on efficiency grounds. The LFC/LESC study (2011) provides several examples of how the current SEG formula encourages misclassification of students and inefficient investments in teachers, professional staff, and facilities. *The complexity of the SEG formula provides strong incentives for districts to make inefficient resource allocation decisions to increase their aid.*

- **Equity:** Complex aid formulas could be justified if the complexity helps to improve educational equity in the state. Unfortunately, this does not appear to be case for the SEG formula. There are large differences in SEG funding per pupil across districts in the state. The district in 95<sup>th</sup> percentile for per pupil SEG funding receives over twice as much aid the district in 5<sup>th</sup> percentile. The large variation in SEG funding across districts does not appear to improve educational adequacy. SEG funding is positively related to the property wealth in a district and negatively related to poverty. Districts receiving the highest SEG funding are generally those with the lowest child poverty rates and highest property wealth, while the lowest SEG funding goes to low-wealth and high-poverty school districts. *There is no educational equity standard that I am aware of that could justify this distribution of school aid.*

### **What Determines Funding Received by the Hobbs Municipal School District**

In 2010-11, Hobbs received per pupil SEG funding (\$6,193) that was 7 percent (\$459) below the state average and its funding level was 83<sup>rd</sup> out of 89 districts. By comparison, two school districts of relatively similar size and with a lower share of at-risk students—Carlsbad and Lovington—received SEG funding per pupil which were 10.8 percent (\$718) and 9.4 percent (\$622) above the state average in 2010-11, respectively, and approximately 20 percent higher than Hobbs. One of the key objectives of the report is to determine why Hobbs has consistently received one of the lowest levels of SEG funding in the state despite relatively high student needs.

To examine how the SEG formula affects Hobbs, I have developed a SEG Simulation spreadsheet, which makes it easy to change individual components of the SEG formula and determine their effects. Specifically, for each component of the formula, I estimate what

funding Hobbs would receive if it had the average value for the state (e.g., average classification rates for special education students). I have also examined how Hobbs would be affected by changes in the various components of the SEG formula, including modifications recommended in the studies by LFC/LESC (2011) and the American Institutes for Research (AIR, 2008). In calculating the effects of changes in the formula, I hold the overall SEG funding level constant by proportionately adjusting funding for all districts to assure formula changes are revenue neutral.

**Special education:**

- Special education classification rates in Hobbs are 20 percent or more below the state average. In examining historical patterns in special education classification, Hobbs has consistently had classification rates in the bottom third of districts. Its classification rates for ancillary services and for all student programs combined are in the bottom 15 districts in the state.
- If Hobbs had the same classification rates as the statewide average, its SEG funding per pupil would increase by 6.6% (\$409), which would put it close to the statewide average.
- If special education funding is changed to a census-based system similar to what was proposed in the report by LFC/LESC (2011), SEG funding in Hobbs would increase by 6.6% (\$407) and its rank would increase from 83<sup>rd</sup> to 67<sup>th</sup>.

**School and district size adjustments:**

- The SEG formula includes adjustments for elementary/middle school size, senior high school size, and “rural isolation.” For elementary/middle school size the maximum size to qualify for this adjustment is 199 students and for senior high schools the maximum is 399 students. To qualify for the rural isolation adjustment, the district must have more than 10,000 students and an average size for senior high schools below 4,000 students. Each of these adjustments is based on a calculation using a measure of school size.
- With over 8,000 students, Hobbs is not able to take advantage of most school size adjustments or the rural isolation adjustment. (In 2011, Hobbs received a very small size adjustment because B.T. Washington Elementary School had fewer than 200

students.) If the size units per pupil in Hobbs were the same as the statewide average, SEG funding in Hobbs would increase by 3.8% (\$235).

- If size adjustments are eliminated from the formula, per pupil SEG funding for Hobbs would increase by 3.2% (\$196). Eliminating size adjustments only for charter schools will not result in a significant increase in funding for Hobbs.
- As part of their study, AIR (2008) estimated a district size adjustment, which attempts to measure differences in the costs of providing education in districts with different enrollment size. If the existing size adjustments are eliminated and the AIR district size adjustment is used instead, there would be very little impact on SEG funding for Hobbs.

**At-Risk students:**

- Hobbs has a Title 1 classification rate that is 15% below the statewide average, a mobility rate 29% above the statewide average and an English language learner (ELL) rate at the state average. If all of these rates are set at the statewide average, SEG funding in Hobbs would decline slightly.
- When SEG at-risk student rates are compared to similar rates produced by the Census Bureau, Hobbs appears to consistently have lower SEG rates relative to their Census counterparts than the typical district in New Mexico. This comparison suggests that the classification rates for at-risk students in Hobbs may be lower than in most other districts in New Mexico.
- If the pupil weights were raised to 0.5 in calculating the at-risk index, Hobbs would experience an increase of 1.6% (\$101) in SEG funding if the formula was kept revenue neutral. However, if total SEG funding was not kept revenue neutral, then the increase in funding to Hobbs would be over \$1,000 per pupil (16% increase).
- Eliminating the mobility rate from the SEG formula and setting the Title 1 and ELL pupil weights at 0.15, as proposed in the LFC/LESC study (2011), would result in a small decrease in funding to Hobbs.

### **Teacher-related adjustments:**

- Hobbs had a T&E Index very close to the statewide average in 2010-11. Thus, eliminating the T&E Index from the formula will have no effect on SEG funding going to Hobbs if the formula is kept revenue neutral.
- The studies by LFC/LESC (2011) and AIR (2008) recommend replacing the T&E with an “effective teacher index” based on the three-tiered licensure system in New Mexico. Because LFC was not willing to provide us their “effective teacher index” I cannot estimate the effects on Hobbs of substituting it for the T&E.
- In their study, AIR (2008) developed a comparable wage index (CWI) for New Mexico, which attempts to measure differences across the state in required salaries to recruit teachers with the same qualifications. I examined how Hobbs would be affected if AIR’s comparable wage index is used in the SEG formula and found that it would result in a decrease in SEG funding to Hobbs of over 4% because Lea County is estimated to be in a low-wage labor market.

### **Key Recommendations for Modifications to the SEG Formula**

- ***Grade-level pupil weights.*** *Eliminate higher pupil weights by grade level except for secondary students. Secondary student weights should not exceed 0.25 unless there is strong evidence that the cost of providing a high school program is more than 25% above elementary school students. Existing research on the costs of providing an adequate education have not found large differences in costs by grade level. There is some evidence of higher costs in high schools but these additional costs generally do not exceed 25 percent.*
- ***At-risk pupil weights.*** *Raise the pupil weights for Title 1 and ELL students to at least 0.5 and eliminate the pupil weight on the mobility rate. Presently, the pupil weights for “at-risk” students (students categorized as mobile, English language learners, and as receiving subsidized lunch) is 0.0915, which implies that bringing these students up to state standards is 9.15 percent higher than students not in these categories. The present pupil weights are low compared to what is used in other states. Research estimating the costs of providing an adequate education (including my own research) has found bringing subsidized lunch students or ELL students up to state standards is*

at least 50 percent higher (pupil weight of 0.5 or more). Regarding the mobility rate, the LFC/LESC (2011) study identified inconsistencies across district in both measurement and data collection. In addition, including a mobility rate in the SEG formula may provide the wrong incentive if increasing student retention is an important goal.

- ***Special education funding.*** *Adopt the recommendations of LFC/LESC (2011) and AIR (2008) to replace the present special education funding system with a census-based system. It is very important to adopt the recommendation of AIR to create a contingency fund for high-cost special education students.* Both studies discussed in depth why the present funding system for special education is providing inappropriate incentives with regard to student classification and use of ancillary staff. Basing funding on an average classification rate for all districts will eliminate the incentive to over-classify special education students. However, it also exposes particularly small districts to increased financial risk if they experience a significant increase in high-cost special education students. A contingency fund for high-cost special education students will help protect districts from this financial risk.
- ***Teacher-related adjustments.*** *Drop the T&E Index and possibly adopt the “effective teacher index” proposed in the LFC/LESC study (2011).* As pointed out in both the LFC/LESC (2011) and AIR (2008) studies, the T&E Index provides incentives for districts to invest in teacher qualifications (more experience and education), which have not been shown by research to provide significant improvements in teacher effectiveness. Both studies recommend using some type of an “effective teacher index” based on the three-tiered licensure system in New Mexico. While it is possible that their recommended index might better measure teacher effectiveness and reward the right set of teacher investments, the evidence indicates that it is difficult to identify effective teachers and develop effective teacher policies. Given that districts serving significant at-risk populations usually have the most difficulty recruiting teachers, additional funding should be targeted to these districts.
- ***School and district size adjustments.*** *Eliminate the present school size adjustments, including those for charter schools, and the rural isolation adjustment and replace them with a district size adjustment based on actual cost differences.* The present size

adjustments are complex and provide incentives for districts to keep school size small. The highest SEG funding per pupil in the state is in charter schools, in part, because these schools have been able to take advantage of size and growth adjustments originally intended for public school districts. Because charter schools have significant control over their enrollment, it is not appropriate that they receive these adjustments. Size adjustments should be targeted to sparsely populated districts or those with low enrollments because districts have limited control over their enrollment size. The AIR (2008) study provided one example of a way to adjust the SEG formula for district size. I compared their district size adjustment to estimates of cost differences by district size in four states based on my own research and found that their adjustment is consistent with my research findings.

**The Bottom Line:** *Substantial improvements in equity of the school finance system in New Mexico may require more fundamental changes to the SEG formula.* If the above recommendations were implemented and adjustments are made to the program unit cost to keep SEG funding revenue neutral (see Table 9), SEG funding per pupil in Hobbs is estimated to increase by 7.5% (\$649). Funding in Hobbs would almost equal the state average and its district rank would increase from 83<sup>rd</sup> to 64<sup>th</sup>. However, there will be some major losers from this formula change, particularly charter schools which could experience a reduction in funding of 19%. In addition, the proposed modifications to the formula will only modestly improve the equity of the SEG formula. This suggests that tinkering with the present formula may not substantially improve the equity, efficiency, or transparency of the school finance system in New Mexico.

# **Examining the Distribution of State Equalization Guarantee Funding in New Mexico with a Particular Focus on the Hobbs Municipal School District**

## **I. Introduction**

School districts in all states face many challenges meeting the higher academic standards mandated under the No Child Left Behind Act (NCLB) and state accountability systems. State education aid plays an important role in helping school districts provide the academic resources necessary for students to meet state standards. State financial support is particularly important in school districts with a high share of students with special educational needs or districts with limited local resources.

State government in New Mexico plays a larger role in financing K12 education than most states with close to 70 percent of total funding coming from the state (3<sup>rd</sup> highest nationally). New Mexico distributes most education aid through one general-purpose aid program, the State Equalization Guarantee (SEG). While in some respects the State Equalization Guarantee is similar to general aid programs used in most states, it very complex as documented in a recent study (Legislative Finance Committee and Legislative Education Study Committee, LFC/LESC, 2011). This complexity makes it difficult for districts to determine how aid is calculated and what accounts for differences across school districts.

The objective of this project is to provide a detailed analysis of the State Equalization Guarantee program in New Mexico with a particular focus on what determines the SEG funding received by the Hobbs Municipal School District. The study has three major objectives, which are reflected in the organization of this report:

- 1) Carry out a detailed analysis of the key components of the SEG formula to determine how the design of the formula affects the distribution of SEG funds.
- 2) Examine variation in key factors driving the distribution of funding in the SEG formula to identify possible inconsistencies in how districts are collecting and measuring these factors.
- 3) Examine modifications and alternatives to the SEG program to improve the equity, efficiency, and transparency of school finances in New Mexico.

The organization of the report reflects these three objectives. I will begin with a brief introduction to the design of school aid formulas to put New Mexico's State Equalization Program into context. The next two sections focus on how the design of the formula and the measurement of key factors affect the distribution of SEG funds, particularly to Hobbs. We conclude with an examination of possible modifications or alternatives to the SEG formula.

## **II. Putting New Mexico's State Equalization Guarantee Into Context**

Over the last century the role of state governments in funding education has increased dramatically from under 20 percent in 1920 to close to 50 percent in 2008 (NCES 1998, 2012). Over the last 40 years the state of New Mexico has played an even larger role than the typical state in funding schools. In 1970 the state funding share was over 60 percent (compared to 40% nationally) and was over 70% in 2008 (NCES, 1998, 2012). As the state role in education expanded, the complexity of school finance systems increased.

Despite the large array of state funding programs in many states, typically the largest share of state financial assistance is distributed through one aid program designed to fund basic operations of a school district (Odden and Picus, 2000; King et al., 2003). While state

operating aid programs have changed in their design in the last several decades, most states use some variant of a Foundation Program. New Mexico's State Equalization Guarantee has generally been classified as a foundation aid program (Verstegen and Garcia, 2009; Ball and Garcia, 1999). In this section, I will briefly describe the design of a foundation program and identify how New Mexico's SEG program is similar and different from the basic design.

### **Traditional Foundation Aid Programs**

Foundation programs were first developed in the 1920s to address the inequities associated with property tax financing of schools (Odden and Picus, 2000). The traditional foundation program considers both the amount of minimum funding needed to provide an adequate education (minimum foundation amount) and the capacity of the school district to raise property taxes at a given tax rate. In its simplest form, the foundation aid that a district received was equal to the total foundation amount (minimum foundation amount per pupil multiplied by the number of students in a district) and the expected local contribution to funding education (a state-set tax rate multiplied by assessed property values). If this amount was less than zero, the district received no foundation aid. The local revenue contribution was often broadened to include other sources of revenue and the state typically captured a set percentage of this revenue. While the minimum foundation amount was supposed to be linked to the minimum spending per pupil required to provide a minimally acceptable education program in a district, it was often set politically in the state budget process.

In the SEG formula, the "unit value", which was \$3,572.34 for 2010-11, is similar to the concept of a minimum foundation amount. In terms of expected local contribution, the SEG sets a local property tax levy rate of \$0.5 per \$1,000 of assessed value (0.5 mills). The

SEG limits the local contribution to 75 percent of the revenue raised from a 5 mill tax rate as well as 75 percent of federal Impact Aid and a school district's share of forest reserve funds.

### **Modifications to Foundation Aid Programs**

While foundation aid programs are presently used by the vast majority of states, they typically have been modified significantly from the traditional foundation program. The modifications reflect, in part, changing educational equity standards (often driven by state school finance litigation) and emerging research on the determinants of student performance.

#### ***Pupil Weights***

One of the most common modifications to traditional foundation programs has been the adjustment of the enrollment counts to reflect the higher spending required for programs to support students in particular grades or with special needs. These students are given a higher weight (pupil weight), to reflect the higher spending requirements. For example, students, who are English language learners (ELL), may be given a weight of 0.20 indicating the districts are expected to spend 20 percent more on ELL student to fund programs to support these students. The "pupil units" used in the foundation program for ELL students would be 1.2 rather than 1. A majority of states with foundation programs include higher pupil weights for low income (compensatory education) and ELL students, students in high school, and a significant number of states use pupil weights for special education students (Verstegen and Jordan, 2009). New Mexico was one of the first to recognize the higher costs associated with special needs students when the SEG was first developed in the mid-1970s. Presently, the SEG formula includes pupil weights for Title 1 students (students qualified for subsidized lunch), ELL students, and "mobile" students, pupil weights for five different grade levels, and several different weights for special education students. New Mexico has

also chosen to use pupil weights in the SEG formula, instead of separate “categorical” grants, to support particular programs (e.g., fine arts and elementary physical education).

### ***Size Adjustments.***

Decades of research has demonstrated that districts with very low enrollments (particularly less than 1000 students) generally need to spend more money to provide similar education programs as larger districts (Andrews, Duncombe and Yinger, 2002; Duncombe and Yinger, 2008). This is commonly referred to “economies of size.” We might expect that geographically sparse districts (low pupils per square miles) would also face particular challenges. According to Baker and Duncombe (2005), “approximately half of the states make some scale adjustment to their basic operating aid system...” and a number of other states account for geographic sparsity in their operating aid programs. New Mexico accounts for school size, district size and geographic sparsity through several size adjustments in the formula. There is little consistency across states in the design of size adjustment; the size adjustments in the SEG formula appear to be unique to New Mexico.

### ***Geographic Cost of Education Adjustments***

Over the last several decades, there is a growing recognition that there can be differences in the prices that school districts pay for comparable resources across areas of the state (Odden and Picus, 2000). Of particular concern is that different salaries may be required to recruit comparable teachers and other professional staff in urban areas than in rural areas. While geographic cost adjustments are less common in foundation programs, there are a few states including this adjustment (e.g., Maryland, New York, and Texas). Presently, New Mexico does not include adjustments for geographic cost differences in the SEG formula. Instead, there are two other teacher-related adjustments, which appear to be designed to

encourage districts to invest in increasing teacher education, retention, and National Board Certification. While other states provide incentives for districts to hire and teachers to invest in National Board Certification, New Mexico's inclusion of an index reflecting teacher education and experience is fairly unique.

In conclusion, the SEG program used by New Mexico shares many similarities with foundation aid programs used in many other states in the country. As discussed more fully in section V, foundation programs are particularly well suited for supporting funding of an "adequate" education as defined by state accountability systems. New Mexico's SEG formula also includes several components, such as the T&E Index, which are not typically part of a foundation program. In the next section, I will evaluate how the specific features of the SEG formula affect the distribution of funds across school districts in New Mexico..

### **III. How Do Formula Components Affect the Distribution of SEG Funds?**

While the logic behind the design of a foundation aid programs is straightforward, the actual foundation aid formulas used by many states are often complicated. New Mexico's SEG is no exception. As summarized in a recent report by the Legislative Finance Committee and Legislative Education Study Committee (LFC/LESC, 2011), the SEG has been modified by the Legislature over 80 times since 1973 (p. 9) and is now "too complicated and difficult to administer." (p. 2)

One of the major problems with a complex school aid formula is that they are not transparent to educators and citizens. Complex aid formulas make it difficult to identify the reasons that a district receives a certain level of aid and to predict how changes to the formula will impact the distribution of aid. The objective of this section of the report is to

examine the individual components of the SEG formula to determine how they affect the distribution of aid. I will focus on the distribution of aid to Hobbs but will also look at potential winners and losers from changes in the formula.

The principal tool used in this analysis is a State Equalization Guarantee (SEG) Simulation based on data used in the SEG formula for 2010-11. The Simulation, which is discussed more fully in Appendix A, simplifies the process of identifying the effects from changes in the components of the SEG formula. In the SEG Simulation, the distribution of SEG funds across districts is examined both when the total SEG funding is allowed to change and also when it is held constant. To keep the effects of formula changes “revenue neutral,” I adjusted proportionately the funding in each district by the percent that the modified SEG formula increased or decreased overall SEG funding as a result of the formula change. In this report, I will focus primarily on the revenue neutral effects of modifications of the SEG formula. To examine how the formula affects Hobbs, I use two approaches.

- 1) For each key measure used in the formula, I have set the value for Hobbs at the statewide average and calculated the effect on SEG funding per pupil (assuming the formula is kept revenue neutral). Table 1 helps to highlight where the data for Hobbs used in the SEG formula are very different than the state average and whether these differences are having a significant effect on the per pupil funding Hobbs is receiving. In section IV, I will examine potential problems with the data used in the SEG formula.
- 2) For each key part of the formula, I examine how funding to Hobbs would change if the formula components were modified. Table 2 helps to identify which changes to formula components are most apt to affect SEG funding for Hobbs. I

present changes in not only per pupil SEG funding but also Hobbs' rank among the 89 districts in New Mexico. Changes to formula components were selected either because they have been proposed in studies by AIR (2008) or LFC/LESC (2011) or they help to highlight how that component affects distribution of aid to Hobbs.

This section is organized around the basic components of a foundation program discussed in Section II and is consistent with the organization used in the SEG Simulation. Each subsection in the report matches a section in the SEG Simulation spreadsheet. I will begin by discussing formula components related to total program cost (foundation amount) and then turn to formula components related to calculating the local contribution.

### **Calculation of Total Program Cost**

The first step in a foundation program is to calculate the total funding required by a district to provide an adequate educational program for all students. States typically start with a basic foundation amount and then adjust for the composition of the student body and other characteristics of the district. In New Mexico's SEG formula, the basic foundation amount is called the "unit value" and was \$3,572.34 for 2010-11. Since changes to the "unit value" will proportionally change funding to all districts, this section will focus on the adjustments made to the unit value to get the program cost for each district.

### ***Pupil Weights by Grade-level***

A number of states include pupil weights by grade-level in their foundation program with higher weights for secondary grades the most common. (Odden and Picus, 2000). Since pupils weights in the SEG formula are the highest for early childhood education (ECE) grades and secondary grades, I will focus primarily on these. As a percent of total members,

Hobbs has an above average share of students in early childhood programs and grades 1 to 6 and a below average share of secondary students (columns 1 and 2 in Table 1), where the average is calculated using aggregate data for the state (what I call the statewide average).<sup>1</sup> If the enrollment shares by grades in Hobbs were set equal to the statewide average, this would increase funding to Hobbs by less than one-tenth of a percent (columns 3 and 4 in Table 1).

**Table 1. Comparison of Hobbs School District to the State Average for SEG Formula Components and Impact on SEG Funding**

<b>Enrollment Categories</b>	<b>Hobbs as Percent of Statewide Average*</b>	<b>Percent Change in SEG Funding If Hobbs Is at Statewide Average*</b>	<b>District Rank If Hobbs Is At Statewide Average*</b>
<b>Enrollment by Grade:</b>		<b>0.08%</b>	<b>83</b>
ECE FTE	105.0%	-0.02%	83
Grades 1-6	103.0%	0.05%	83
Grades 7-12	97.0%	0.05%	83
<b>At-risk Student Enrollment:</b>		<b>-0.21%</b>	<b>83</b>
Title 1	85.0%	0.18%	83
Mobility	129.0%	-0.39%	83
ELL	100.0%	0.00%	83
<b>Special Education Enrollment:</b>		<b>6.60%</b>	<b>66</b>
A/B Program	79.0%	1.03%	81
C Program	61.0%	0.65%	82
D Program	56.0%	1.70%	80
3/4 Year DD	72.0%	0.61%	82
Related services FTE	70.0%	2.63%	79
<b>Special Programs:</b>		<b>0.86%</b>	<b>81</b>
Bilingual Education	34.0%	1.24%	80
Fine Arts Program	114.0%	-0.21%	83
Elementary P.E. Program	119.0%	-0.13%	83
<b>Teacher-related Components:</b>		<b>0.02%</b>	<b>83</b>
T&E Index	100.0%	0.00%	83
National Board Certification	92.0%	0.02%	83
<b>Size-related Components:</b>		<b>2.03%</b>	<b>80</b>
Size adjustments	3.0%	3.81%	77
Growth adjustment	554.0%	-1.76%	85
<b>Local Contribution Components:</b>		<b>-2.60%</b>	<b>85</b>
Local property tax levy	130.0%	0.19%	83
Impact Aid/forest reserves	0.0%	-2.89%	85
<b>All Variables Set At Average</b>		<b>9.11%</b>	<b>64</b>

\*Calculated as the ratio of Hobbs to the statewide average calculated using aggregate data. This is the same as a pupil-weighted average.

To examine how the size of the pupil weights affect the distribution of SEG funds, I removed them from the formula by setting all grade-level weights equal to one. As indicated in Table 2, this would result in a drop by only by \$70 per pupil (1.1%) in Hobbs if overall

<sup>1</sup> The statewide average is equivalent to a pupil-weighted average of SEG funding per pupil in districts. I also calculated results using a simple unweighted average of district values but have not been presented the results in

SEG funding was held constant. The rank for Hobbs in SEG funding per pupil would drop slightly to 84<sup>th</sup> (out of 89). Even in districts with relatively high or low enrollment shares in early childhood education or secondary education, the impact would be less than \$100 per pupil, on average (see Chart B-1 in Appendix B). However, SEG funding in charter schools would increase by 5.6%, while public schools would experience a slight decline in funding, on average. Among public school districts, Hondo, House, and Reserve would experience a 13.5% increase in funding and Maxwell a 12.1% increase. The largest funding decreases would be in Zuni (-10.6%), Gallup (-7.3%) and Central Consolidated (-7.3%).<sup>2</sup>

**Table 2. Examining Changes in Per Pupil SEG Funding to Hobbs School District in 2010-11 When the SEG Formula Is Modified**

<b>SEG Formula Components</b>	<b>Modified Formula: Adjusted to Remain Revenue Neutral</b>	<b>Rank of Hobbs-- Highest (1) to Lowest (89)</b>	<b>Percent Difference Compared to Current Formula</b>	<b>Hobbs as % of Statewide SEG Funding Per Pupil</b>
<b>No change</b>	<b>\$6,193</b>	<b>83</b>		93.1%
<b>Grade-level Pupil Weights:</b>				
All grade weights set equal to 1	\$6,123	84	-1.13%	92.0%
<b>At-risk Pupil Weights:</b>				
Set equal to 0	\$6,162	83	-0.50%	92.6%
Set equal to 0.5	\$6,294	76	1.63%	94.6%
Set equal to 0.5 and drop mobility weight	\$6,160	81	-0.53%	92.6%
<b>Special Education Components:</b>				
Set weights equal to 0	\$6,576	68	6.18%	98.9%
Use Census-based funding				
16% classification rate, pupil weight set at 2	\$6,600	67	6.57%	99.2%
<b>Drop SEG Funding of Special Programs</b>	\$6,222	81	0.47%	93.5%
<b>Teacher-related Components:</b>				
Drop T&E Index	\$6,193	85	0.00%	93.1%
Use AIR CWI Index and Drop T&E Index	\$5,928	81	-4.28%	89.1%
<b>Size-related Components:</b>				
Drop Size Adjustments	\$6,389	72	3.16%	96.0%
Use AIR Size Adjustment and Drop Present Size Adjustments	\$6,213	81	0.32%	93.4%
<b>Local Contribution Components:</b>				
Set local tax rate at 5 mills	\$6,033	79	-2.58%	90.7%
Use assessed value instead of taxable value	\$6,212	81	0.31%	93.4%
Drop Impact Aid/forest reserves	\$6,025	87	-2.71%	90.6%

Note: Calculations based on using the SEG Simulation to examine the impact of alternative SEG formulas. In each case the funding to Hobbs is adjusted so that overall SEG funding does not change.

the report. These estimates are available upon request. In most cases the results are similar between the two different measures of average.

<sup>2</sup> The results for charter schools, public schools and specific school districts are not reported but can be found by making the change in the SEG Simulation and going to the table with results for all districts. To see the effects on different groups of comparison districts with Hobbs, you can select either the chart or table with these results.

### ***Pupil Weights for At-Risk Students***

New Mexico adjusts for differences in student needs through the At-Risk Index, which is composed of three student measures--the share of students receiving a subsidized lunch through the National School Lunch Program, the share of mobile students, and the share of students classified as English Language Learners.<sup>3</sup> The At-Risk Index is equal to the sum of these shares multiplied by 0.0915, which is the pupil weight. While the use of pupil weights for low-income and ELL students are common, New Mexico is one of the few states, which accounts for student mobility in its foundation aid program.

In 2010-11, the shares of students in these categories in Hobbs were 21 percent for subsidized lunch (Title 1) students, 17 percent for ELL students, and 31 percent for mobile students. The share of Title 1 students in Hobbs is 15% below the statewide average, equal to the average for ELL students and 29 percent above average for the mobility rate (Table 1). If Hobbs had at-risk student shares similar to the state average, its SEG funding would be slightly less than it is now. However, these results could be different if at-risk pupil weights are set higher and vary across types of students.

To examine the impact of changes to the at-risk pupil weights, I have looked at several possible changes to these weights: 1) eliminating at-risk pupil weights; 2) increasing all of the weights to 0.5; and 3) eliminating the weight on mobile students and increasing the weights on ELL and low-income students to 0.5. To identify possible winners, I have compared Hobbs to districts with a relatively high or low share of at-risk students (see Charts B-2 to B-4 in Appendix B).

Starting with the elimination of the at-risk weights, Table 2 indicates that there would be a slight decrease in SEG funding per pupil to Hobbs (-0.5%) and its state rank would not

change. As expected, school districts presently with a high at-risk index would lose funding (-1.4%) and those with a low at-risk index would experience an increase (0.9%). The largest decreases would be in Zuni (-9%) and Gallup (-5%) and the largest increases (over 3%) would be in Hondo, House, and Reserve.

If all the at-risk pupil weights are increased to 0.5, SEG funding is predicted to increase in Hobbs by \$101 per pupil (1.6%) and its state rank would increase to 76<sup>th</sup>. On average, districts with a relatively high share of at-risk students would experience a 5.3 percent increase in SEG funds while those with a relatively low share would lose funding (-2.5%). Charter school would experience the largest decreases (average decrease of 3.5%) while public schools experienced a slight increase (0.2%). The public schools with the largest funding decreases would be Los Alamos (-10.5%), Mosquero (-9.8%) and Roy (-9.8%) and districts with the largest increases would be in Zuni (33.3%), Gallup (18.4%), Cuba (10.8%), Hatch (10.2%), and Gasden (9.7%).

If New Mexico set the ELL and Title 1 weights at 0.5 but dropped the Mobility rate from the SEG formula, Hobbs would experience a decrease of 0.5 percent in SEG funding. SEG funds would increase by 5.4 percent in districts with a high share of at-risk students and decline by 2.6 percent in districts with a low share of at-risk students on average. Charter schools would have a 2.5% decline in SEG funding, while there would be very little change in public school funding, on average.

### ***Funding for Special Education Students***

New Mexico, like a number of other states, provides additional funding for special education students by including pupil weights for different special education programs in the SEG (foundation) program. The SEG includes additional funding for ancillary staff hired by

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<sup>3</sup> These measures will be discussed in more depth in Section IV.

districts to support special education programs. Concerns have been raised in the AIR report (2008) and LFC/LESC report (2011) about whether the New Mexico's approach to funding special education has provided incentives for districts to over-classify students.

It is clear looking at Table 1 that Hobbs has significantly lower classification rates than the state average. As a percent of the statewide average, the classification rate in Hobbs ranges between 56 percent and 79 percent of the statewide average. If classification rates in Hobbs were similar to the statewide average, SEG funding per pupil would increase between 6.6 percent in Hobbs and its rank would go up to 66<sup>th</sup>.

To better understand how the special education provisions are affecting Hobbs, I first look at how funding changes when additional funding for special education students/programs is eliminated and SEG funding is kept revenue neutral (Table 2). I compare the impacts on Hobbs to districts presently with high classification rates and those with low classification rates (see Charts B-5 and B-6 in Appendix B). SEG funds for Hobbs would go up significantly (6.2%) if funding for special education is eliminated and per pupil SEG funding in Hobbs would be similar to the state average. It would be ranked 66<sup>th</sup> in SEG funding per pupil. It is not surprising that funds would drop (-1.4%) in districts with high classification rates and increase (3.5%) in districts with low classification rates. Charter schools would on average experience a large increase in funding (13.8%) while public schools would have funding go down slightly. The biggest increases in funding in public schools would be in Hondo, House, and Reserve (all 25% or higher), Lake Arthur (20%) and Vaughn (18%) and Corona (18%). Major losers would include Los Alamos (-10%), Bernallilo (-8.6%), Lovington (-8.6%) and Zuni (-8.5%).

Both the AIR (2008) and LFC/LESC (2011) recommended that New Mexico replace its existing funding system for special education with a census-based system. The census-based system recommended by LFC/LESC would have one classification rate (16%) for all districts and one pupil weight (2) for all special education students. Moving to a census-based system would result in an increase in SEG funding for Hobbs of 6.6 percent and its rank would go up the 67<sup>th</sup>. SEG funding would increase by 2.7% in low classification districts on average and decrease by 1.6% in high classification districts. Charter schools would experience a significant increase in funding (3.6% increase); other winners would be Eunice (9.4%), Capitan (9.2%), Hatch (8.5%), and Tularosa (6.6%). Major losers would include Mountainair (-8.9%), Lovington (-8.6%) and Los Alamos (-8.1%).

### ***Teacher-Related Components of SEG***

New Mexico has two teacher-related provisions in the SEG: the Training and Experience (T&E) Index and additional funding for National Board certified teachers. Other states provide additional funding for National Board certified teachers but New Mexico is fairly unique in adjusting for teacher experience and education in the distribution of foundation aid. Hobbs had a T&E Index in 2010-11 (1.099) which was very similar to the statewide average. The share of National Board certified teachers in Hobbs was eight percent below the statewide average. If the share of National Board certified teachers in Hobbs increased to the statewide average, there would be a slight increase in SEG funding.

To examine the impact of the SEG component related to the T&E Index on the distribution of SEG funds, I drop the T&E Index from the formula by setting it equal to one in all districts. As expected, eliminating the T&E Index would have little effect on Hobbs. Districts presently with a high T&E are predicted to lose 4.6 percent of their SEG funding

per pupil while low T&E district would experience an increase of 1.3 percent (see Chart B-7 in Appendix B). On average, funding to charter schools would increase (4.1%) and funding to public schools would decline slightly. The major winners would be Hondo, House, Lake Arthur, and Reserve (9.3% increase) and the major losers would be Carlsbad (-14%) and Dulce (-10.4%).

One teacher adjustment, which AIR (2008) recommended was to adjust funding by a comparable wage index (CWI) to account for geographic differences in the cost of hiring similar professional personal across the state. To examine the impact of adding a CWI to the SEG formula, I adjusted the program cost with AIR's CWI and dropped the T&E Index.<sup>4</sup> Funding to Hobbs would drop 4.3 percent because Lea County has a below average CWI. Districts with an above average T&E would have significant decrease in funding (-6.1%) and districts with below average T&E Index a modest increase (2.0%) on average (see Chart B-8 in Appendix B). The districts with the largest increases would be Pojoaque (24%), Santa Fe (22.7%), and Los Alamos (14.7%). Eleven districts would have decreases of 10 percent or more with the largest decreases in Silver City (15.5%), Texico (13.9%), Ruido (-13.0%), Ft. Sumner (12.9%) and Animas (-12.6%).

### ***Size-Related Components of SEG***

New Mexico has several adjustments related to school or district size or enrollment growth (or decline). Hobbs with over 8,000 students is not able to take advantage of most of the size components. If the size units per pupil in Hobbs were the same as the statewide average, per pupil SEG funding is projected to increase by 3.8 percent. The growth adjustments per pupil in Hobbs are much (over 5 times) higher than the statewide average. If Hobbs had an average growth adjustment, its SEG funding would decline by 1.76 percent.

To examine the impact of these formula components on the distribution of SEG funds, I have removed the size adjustments, growth adjustment, and save harmless adjustment (Table 2). Hobbs is predicted to experience an increase of 3.1 percent (if SEG funding is kept constant). Districts with enrollments below 1,000 students would experience a decrease in SEG funding of more than 20 percent on average, while districts with enrollment over 3,500 students would have SEG funds increase by 4.9 percent (See Chart B-9 in Appendix B). Charter schools would be hit particularly hard with their per pupil SEG funding decreasing by more than 24 percent on average.

AIR (2008) in their report on New Mexico's school finance system proposed an alternative size adjustment for both districts and charter schools. I have operationalized their adjustment and used it as an alternative to the present size adjustments in the SEG formula.<sup>5</sup> Using the AIR adjustment in place of the existing size components of the SEG, would result in a slight decrease (-0.5%) in SEG funding per pupil in Hobbs. Funding would decline significantly in districts with enrollment below 1,000 students, and increase moderately in districts with enrollment above this enrollment level (see Chart B-10 in Appendix B). When the AIR size adjustment for charter schools is applied, average funding for charter schools would decline by over 24 percent.

### **Calculation of Local Contribution**

The second step in building a foundation program is to calculate the amount of funding local governments are expected to contribute to the financing of schools. Typically, foundation programs include a property tax contribution but may include contribution of other local revenue sources as well. The size of the local contribution affects not only the

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<sup>4</sup> The CWI was multiplied by the program cost per pupil once all other adjustments have been made.

total level of foundation aid but also the weight put on local capacity to raise revenues (fiscal capacity) relative to the cost of providing education services in the determination of foundation aid. In this section, I will look at changes to the local property tax contribution as well as local contribution of federal revenue sources (Impact Aid and forest reserves).

### ***Local Property Tax Contribution***

The most common form of local contribution used in foundation programs is local property taxes. Typically, a state selects a property tax rate, which is multiplied by property values in a district to determine its local contribution. In the present SEG formula, the state-set local property tax levy rate is \$0.5 per \$1,000 of property values (0.5 mills). Hobbs has a per pupil local property tax levy (based on a rate of 0.5 mills) 30 percent above the statewide average. The impact on SEG funding if the tax levy in Hobbs is set equal to the statewide average is small because the levy rate (0.5 mills) is very low.

To examine the impact of putting more emphasis on the local property tax base, I simulated SEG funding if the local contribution rate is set at \$5 per \$1,000 (5 mills). I compared the impact on Hobbs to districts with above or below average property values (see Chart B-11 in Appendix B). Per pupil funding to Hobbs would drop by 2.6% because Hobbs has a property tax base above the state average. As expected, districts with high property values would experience a significant drop in funding (-7%) with decreases particularly large in Dulce (-81%), Eunice (-54%), Mosquero (-33%), and Jal, Cimarron, Artesia and Carlsbad (all with losses greater than 20 percent). Districts with below average property values experienced an increase of 1.3 percent in SEG funding, on average, with largest increases in House (12.6%), Maxwell (10.7%), and Hondo (10%).

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<sup>5</sup> To use their adjustment, it is necessary to select an enrollment level where the adjustment will equal 1. I have chosen to use the average enrollment for districts (3,500) and charter schools (180).

It appears that local property levy contributions used in calculating the SEG funding is not closely linked to the assessed value (AV) of property in the district. If the calculation of the SEG was based on assessed values instead of the present measures of property values, there would be a slight increase in funding in Hobbs and in districts with low property values (see Chart B-12 in Appendix B). On the other hand, funding to high property value districts would drop by 2.4% on average with the districts of Roy (-55%), Santa Rosa (-20%), Mosquero (-23%), and Tatum (-20%) predicted to experience particularly large reductions in funding.

#### ***Federal Funding Contribution***

Another possible modification in local contribution would be to remove sources of federal funding (Impact Aid and forest reserves) from the calculation of the local contribution to SEG funding. Since Hobbs does not presently receive Impact Act and forest reserve revenue, it would experience a 3% decline in funding if they were dropped from local contributions. As expected, districts with significant federal revenue would experience an increase in funding (1.9%) and districts without would be negatively affected (-2.5%) (see Chart B-13 in Appendix B).

### **IV. Evaluating Key Student Measures in SEG formula**

The complexity of the SEG funding formula, not only reduces the transparency for educators and citizens but it can affect the accuracy and consistency of the data used in formula. In their *Evaluation of the Public School Funding Formula*, LFC/LESC (2011) highlighted several of the major incentives that the present SEG formula creates for districts to maximize their SEG funding and how this can affect the accuracy and consistency of some

of the key measures driving the distribution of SEG funding. They also argued that PED does not have the capacity to provide consistence guidance to districts and audit data provided by districts.

The objective of this section is to further examine accuracy and consistency of some of the key student measures used in the SEG formula. While it is beyond the scope of this study to audit the accuracy of the data provided by districts, it is possible to identify possible anomalies using data from other sources and patterns across all districts. In the first subsection, I will compare the measures of at-risk students used in the calculation of the At-Risk Index with data on related measures produced by the U.S. Census Bureau. In the second subsection, I look at patterns in special education classification rates, which may suggest inconsistencies in how students are being classified across districts. The results of the analysis can only be suggestive of possible data anomalies and any conclusions based on this analysis should be made with caution.

### **Comparison of At-Risk Student Measures**

The At-Risk Index plays an important role in the SEG formula and will play an even more important role if pupil weights are increased. The three student need measures used in construction of this index are collected by school districts and provided to PED. One of the most straightforward ways to evaluate the accuracy and consistency of these measures is to compare them with an alternative source of similar data. The U.S. Census Bureau, as part of the decennial census and the American Community Survey (ACS) does collect some related measures at the school district level. Unfortunately, most of the data for school districts from the *2010 Census of Population and Housing* is not presently available. Instead, alternative sources of similar information from the Census Bureau are used for the comparisons in this

section. Unfortunately, these alternative measures are based on surveys of a small set of households, and can have significant measurement error, especially in small school districts. In other words, there can be significant measurement error in the Census data used for comparisons.

### ***Student Poverty Measures***

The primary measure of student poverty used in most state foundation programs is the share of students participating in the National School Lunch Program.<sup>6</sup> There are several potential problems with using it as a measure of student poverty. First, it may reflect variation across districts in the actions they take to encourage participation in the program. Second, participation in the School Lunch Program tends to be higher in elementary grades than in secondary grades. Thus, variation in this rate may reflect in part differences in the grade distribution across districts. Some states, such as New York, use the K6 subsidized lunch rate in their foundation aid formula to minimize this problem. Third, there can be differences in the accuracy of district records on family income, which is used for eligibility determination, resulting in spurious variation across districts. One study in Kansas by the Legislative Division of Post Audit (2006) found significant problems with the accuracy and consistency of the data provided by districts in that state.

A portion of the distribution of Title 1 funding is based on estimates of the percent of children living below the poverty line. The U.S. Census Bureau as part of its Small Area Income and Poverty Estimates (SAIPE) program develops annual estimates of child poverty

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<sup>6</sup>The National School Lunch Program is administered by the U.S. Department of Agriculture, and individual school districts are reimbursed by the meal depending on the level of subsidy for which a child is eligible. Children in families with incomes at or below 130 percent of the federal poverty line are eligible for free lunch, and students in families between 130 and 185 percent of the poverty line are eligible for reduced price lunch. In addition, households receiving Food Stamps, Temporary Assistance to Needy Families (TANF), or the Food Distribution Program on Indian Reservations (FDPIR) are also eligible for free lunch. A description of the

in districts for children between 5 and 17 years old. The estimates are developed from a range of sources and are less accurate for small school districts. Despite the limitations with using SAIPE estimates, the measure itself—percent of children between 5 and 17 years-of-age living in poverty—should be highly related to the subsidized lunch rate. I compared the 3-year average (2008 -10) of the subsidized lunch rate to the 3-year average for the Census child poverty in each district (Table 3). The correlation between them is 0.68, indicating a fairly strong positive relationship.<sup>7</sup>

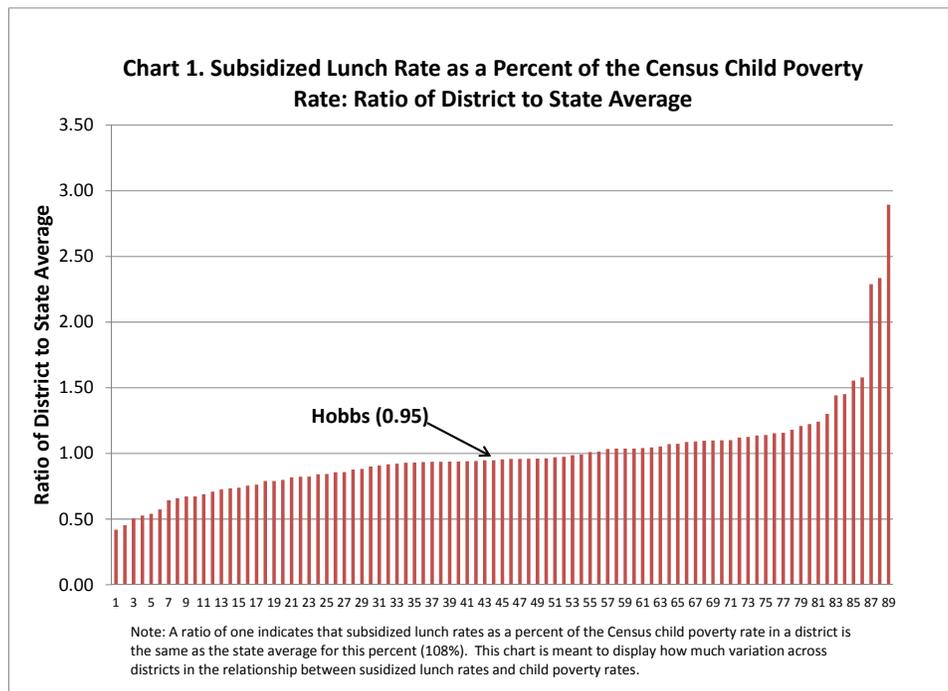
**Table 3. Comparison of Measures in At-Risk Index in the SEG Formula with Measures Developed by the U.S. Census Bureau**

		Child Poverty	Limited English Proficiency	Mobility
Correlation between SEG and Census Measure		0.68	0.36	0.01
District Average	SEG Measure	28.7	15.3	22.2
	Census Measure	26.4	8.6	12.2
	Average of district SEG as % of Census	108%	261%	262%
	Average variation	36%	208%	108%
Hobbs	SEG Measure	21.0	17.2	31.2
	Census Measure	20.4	9.7	18.8
	SEG as % of Census	103%	177%	166%
SEG as % of Census	Ratio of Hobbs to District Average	0.95	0.68	0.63
Description of Measures	SEG Measure	Share of students qualified for federal School Lunch Program (average of 2008-2010)	Share of students classified as English language learners (average of 2008-2010)	Share of mobile students (average of 2008-2010)
	Census Measure	Share of 5-17 year-old population living in households in poverty (average of 2007-2010)	Share of population 5 years and older speaking English "not well" (2006-10 ACS data)	Share of population 1 years and older living in different house from 1 year ago (2006-10 ACS data)

Source of Census Data: American Community Survey (ACS) for 2006-2010 accessed using the American Fact Finder Website (<http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml>) and the School District Demographic System website (<http://nces.ed.gov/surveys/sdds/index.aspx>).

program and eligibility requirements is available on the Food and Nutrition Service website: <http://www.fns.usda.gov/cnd/lunch/>.

Chart 1 illustrates the variation across districts in the relationship between the subsidized lunch rate and the child poverty rate. Comparing the measures for Hobbs suggests that the relationship between them is similar to the district average. In other words, there doesn't appear to be any evidence that Hobbs has participation rates in the school lunch program much different than the typical district in New Mexico. However, Chart 1 suggests that there may be some inconsistency across districts in how they collect or record their subsidized lunch student counts. If the At-Risk Index is going to play a larger role in the SEG formula (e.g., due to higher at-risk pupil weights), it is important to understand the reasons for this variation.



### *Limited English Proficiency Measures*

It is common for states to provide additional funding in their foundation program for students with limited English proficiency (LEP). However, there is less consistency across

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<sup>7</sup> This correlation is similar to what I found in my research on other states (Kansas, Missouri, Nebraska, and New York).

states in how they identify and collect data on students in this category, due in part to the lack of a national program requiring data on LEP students. Instead, each state develops their own measures, which are typically related to eligibility for additional English language services. The accuracy of reporting is linked to how much additional funding is provided for these students and whether the state conducts regular audits of data accuracy and consistency. In New Mexico, English language learners (ELL) are identified through bilingual entrance exams. Districts identify students to take the entrance exam through home language surveys.<sup>8</sup> The LFC/LESC study (2011) was critical of both the implementation of the home language survey and inconsistent guidance provided by PED to districts on exam cut scores.

The lack of a national program requiring data on LEP students implies that there is no national definition of LEP and no consistent data collection at the national level. Instead, the Census Bureau asks about the language spoken at home and how well English is spoken by family members. Since decennial census data is not available, I use information collected as part of the annual American Community Survey (ACS) over the 2006 to 2010 period on the share of the population 5 years and older speaking English “not well” (second column of Table 3).<sup>9</sup>

The correlation between the share of English Language Learners (ELL) used in the SEG formula and the Census measure of language proficiency is positive but not strong (0.36).<sup>10</sup> The share of ELL students averaged 15.3% across districts in 2010-11 compared to

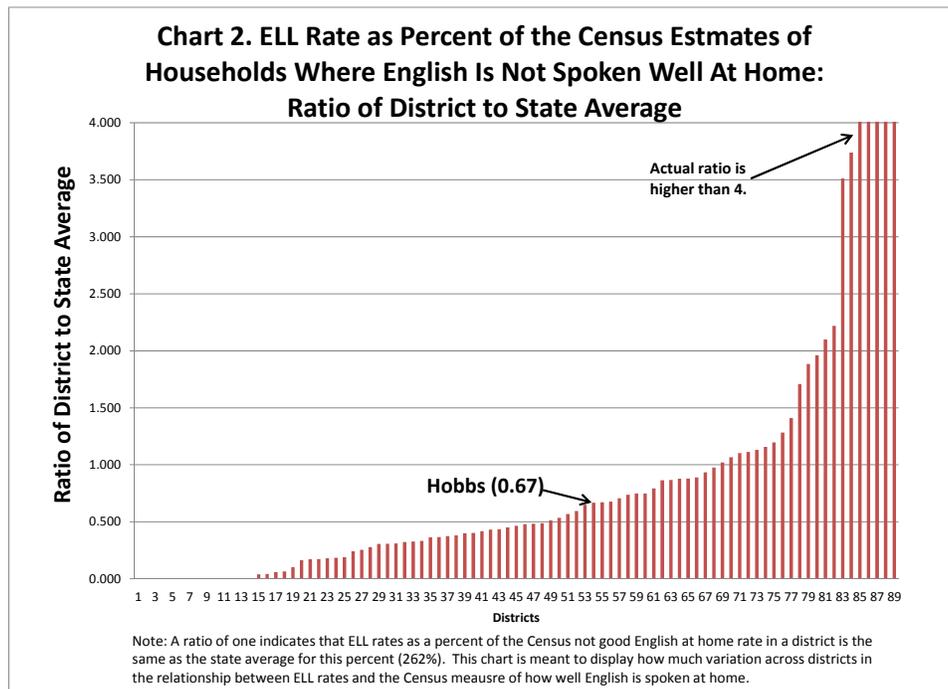
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<sup>8</sup> The description of the ELL identification was provided by an evaluator for LFC.

<sup>9</sup> I also collected data on the share of enrolled students, who did not speak English data well. Because data for this measure is only available for two-thirds of the districts in New Mexico, I used the measure of language proficiency for the whole population in Table 3. I will talk about the results for the other language proficiency measure in note 10.

<sup>10</sup> When the Census language proficiency measure is calculated for enrolled students, the correlations are even weaker (0.22) and the variation in the ratio of the SEG to Census measure is even larger. Part of the explanation for the large variation may be significant measurement error in the calculation of Census language proficiency especially in small districts.

8.6% for the Census measure. However, there is enormous variation across districts (over 500%) in the ratio between the SEG and Census measures as indicated by Chart 2. The SEG ELL measure as a percent of the Census language proficiency measure in Hobbs is only two-thirds of the state average. While any conclusion needs to be made with caution, it is possible that other districts are more apt to classify students with limited English proficiency as ELL than Hobbs.



### ***Student Mobility Measures***

The third component of the At-Risk Index is the share of students classified as “mobile.” The calculation of a mobility rate can be challenging because it is difficult to establish a consistent definition of a mobile student and apply the definition uniformly in all districts.<sup>11</sup> In their recent study, LFC/LESC (2011) discussed some of the accuracy and

<sup>11</sup> The official definition of the district mobility rate is the sum of four measures (students enrolled in another state this year where this is the first school district they entered; students moving from another district in New Mexico; “students withdrawn from school for any reason” and “students absent for ten consecutive days”) minus students “absent more than 10 consecutive days who are now returning to the same school” divided by

consistency problems associated with the present calculation of the Mobility Index used in the SEG (p. 12). The result is that some of the variation in the mobility rate is due to inconsistencies/inaccuracies in reporting not actual differences in student mobility.

The U.S. Census Bureau does not identify the mobility of students across school districts. Instead, it asks individuals whether they are living in a different house this year compared to one year ago and, if yes, whether the new house is in a different county or state. For this comparison I use the share of the population 1 year and older living in a different house regardless of the location of the new house. The correlation between this measure of population mobility and the student mobility in the SEG formula is almost zero (Table 3).<sup>12</sup> The SEG Mobility Rate as a percent of the Census mobility measure in Hobbs is less than two-thirds of the state average. While any conclusion using either the SEG or Census mobility rates should be viewed with caution, there is some evidence that Hobbs may be negatively affected by the inconsistencies/inaccuracies in the calculation of the SEG mobility rate.

### **Evaluating Variation in Special Education Classification Rates**

Given that the accuracy and consistency of the district counts of special education students has received significant attention already (LFC/LESC, 2011; AIR, 2008), I will examine in this section patterns in classification rates by types of programs. If the special education population was randomly distributed across the state, we should not expect to see patterns in the classification rate across districts or across time. A random pattern does not

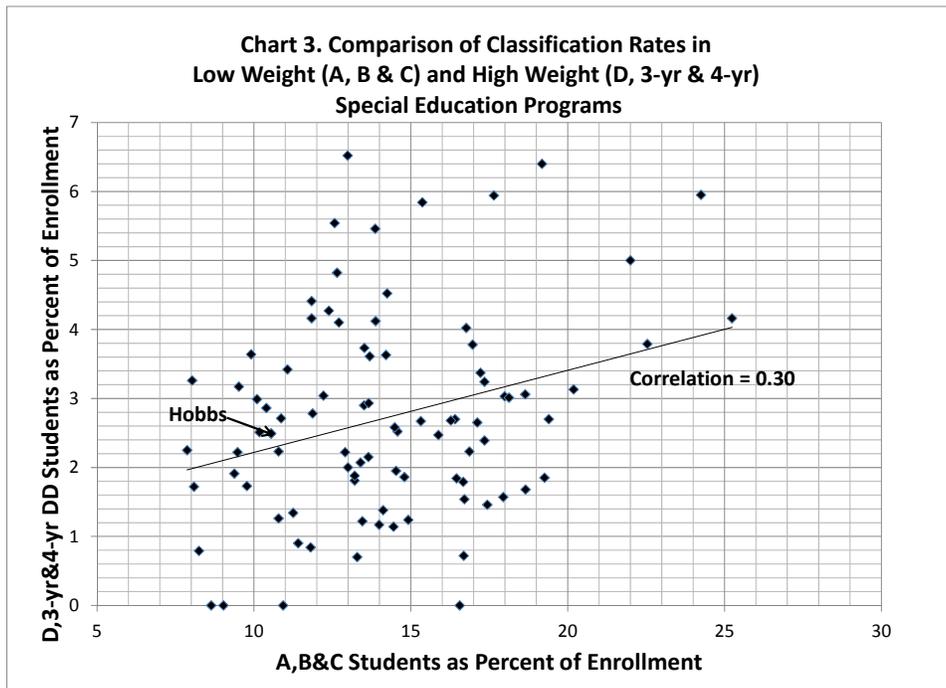
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students “who have not been enrolled in school anywhere else in the United States during the current school year.” Source: information provided by PED on the mobility calculation.

<sup>12</sup> I also compared student mobility rates in the SEG formula with the Census measure of the percent of students in a district who lived in a different county the year before. This alternative Census mobility also is not strongly correlated with the SEG mobility rate (not reported in Table 3). Data is available for this alternative Census measure of mobility for only 62 school districts in New Mexico.

imply that all districts should have the same classification rate but that over time there should be no clear pattern across districts and programs. I will use several approaches to examining whether a pattern exists and how classification rates in Hobbs compares to other districts.

LFC/LESC (2011) argued that a clear pattern exists since districts have an incentive to over-classify students into programs with the highest weights in the SEG formula (D, 3-year and 4-year DD). If this were the case we might expect to see a negative relationship between classification rates in high weight programs (C, 3-yr DD, and 4-yr DD) compared to classification rates for low weight programs (A&B&C). Chart 3 suggests that there is actually a moderate positive correlation ( $r=0.3$ ). While there is significant variation around the best fit line, it does appear on average that districts either tend to have high classification rates on both high-weight or low-weight programs or low weights on both. Hobbs certainly fits this pattern with classification rates for low weight programs 25 percent below the statewide average and for high-weight programs 38 percent below the statewide average.



To get a more nuanced view of patterns among individual programs, I calculated correlations between the classification rates for each program (Table 5). It is clear that there is more variation in patterns across programs than suggested by Chart 3. The classification rates for A&B programs are actually negatively related to classification rates for C programs and positively related to 3-year and 4-year DD programs. There is a moderately strong positive relationship between classification rates for C and D programs and negative correlations between D program classification rates and those for 3-year and 4-year DD. There is a strong positive relationship between classification rates between 3-year and 4-year DD programs

**Table 4. Correlation of the District Classification Rates for Special Education Students by Program (2010-11)**

<b>Program</b>	<b>A&amp;B</b>	<b>C</b>	<b>D</b>	<b>3-year DD</b>	<b>4-year DD</b>	<b>Ancillary Services</b>
A&B	1					
C	-0.240	1				
D	-0.080	0.500	1			
3-year DD	0.200	-0.060	-0.150	1		
4-year DD	0.330	-0.210	-0.240	0.630	1	
Ancillary Services	-0.076	-0.051	0.077	-0.276	-0.063	1

I also looked at patterns between programs for those districts, which have the highest and lowest classification rates. Table 5 reports the top 15 and bottom 15 districts in terms of classification rates for each program. Over 50 different districts have been in the top 15 for classification rates for each program. Over 50 different districts have been in the top 15 for classification rates for at least one class of program with 15 districts in the top 15 for two programs and 4 districts were in the top 15 for at least three programs (Maxwell, Mountainair, Reserve and Santa Rosa). Forty-six different districts have been in the bottom 15 in classification rates for at least one program, 12 districts have been in the bottom 15 for

two programs and one district for three or more programs (Capitan). There were 24 districts, which were in the top 15 and also the bottom 15 for at least one program. These results suggest that only a few districts have consistently high classification rates or low classification rates across programs. While Hobbs is in the bottom 15 for only one program (ancillary services) it is in the bottom third of districts for all but class D students. Combining all of the student-related programs, Hobbs is ranked 76<sup>th</sup> out of 89.

**Table 5. Top 15 and Bottom 15 Districts In Terms of Special Education Classification Rates (2010-11)**

Hobb's Rank	Class A&B	Class C	Class D	3 & 4 year DD	All Student Classes	Ancillary Services
	67	60	29	65	76	75
Top 15	ANIMAS BLOOMFIELD CENTRAL CONS. CLOUDCROFT CORONA DEXTER FT. SUMNER JEMEZ VALLEY LOS ALAMOS MELROSE PECOS RESERVE ROSWELL SPRINGER TRUTH OR CONSEQ.	ARTESIA AZTEC BELEN BERNALILLO DULCE EUNICE HOUSE JEMEZ MOUNTAIN LAKE ARTHUR LAS CRUCES MOUNTAINAIR MOUNTAINAIR PEÑASCO QUESTA SANTA ROSA TAOS	ALAMOGORDO ALBUQUERQUE AZTEC BELEN BERNALILLO CHAMA VALLEY LAS CRUCES LOS ALAMOS MAXWELL MOUNTAINAIR PEÑASCO RESERVE RIO RANCHO SANTA ROSA TAOS	ELIDA FLOYD FT. SUMNER GRADY JAL LAKE ARTHUR LOGAN LORDSBURG LOVINGTON MAXWELL MELROSE PORTALES ROY TATUM TUCUMCARI	ALAMOGORDO BLOOMFIELD CENTRAL CONS. FT. SUMNER LAKE ARTHUR LOGAN LOS ALAMOS LOVINGTON MAGDALENA MELROSE MOUNTAINAIR RESERVE ROSWELL TAOS TRUTH OR CONSEQ.	CHAMA VALLEY CLAYTON COBREA CONS. CUBA MAGDALENA MAXWELL MOSQUERO MOUNTAINAIR PECOS RATON RESERVE ROY SANTA ROSA SPRINGER VAUGHN
Bottom 15	BERNALILLO CAPITAN CLAYTON DULCE ESPAÑOLA EUNICE GADSDEN HATCH JEMEZ MOUNTAIN MOSQUERO QUEMADO SANTA ROSA TEXICO TULAROSA ZUNI	CAPITAN CARRIZOZO CIMARRON CORONA DEXTER ELIDA GRADY HONDO MAXWELL MORA MOSQUERO PECOS ROY SPRINGER WAGON MOUND	ANIMAS CAPITAN CLAYTON CORONA DES MOINES FLOYD GRADY LOGAN MELROSE MOSQUERO QUEMADO ROY SAN JON SPRINGER WAGON MOUND	CARRIZOZO CHAMA VALLEY CORONA DES MOINES HONDO JEMEZ MOUNTAIN LAS VEGAS CITY MESA VISTA MOUNTAINAIR QUEMADO SANTA FE SILVER CITY CONS. SPRINGER TULAROSA WAGON MOUND	CAPITAN CLAYTON DES MOINES ESPAÑOLA HATCH HOBBS HONDO JEMEZ MOUNTAIN LOVING MOSQUERO QUEMADO SANTA ROSA SILVER CITY CONS. TULAROSA WAGON MOUND	CAPITAN CENTRAL CONS. EUNICE FARMINGTON FLOYD GALLUP HATCH HOBBS JAL LOGAN MELROSE QUESTA SAN JON TATUM TEXICO

It is also important to examine how consistent the classification rates are across time. We can see in first panel of Table 6 that the rankings of Hobbs by program have remained consistently in the bottom one-third of school districts. For ancillary services, Hobbs was in the bottom 15 for two out of three years and for the combination of student program classes, Hobbs was in the bottom 20 in all three years. The second panel of Table 6 presents correlations for the same programs across different years. Between most of the programs,

there is a very strong correlation across the three years. The one exception is in class D programs between 2011 and the other two years. The lower correlation in these years is driven by one district, Wagon Mound, which went from classification rates over 40 percent for class D students in 2009 and 2010 to a classification rate of zero in 2011. If the Wagon Mound is removed from the calculation, the correlations are above 0.80 between all years.

**Table 6. Comparison of Classification Rates by Program from 2009 to 2011**

	Class A/B	Class C	Class D	Class C/D	3-year DD	4-year DD	3&4-year DD	All Student Classes	Ancillary Services
<b>Hobb's Rank:</b>									
2009	65	60	26	53	49	52	53	69	74
2010	69	62	25	53	53	59	63	72	71
2011	66	60	29	48	69	56	65	76	74
<b>Correlations:</b>									
With Wagon Mound:									
2010 & 2011	0.86	0.74	0.12	0.25	0.65	0.69	0.82	0.40	0.92
2009 & 2010	0.88	0.90	0.99	0.98	0.50	0.81	0.89	0.92	0.93
2009 & 2011	0.71	0.68	0.09	0.23	0.65	0.79	0.84	0.18	0.99
Without Wagon Mound:									
2010 & 2011	0.86	0.74	0.87	0.85	0.64	0.69	0.82	0.86	0.92
2009 & 2010	0.88	0.89	0.83	0.90	0.49	0.81	0.89	0.81	0.93
2009 & 2011	0.71	0.67	0.84	0.84	0.64	0.79	0.84	0.70	0.99
<b>Average Percent Variation:</b>									
With Wagon Mound:									
2009	34.5%	89.4%	116.2%	52.0%	171.8%	128.5%	141.8%	56.3%	66.3%
2010	34.0%	79.3%	97.8%	48.7%	144.5%	100.8%	148.7%	48.5%	70.6%
2011	32.8%	39.4%	106.2%	52.8%	39.2%	104.5%	127.9%	24.6%	65.6%
Without Wagon Mound:									
2009	34.4%	51.6%	42.9%	41.1%	128.9%	142.4%	116.5%	29.4%	66.7%
2010	33.5%	48.2%	39.4%	37.7%	100.6%	148.5%	97.3%	32.3%	70.7%
2011	32.9%	52.3%	39.2%	39.1%	104.2%	127.6%	105.8%	24.2%	65.9%

The third panel of Table 6, provides information on the average percent variation in classification rates across districts. For example, the average variation in classification rates for class A/B programs was 32.8 percent in 2011. If the average classification rate was 12 percent, classification rates would commonly vary between 8% and 16%. If the average variation was 100 percent, it would not be unusual to see classification rates varying from 0% to 24%. The variation in classification rates was more than 30 percent for all program types and was especially high for classifications with high student weights (class D, 3&4-year DD). It does appear that variation in Class C and 3-year DD programs did decrease in 2011. However, this was driven by one district, Wagon Mound. If this district is removed, the variation in classification rates is similar across years.

The large variation in classification rates across districts and the consistency of this variation across time suggests two possible scenarios: 1) there are consistent differences in the distribution of special education students by the level of need across districts in the state; or 2) classification decisions are more strategic in nature and that districts are maintaining these decisions across time. As New Mexico evaluates whether to move to a Census-based system it will be important to determine which of these two scenarios is more accurate. If it is the first, then implementing a Census-based system based on an average statewide classification rate may impose significant financial burdens on districts with historically high classification rates, especially for students requiring significant services. If the second scenario is more accurate, then there is strong justification for implementing a Census-based system.

## **V. Examining Modifications to the SEG Formula**

Recent reports by AIR (2008) and LFC/LESC (2011) have discussed the complexity of the present SEG funding formula and proposed modifications to the formula. In this section I will examine the present formula and the proposed modifications drawing primarily on my own research on the determinants of the cost of education. This section will begin by discussing some criteria that can be used in evaluating foundation funding formula and how the present SEG formula fares on these criteria. I will then examine the major components of the SEG formula and the proposed modifications. This section concludes by using the SEG Simulation to examine the possible effects of the proposed SEG formula modifications.

### **Criteria for Examining Modifications to the SEG Formula**

Foundation aid programs are one of the most important parts of a state's school finance system. They typically distribute more than half of state's education aid to school

districts and are the only general-purpose aid to support school district operations. By general-purpose aid, I am referring aid which can be used for a variety of functions. Districts typically have significant discretion over the use of general-purpose aid. An alternative type of aid provided by most states is a categorical grant, which is typically targeted to a specific function, program, or resource and may impose restrictions on a district's ability to divert aid into alternative uses. Common criteria used to evaluate components of a school finance system include equity, efficiency, and transparency.

### *Equity*

Given the central role of foundation aid programs in state school finance systems, it is not surprising that they are often both an object of litigation and considered to be a major remedy (Lukemeyer, 2003). One of the principal justifications for using a foundation program is to help a state achieve its educational equity objectives. While a variety of equity standards have been proposed (Berne and Stiefel, 1984), the equity standard in line with the "education clauses" in most state constitutions is an "adequacy standard" (Koski and Hahnel, 2008; Lukemeyer, 2003). Adequacy standards are also the most compatible with state accountability systems and NCLB (Duncombe, Lukemeyer, and Yinger, 2008). In a school finance context, "adequacy" can be defined as sufficient resources so that school districts can provide all their students the opportunity of achieving state performance standards. Duncombe and Yinger (1998) have shown that well-designed foundation formulas, which adjust for factors affecting the cost of education, are the most effective general purpose aid systems in helping states meet their adequacy objectives.

The centralization of the New Mexico school finance system suggests that relative equity is also an important equity objective. Relative equity is typically defined as limiting

the variation in spending, resources, or outcomes to some range. An example of a relative equity standard would be to limit variation in per pupil spending between the highest and lowest spending districts to 25 percent or less. Common relative equity measures include the average percent variation (coefficient of variation) and the ratio of the 95<sup>th</sup> to the 5<sup>th</sup> percentile (Berne and Stiefel, 1984). Table 7 (panel 1) presents several education equity statistics for per pupil SEG funding in New Mexico in 2010-11.<sup>13</sup> On average, there is 24 percent variation (\$2,000) in per pupil SEG funding around the district average of \$8,200. Per pupil SEG funding provided to the district at the 95<sup>th</sup> percentile is over twice as high (2.2 times) as the district in the 5<sup>th</sup> percentile. These results suggest that per pupil SEG funding is far from equalized across districts in New Mexico.

**Table 7. Educational Equity Statistics for Per Pupil SEG Funding  
(New Mexico School Districts, 2010-11)**

<b>Equity Measures</b>	<b>Current Formula</b>
<b>Per Pupil SEG Funding:</b>	
Average percent variation	24%
Ratio of 95th to 5th Percentile	2.20
<b>Correlation of Per Pupil SEG Funding With:</b>	
Assessed Value	0.39
Share of Title 1 Students	-0.10
<b>Per Pupil SEG Funding by Poverty and Wealth Quintiles:</b>	
Share of Title 1 Students	
First quintile	\$9,017
Second quintile	\$7,766
Third quintile	\$8,742
Fourth quintile	\$8,033
Fifth quintile	\$7,508
Per Pupil Assessed Value	
First quintile	\$7,001
Second quintile	\$7,793
Third quintile	\$8,296
Fourth quintile	\$8,565
Fifth quintile	\$9,435

Note: Comparison of district SEG funding per pupil without charter schools.

<sup>13</sup> Charter schools are excluded from the equity analysis in Tables 7 and 8. If they are included with the other schools in the district, it has relatively little effect on the equity results.

Whether the variation in per pupil SEG funding across districts helps New Mexico achieve its educational adequacy objectives depends on whether districts receiving the highest per pupil SEG funding have the highest student needs and lowest property wealth. In the second panel of Table 7, I have calculated the correlation between per pupil SEG funding and per pupil assessed value and with the share of Title 1 students. The variation in per pupil SEG funding actually appears to undermine adequacy objectives. Per pupil SEG funding is positively related to property wealth and negatively related to student poverty. The third panel of Table 7 shows the distribution of per pupil SEG funding by quintiles of the share of Title 1 students and per pupil assessed value. While per pupil SEG funding is \$9,017 on average for districts in the lowest quintile for child poverty, it is \$7,508 on average for district in the highest quintile. The opposite pattern exists for assessed value with the lowest per pupil SEG funding (\$7,001) in district in the bottom property wealth quintile and the highest funding (\$9,435) for districts in the highest wealth quintile. This analysis of equity statistics suggests that the complexity of the SEG formula in New Mexico not only does not improve the relative equity or adequacy of the school finance system but may actually undermine it.

### ***Efficiency***

While a number of definitions of efficiency exist, in the context of aid formula design, an efficient aid system is one that does not encourage districts to divert resources into unproductive uses. For example, if a component of an aid formula encourages districts to hire more experienced (and expensive) teachers and this does not significantly improve student performance, this would be an inefficient provision in the aid formula. Unless there is strong evidence on the effectiveness of a particular program, state governments should generally

avoid using general-purpose aid programs to influence district resource allocation decisions. While well-designed and targeted categorical aid programs can be an important part of a state aid system, my research on California school finances with my colleague, John Yinger (Duncombe and Yinger, 2011), suggest that significant use of categorical grants can reduce efficiency.

### ***Transparency***

As one of the principal tools of a school finance system, foundation aid programs should ideally be easy for educators, legislators, and the public to understand. While some of the components of a foundation aid program included to improve their adequacy will make their formulas more difficult to understand, many of the provisions which make aid systems non-transparent do not improve adequacy or efficiency. For example, elaborate hold harmless provisions and transition adjustments can make foundation formulas needlessly complex. It is not uncommon for foundation formulas to provide several alternative calculations of the same adjustment, typically added to appease a particular constituency. Not only do these provisions reduce transparency but they often lead to a growing number of districts “being off the formula.”

### **Modifications to Provisions Affecting Program Costs**

Most of the focus on reforming the SEG formula has been on components affecting the calculation of program costs. I have organized the major provisions into five categories: grade-level weights, at-risk student weights, special education provisions, teacher-related provisions, and size-related provisions. While changes to the calculation of the local contribution could also be examined, I focused in this section on the calculation of program costs.

### *Grade-level Pupil Weights*

Pupil weights for different grade levels should reflect differences in costs of providing adequate educational services at that grade level. Most states include higher pupil weights for secondary education students (often 25%) based on the perception that it is more expensive to provide secondary education programs (Odden and Picus, 2000). How much this perception and the pupil weights they use are based on actual research is open to debate.

My own research on the determinants of differences in the cost of providing an adequate education in five states (with my colleague, John Yinger) has generally not found that variation in enrollment levels across grades is associated with differences in costs.<sup>14</sup> We found in Missouri that K12 districts are 11% more expensive to operate than K6 and K8 districts and found in California that K12 districts are more expensive to operate than either elementary districts (15%) or high school districts (7%). I have included in all five cost studies the share of secondary students and not found this variable to be significantly related to costs. While it is difficult to draw general conclusions from this small sample, it does suggest that New Mexico should examine carefully the justification for its relatively high grade-level pupil weights.

The study by AIR (2008) recommends alternatives to the five different pupil weights in the present formula. They recommend higher weights for middle school (grades 6-8) and high school grades. Because of the mathematical form of these adjustments, it is difficult to derive one pupil weight for each grade level. The average weight for grades 6-8 is 0.3 and the

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<sup>14</sup> The research I draw on for this section involves using a statistical methodology, education cost functions, to examine the factors affecting the cost of providing an adequate education across districts. See Duncombe and Yinger (2008) for a more detailed description of education cost functions and other methods for estimating cost differentials. The cost function results I refer to in this section are generally available in Duncombe and Yinger (2005), Duncombe, Lukemeyer, and Yinger (2008) and Duncombe (2007).

pupil weight is approximately 0.74 for high school.<sup>15</sup> These weights would also be approximately the same for charter school students. Assuming that I have calculated the pupil weights correctly, AIR is recommending much higher pupil weights for secondary education students than in the present formula. It is not clear what the basis is for their recommendation is but it is certainly not consistent with my own research on the impact of grade level on cost.

*Recommendation: I agree with AIR that the SEG should include higher pupil weights for secondary students but they shouldn't be any higher than 0.25 unless there is strong evidence of higher costs.*

### ***At-Risk Pupil Weight***

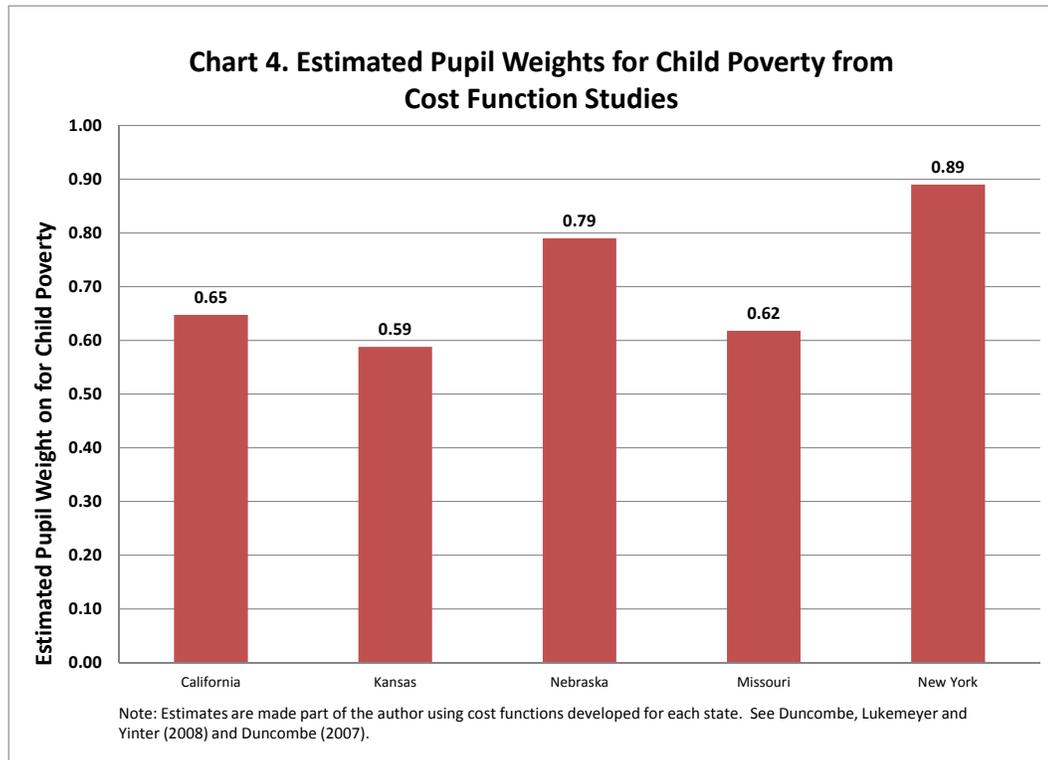
***Child poverty.*** Presently, the SEG includes a pupil weight of 0.0915 for the Title 1 index, which is based on the share of students receiving a subsidized lunch. As indicated in the LFC/LESC report (2011), New Mexico's child poverty weight is relatively low compared to other states. They recommend increasing the pupil weight to 0.15. AIR (2008) recommends a pupil weight for poverty of approximately 0.42 (in a district with an average poverty rate). What does the research suggest is the appropriate child poverty weight? In our analysis of the determinants of education costs in five states, we estimate that the additional costs associated with students receiving subsidized lunch imply a poverty rate between 0.59 and 0.89 (Chart 4).<sup>16</sup> Baker (2006) found that cost function studies typically produce higher poverty weights than professional judgment studies.

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<sup>15</sup> Since AIR (2008) doesn't translate their function into weights, I used the approach developed by Duncombe and Yinger (2005). These should be viewed as my estimate of their weights, which may be incorrect.

<sup>16</sup> The weights in Chart 4 are based on somewhat different child poverty measures. California, Missouri, and Nebraska use the K12 subsidized lunch rates; Kansas uses the K12 free lunch rate; and New York uses the K6 free lunch rate. Our findings are consistent with what Imazeki and Reschovsky (2004) found for Texas.

*Recommendation: Based on my research in other states I recommend that the child poverty weight should be at least 0.5 to accurately reflect the higher resources needed to provide these students an opportunity to meet state standards.*



**English language learners (ELL).** Presently, the SEG includes a pupil weight of 0.0915 for the ELL students. The LFC/LESC report (2011) recommends that this weight be increased to 0.15 while AIR (2008) recommends an ELL weight of approximately 0.096 (in a district with an average ELL rate). There is less research evidence on the additional costs associated with limited English proficiency partly because of the poor quality of ELL (or LEP) data in a number of states. Baker (2006) summarizing the results from a number of professional judgment studies and found that most estimated LEP pupil weights between 0.55 and 1.0. In our research in New York, we estimated an LEP weight of approximately one (Duncombe and Yinger, 2005). However, in our cost function study in California, the estimated pupil weight was approximately 0.35. The LFC/LESC report (2011) discusses

some of the problems with the present measure of ELL and recommends removing it from At-Risk Index. Instead, they recommend adjusting “bilingual funding to direct a cost differential of 0.15 towards ELL students statewide.” (p. 5) It sounds like they are recommending that the ELL share be used in calculating the bilingual program funding instead of the present measure of program participation. One concern about dropping the ELL measure from the at-risk index is that the subsidized lunch rate and ELL rate have only a moderately positive correlation (less than 0.5). This suggests that there are large differences across districts in the share of their Title 1 students who are also ELL (and vice versa).

*Recommendation: While the research evidence is less consistent, it suggests that weights of at least 0.50 for ELL students are appropriate. The ELL weight should not be dropped from the at-risk index unless there is strong evidence that the weight on Title 1 students adequately captures the additional costs associated with serving ELL students.*

**Mobility.** Presently, the SEG includes a pupil weight of 0.0915 for the share of mobile students. The LFC/LESC report (2011) discusses some of the problems with the present measure of mobility and recommends dropping the mobility index from the SEG formula. AIR (2008), on the other hand, recommended retaining the mobility rate in their recommended formula and increasing the weight to 0.20. Despite the fact that “research consistently points to profound negative social and academic outcomes associated with student transience....” (Killeen and Schafft, 2008), mobility rates are seldom used in foundation aid programs. Their omission may be in part due to the diversity associated with mobile populations, and the difficulty of developing consistent measures, which are linked to additional resource needs. Another concern about using mobility rates in a foundation

formula is the potential perverse incentives provided districts with regard to retaining students.

*Recommendation: I concur with LFC/LESC's recommendation to drop the mobility index from the SEG formula, especially given that the weight is already quite low. However, New Mexico may want to consider additional categorical funding to support programs serving homeless students and those in migrant households.*

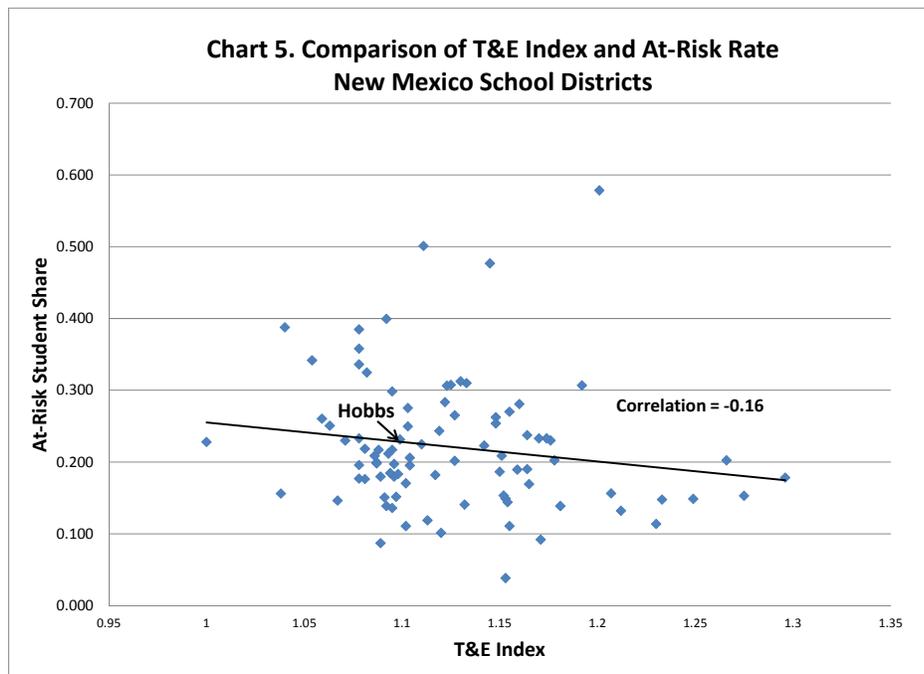
### ***Special Education Provisions***

Given that both LFC/LESC (2011) and AIR (2008) have considered in detail some of the problems with the present special education provisions in the formula, I will defer to their analysis. Both studies recommended going to a census-based funding special education funding system to avoid “gaming” of the classification system as indicated by the large variation in classification rates across districts particularly in the high-weight programs. AIR (2008) also provides a detailed recommendation on how to construct a contingency fund for high-cost special education students. This latter recommendation will be particularly important if the variation in classification rates, presented on Table 6, reflects real differences in the share of special education students across districts.

*Recommendation: I agree with the recommendations of AIR and LFC/LESC to move to a census-based funding system and put in place a contingency fund for high-cost students. The use of this fund should be carefully monitored to assure both appropriate use and adequate funding.*

### ***Teacher-related Provisions***

The T&E Index is the principal teacher-related adjustment in the present formula.<sup>17</sup> Both the LFC/LESC (2011) and AIR (2008) studies raise concerns about providing additional funding for more experienced and educated teachers given that the research evidence does not indicate that either is highly related to teacher performance. Another concern about including the T&E Index in the SEG formula is that it may undermine other provisions of the formula. Of particular concern is that the districts most able to successfully recruit and retain experienced and educated teachers may be more affluent districts with fewer at-risk students. Chart 5 provides some evidence to suggest that this may be the case. There is a weak negative relationship between the T&E Index and the At-Risk Index. In other words, districts with a high T&E Index tend to have relatively fewer at-risk students.



Both the LFC/LESC (2011) and AIR (2008) recommend that New Mexico adopt an “effective teacher index” which is linked to the three-tiered teacher licensure system. While

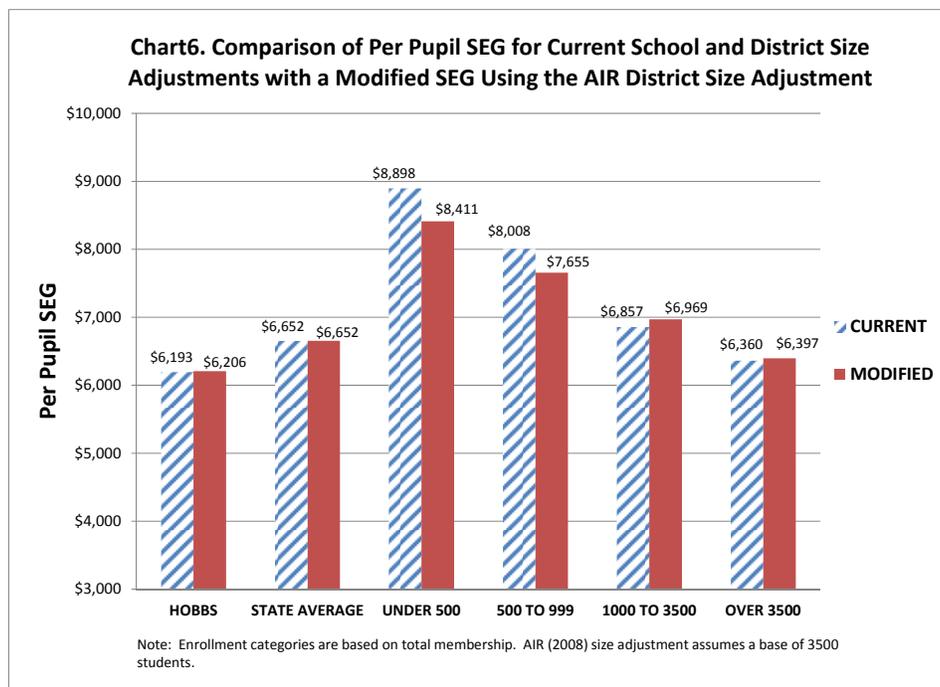
<sup>17</sup> I am not evaluating the provision related to National Board certification of teachers since it represents a very small amount of funding.

this appears to be an improvement over the present T&E system, it still may undermine the adequacy objectives of the formula. The large body of research on teacher labor mobility indicates that low wealth and high student need districts are those most likely to have difficulty recruiting teachers with the highest qualifications (Boyd, Lankford, and Wyckoff, 2008). Given the difficulty identifying effective teachers and effective teacher quality policies (Goldhaber, 2008), it is not clear that including an effective teacher index in the SEG formula will significantly improve teacher quality, especially in high need school districts. *Recommendation: New Mexico should consider dropping the T&E index from the formula and not replace it with a “teacher quality index.” As an alternative, New Mexico should consider developing a categorical aid program targeted to low-wealth/high-need districts, which can be used to improve teacher qualifications and recruit teachers in hard-to-staff schools and subjects.*

### ***Size-related Provisions***

Both the LFC/LESC (2011) and AIR (2008) studies recommend replacing the existing array of array of school and district size adjustments with a simpler set of adjustments. While I am not clear on their specific recommendation, LFC/LESC appears to be recommending an adjustment only for district size. Since districts can influence the configuration of schools within districts providing school-level size adjustments provides incentives for districts to create small schools, which may actually raise costs (LFC/LESC, 2011). In addition, charter school size is under their discretion, so providing small school funding in the SEG formula may discourage schools from growing to take advantage of economies of scale.

The recommendations of AIR (2008) are to retain size adjustments in the SEG formula for both school districts and charter schools but to change the nature of these adjustments. Based on their statistical analysis, AIR proposed that size adjustments vary directly with district (and charter school) enrollment using a non-linear functional form (quadratic function). While it difficult to identify the effects of their recommendations based on the mathematical equation, it is possible to compare how their recommendations will compare to the existing formula. Chart 6 compares the existing formula with a formula using the AIR size adjustments in place of existing adjustments. We can see that the AIR district size adjustments would result in a significantly lower level of funding for districts with under 500 students (5.5% lower) and districts between 500 and 1000 students (4.4% lower). There would be little difference in the funding for districts with 1000 or more students.



I also compared to AIR size adjustment with existing cost function research on “economies of size” in education (Andrews, Duncombe, and Yinger, 2001). I have compared

in Table 8 the results from cost function studies done in four states with the AIR recommendations. The results can be interpreted as the percent reduction in spending in a district in a certain size class compared to a district with less than 250 students. All of the cost function studies show that there is sizeable potential cost savings associated with larger districts especially if the district is below 500 students. Most of the cost savings are exhausted by the time a district reaches a size between 2,500 and 5,000 students. The AIR recommended district size adjustment actually matches pretty closely with findings from our cost function research. Thus, there seems to be pretty strong support for using a district size adjustment similar to that proposed by AIR. However, the case for providing cost adjustments for charter schools is much weaker.

*Recommendation: I concur with the recommendations of LFC/LESC and AIR to drop the existing district and school size adjustments. Instead, a district size adjustment similar to that proposed by AIR should be adopted in their place. No size adjustments should be provided to charter schools since the size of a charter school is a matter of choice.*

**Table 8. Percent Reduction in Per Pupil Cost Compared to a District with less than 250 Students**

Enrollment Categories	Results From Cost Function Studies*				AIR (2008)
	Kansas	Missouri	Nebraska	New York	District Size Adjustment**
250 to 499	16	20	11	23	14
500 to 999	22	30	21	32	26
1,000 to 1,499	30	37	18	35	33
1,500 to 2,499	35	44	29	38	37
2,500 to 4,999	34	49	30	42	42
5,000 to 14,999	29	49	26	43	45

\* Cost function results are based on regression coefficients on enrollment class variables controlling for other variables in the cost model. Cost function studies were all carried out by the author.

\*\* AIR estimates are based on their recommended size adjustments for districts. The mid-point for each enrollment category was used and the comparison was to a district with an enrollment of 200.

Source: Duncombe, Lukemeyer, and Yinger (2008), Duncombe (2007) and AIR (2008).

## **Modifications to Provisions Affecting Local Contributions**

While LFC/LESC (2011) have AIR (2008) have examined in depth the determination of program cost, very little attention has been paid to the SEG provisions related to local

contribution. Decisions about the design of these provisions can also have significant effects on the distribution of SEG funding. In particular, I think that two issues are worthy of additional attention as modifications to the SEG formula are considered.

### ***Transparency***

The transparency of the calculation of the local contribution is of equal importance to the calculation of the program cost. For the property tax levy contribution, the following should be transparent and readily available: 1) the underlying market value of property used to calculate the property tax levy; 2) any exemptions, deductions, or assessment ratios applied to market value; and 3) the levy rate used to calculate the local levy contribution. If different rates are applied to different classes of property, then the same information should be available for all classes of property. Presently, there appears to be limited transparency in how the levy contribution used in the SEG formula is calculated.

### ***The Minimum Tax Levy***

The key state-set parameter on the local contribution part of the foundation formula is the minimum property tax levy rate that is used to calculate the property tax levy. New Mexico uses a very low levy rate--\$.5 per \$1,000 of property values--in the SEG formula. This effectively de-emphasizes the importance of variation in taxable local property values across school districts in the calculation of SEG funding. Even though school districts in New Mexico are greatly constrained in the property tax levy they can set, property values can be viewed a proxy for the capacity of local residents to raise revenues through other means. Past research has found that when local property taxes are high constrained, as in California, alternative funding sources, such as private foundations, often emerge especially in wealthy school districts. (Brunner and Sonstiele, 2003) If significant amounts of alternative funding

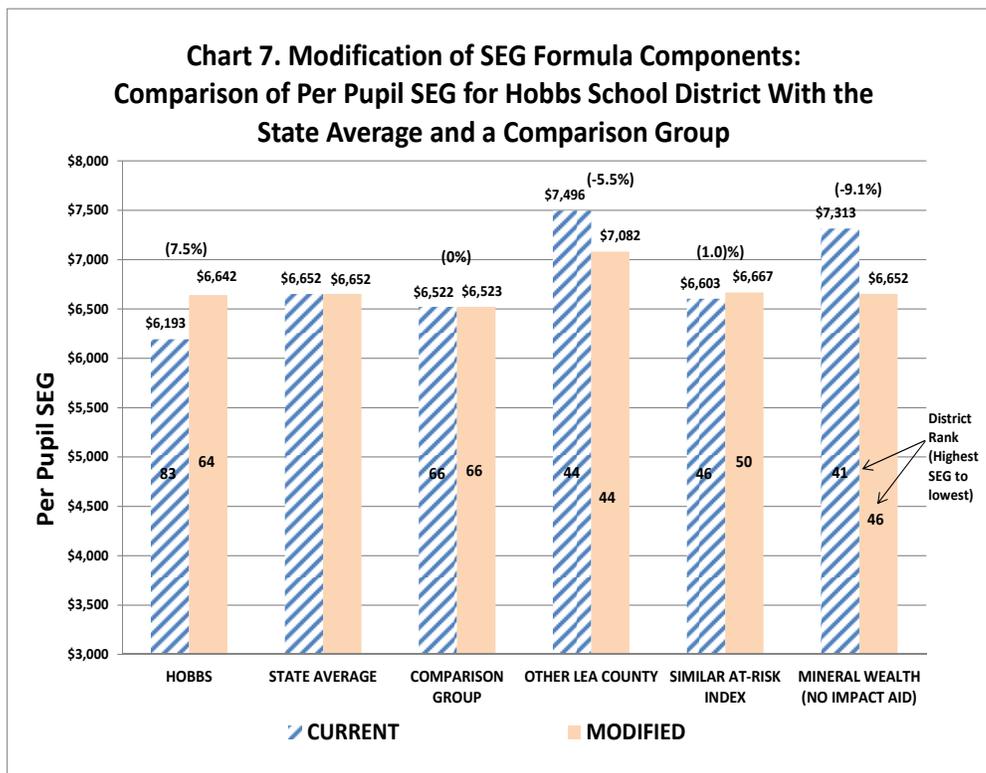
is raised for school districts in New Mexico and is related to property wealth, then a higher levy rate should be considered in the SEG formula to reflect this local capacity.

### **Impact of Possible Modifications on Distribution of SEG Funding**

Based on the recommendations made in this section of the report, it is possible to simulate what their impact would be on the distribution of funds. Table 9 summarizes proposed modification to the SEG formula and how they compare to recommendations in the LFC/LESC (2011) and AIR (2008) studies. Many of these recommendations are similar but I did not include the “effective teacher index” (or IQR) made in these studies because I didn’t have the data used to create these indices. Following LFC/LESC and AIR, I did not make any changes in the local contribution part of the formula; however, I think this part of the formula needs more careful consideration in any changes in the SEG formula. I adjusted the program costs per unit to keep the overall cost of the program revenue neutral.

<b>Formula Components</b>	<b>Proposed Modification</b>	<b>LFC/LESC Recommendation</b>	<b>AIR Recommendation</b>
A. Program cost per unit	Increased to \$4,260	Kept at \$3,572	Increased to \$5,106
B. Pupil weights by grade level	Grades 7-12 set at 1.2	Kept the same	Grades 6-8=0.3; Grades 9-12=0.74
C. Funding for at-risk students			
1) Child poverty (Title 1)	Increase to 0.4	Increase to 0.15	Increase to approximately 0.42
2) ELL	Increase to 0.5	Increase to 0.15	Increase slightly to 0.096
3) Mobility	Drop from formula	Drop from formula	Increase to approximately 0.20
D. Funding for special education students	Adopt Census-based approach. Classification rate: 16% Pupil weight: 2	Adopt Census-based approach. Classification rate: 16% Pupil weight: 2	Adopt Census-based approach. Classification rate: 16% Pupil weight: 1.723
E. Special programs	Drop funding for special programs and charter school student or home school student activity adjustment		Drop direct funding for special programs and charter school student or home school student activity adjustment. Some is included in program cost per unit.
F. Teacher-related adjustments			
1) T&E Index	Drop T&E	Replace T&E with effective teacher index based on 3 licensure levels.	Replace T&E with index of staff quality based on 3 licensure levels
2) Funding for NB certification	Keeps present funding	Keeps present funding	Drops from formula.
G. School and district size adjustments	Use AIR adjustment for districts. No adjustment for charter schools.	Repeal present size adjustments and replace with new district size adjustment but I am not sure of the form of adjustment.	Replaces present adjustments with their own adjustment for districts and charter schools
H. Growth and Save Harmless adjustments	Keeps present growth adjustment for districts but not charter schools. Drop hold harmless adjustment for small schools and districts.	Keeps present growth adjustment for districts but phase out for charter schools. Keeps hold harmless provision.	Drops present adjustments and creates an alternative growth factor. Not sure if they have hold harmless provision

Chart 7 compares the SEG funding under the modified formula and under the current formula in Hobbs and several comparison groups of districts. The modified formula would result in a 7.5 percent increase in per pupil SEG funding for Hobbs (\$449 per pupil). Hobbs' district rank in terms of per pupil SEG funding would increase from 83<sup>rd</sup> (out of 89) to 64<sup>th</sup>. Funding in Hobbs will be 1.9 percent higher than its comparison group and on par with funding in other districts with mineral wealth but no impact aid and with a similar at-risk index. Hobbs will go from being 17 percent below other districts in Lea County, on average to being 6 percent below.



Changes to the formula of this scale are going to produce winners and losers, especially if the overall funding level is kept constant. While states can implement hold harmless provisions and transition periods for implementation of the revised formula, they have to be careful or these provisions can begin to dominate the formula. A good example is

Texas, where the hold harmless system (“target revenue system”) now provides funding to over 80 percent of all districts and the formula-based system less than 20 percent (TTARA, 2012). Table 10 identifies some of the groups of winners and losers from the modifications proposed in Table 9.

**Table 10. Impact of Proposed Changes to the SEG Formula on Different Groups of Districts**

<b>Categories of Districts</b>	<b>Per Pupil SEG</b>		<b>Percent Difference</b>
	<b>Current Formula</b>	<b>Modified Formula</b>	
Hobbs	\$6,193	\$6,642	7.3%
Public schools	\$6,567	\$6,641	1.1%
Charter schools	\$8,481	\$6,872	-19.0%
Grade level:			
High ECE	\$6,644	\$6,666	0.3%
Low ECE	\$7,038	\$6,764	-3.9%
High secondary	\$6,719	\$6,592	-1.9%
Low secondary	\$6,484	\$6,574	1.4%
At-Risk students:			
High share	\$6,316	\$6,712	6.3%
Low share	\$6,789	\$6,576	-3.1%
Special education:			
High classificaiton rate	\$6,666	\$6,612	-0.8%
Low classificaiton rate	\$6,620	\$6,715	1.4%
T&E Index:			
High	\$7,299	\$6,783	-7.1%
Low	\$6,506	\$6,668	2.5%
Enrollment category:			
Under 500	\$8,898	\$7,720	-13.2%
500-999	\$8,008	\$7,750	-3.2%
1000-3500	\$6,857	\$6,825	-0.5%
Over 3500	\$6,360	\$6,485	2.0%
Assessed value per pupil:			
High	\$7,093	\$6,989	-1.5%
Low	\$6,573	\$6,613	0.6%

Given the nature of the modifications to the formula, the winners and losers are not surprising. The biggest losers are charter schools, where per pupil SEG funding would drop by almost 20 percent because of elimination of size adjustments, the growth factor for charter schools and higher weights for elementary students. Other major losers are small districts

(under 1000 students), districts with a high T&E index, Besides Hobbs the largest winners are districts with high shares of at-risk students, and low T&E index and classification rates.

The proposed modifications of the formula presented in Table 9 involved incremental changes to the existing SEG funding formula. The question is whether incremental change is adequate to significantly change the equity of the distribution of SEG funding. Table 11 compares the current formula with the recommended modified SEG formula. While there would be some improvement in equity, the results are not dramatic. The ratio of per pupil SEG funding in the districts at the 95<sup>th</sup> percentile to the 5<sup>th</sup> percentile would fall from 2.2 to 2.07. The correlation between child poverty (Title 1 share) and per pupil SEG funding would go from a small negative relationship to no relationship. The differences in average funding between districts in the highest and lowest quintile for poverty would be reduced from \$1,509 to \$841. What these results suggest is that the modified formula may be a step in the right direction but significant improvement in education equity will require more fundamental changes in the SEG formula.

**Table 11. Educational Equity Statistics for Per Pupil SEG Funding-- Existing and Modified Formula (New Mexico School Districts, 2010-11)**

<b>Equity Measures</b>	<b>Current Formula</b>	<b>Modified Formula</b>
<b>Per Pupil SEG Funding:</b>		
Average percent variation	24%	24%
Ratio of 95th to 5th Percentile	2.20	2.07
<b>Correlation of Per Pupil SEG Funding With:</b>		
Assessed Value	0.39	0.42
Share of Title 1 Students	-0.10	0.02
<b>Per Pupil SEG Funding by Poverty and Wealth Quintiles:</b>		
Share of Title 1 Students		
First quintile	\$9,017	\$8,782
Second quintile	\$7,766	\$7,589
Third quintile	\$8,742	\$8,340
Fourth quintile	\$8,033	\$7,766
Fifth quintile	\$7,508	\$7,941
Per Pupil Assessed Value		
First quintile	\$7,001	\$7,148
Second quintile	\$7,793	\$7,817
Third quintile	\$8,296	\$7,891
Fourth quintile	\$8,565	\$8,412
Fifth quintile	\$9,435	\$9,175

Note: Comparison of district SEG funding per pupil without charter schools.

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## Appendix A: Description of SEG Simulation

The complexity of the SEG funding formula makes it difficult to determine the impact of particular provisions on a districts and how proposed modifications to the formula are likely to affect a district or group of districts. The SEG Simulation was developed to make the formula more transparent and simplify the task of doing “sensitivity analysis” to determine how components of the formula affect a district. In this appendix, I will provide a brief introduction on how to use the SEG Simulation to make changes to the formula and to look at their impact using tables and figures built into the simulation. This introduction is organized around the key “sheets” you will be navigating through to use the Simulation.

- 1) **Introduction:** Enter the SEG Simulation on the “Introduction” sheet. This sheet provides a brief explanation of what the simulation is and the two different ways you can make changes to the formula. I recommend that you make changes by first going to the “Table of Contents” sheet using the button to the right of the screen.

### New Mexico State Equalization Guarantee Simulation

Welcome to the New Mexico State Equalization Guarantee School Aid Simulation Program. You can use this program to evaluate alternative designs for the SEG formula.

You can change the SEG formula in two ways:

- 1) You can change parts of the SEG formula (e.g., At-Risk Index) by first going to the "Table of Contents" and selecting the button for the part of the formula you want to change. This is the easiest approach to using the simulation.
- 2) You can go directly to the "SEG Formula Worksheet" which provides a detailed list of possible changes to the SEG formula.

Once you have changed part of the formula, you can look at the results for different groups of districts by going to the "Table of Contents" and selecting the button for a particular chart or table. Results are available for:

- 1) The case where the total SEG budget is allowed to change.
- 2) The case where the total SEG budget is kept constant (revenue neutral).

Go to Table of Contents

Go to SEG Formula Worksheet

- 2) **Table of Contents:** The Table of Contents sheet is the major sheet you will be using to navigate through the SEG Simulation. There are two basic types of actions you can take using the “buttons” in the Table of Contents.
- a. You can make modifications to particular parts of the formula by selecting the “Change this part of the formula” button next to a particular part of the formula. The formula components are organized into sections based on the purpose of this part of the formula. After making a change to a particular part of the formula, you will see a button to take you back to the “Table of Contents”.
  - b. Once you make a change you can look at its impact on the distribution of per pupil SEG funding. The types of output you can look at are described below. Once you go to a table or chart you will see a button you can click to go back to the “Table of Contents”.
    - (1) If you click the button for “Chart with SEG changes” this will take you to a chart comparing per pupil SEG funding in Hobbs with the state average and a comparison groups of districts. The comparison groups are adjusted to be relevant to changes in that particular part of the formula. For example if you change the pupil weights by grade level, the graph will include results for districts with a high or low share of ECE students and high and low share of secondary students.
    - (2) If you select the button “Chart with revenue neutral change” you will get the same chart but where SEG funding levels are adjusted to keep the overall SEG funding the same. An example of the graphs produced by this button is in Appendix B.

(3) You can go to other presentations of output which include: a Table with detailed district results and a table (and set of graphs) comparing the results for Hobbs to several different comparison groups. An example of the output for the “Table with Hobbs and Districts in Comparison Groups” is in Appendix D.

Table of Contents -- SEG Simulation			
The SEG Simulation is organized around the key parts of the SEG formula. The first section includes the key parts of the formula used to calculate the total Program Cost. The second section includes formula components related to local revenue contribution.			Table with Results for All Districts
	<b>Change the SEG Formula</b>	<b>Chart with Changes to Per Pupil SEG Funding</b>	<b>Chart with Changes if Revenue Neutral</b>
<b>I. Total Program Cost:</b>			
<b>A. Program cost per unit</b>	Change this part of formula	Chart with SEG changes	Chart with revenue neutral changes
<b>B. Pupil weights by grade level</b>	Change this part of formula	Chart with SEG changes	Chart with revenue neutral changes
<b>C. Funding for at-risk students</b>	Change this part of formula	Chart with SEG changes	Chart with revenue neutral changes
<b>D. Funding for special education students</b>	Change this part of formula	Chart with SEG changes	Chart with revenue neutral changes
<b>E. Special programs</b>	Change this part of formula	Chart with SEG changes	Chart with revenue neutral changes
<b>F. Teacher-related adjustments</b>	Change this part of formula	Chart with SEG changes	Chart with revenue neutral changes
<b>G. School and district size adjustments</b>	Change this part of formula	Chart with SEG changes	Chart with revenue neutral changes
<b>H. Growth and Save Harmless adjustments</b>	Change this part of formula	Chart with SEG changes	Chart with revenue neutral changes
<b>II. Local Contribution to Funding</b>			
<b>A. Local property tax contribution</b>	Change this part of formula	Chart with SEG changes	Chart with revenue neutral changes
<b>B. Contribution of other local revenue</b>	Change this part of formula	Chart with SEG changes	Chart with revenue neutral changes
<b>C. Percent that charter schools are funded</b>	Change this part of formula	Chart with SEG changes	Chart with revenue neutral changes

Go to Introduction	Go to SEG Formula Worksheet	Go to Table of Figures by Comparison Group	Reset Worksheet to Present Formula	Table with Hobbs and Districts in Comparison Groups
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3) **Table of Figures:** Another sheet you can go to is the “Table of Figures by Comparison Group” which organizes the same output tables and figures in the “Table of Contents” by the type of comparison group the results are being presented for. If you wanted to look at the impacts on districts with a high or low T&E Index, for example, it is easy find charts with this comparison group which are or are not for results that are revenue neutral.

Table of Figures by Comparison Group		
You can examine the impacts of any formula change on specific comparison groups related to formula provisions.		
	<b>Chart with Changes to Per Pupil SEG Funding</b>	<b>Chart with Changes if Revenue Neutral</b>
<b>I. Total Program Cost:</b>		
<b>A. Comparison groups with Hobbs</b>	Chart with SEG changes	Chart with revenue neutral changes
<b>B. High and low ECE and secondary enrollment</b>	Chart with SEG changes	Chart with revenue neutral changes
<b>C. High and low share of at-risk students</b>	Chart with SEG changes	Chart with revenue neutral changes
<b>D. High and low special education classification rates</b>	Chart with SEG changes	Chart with revenue neutral changes
<b>E. High and low T&amp;E Index</b>	Chart with SEG changes	Chart with revenue neutral changes
<b>F. District size categories</b>	Chart with SEG changes	Chart with revenue neutral changes
<b>II. Local Contribution to Funding</b>		
<b>A. High and low property values</b>	Chart with SEG changes	Chart with revenue neutral changes
<b>B. Districts with and without Impact Aid</b>	Chart with SEG changes	Chart with revenue neutral changes

Go to Introduction	Go to SEG Formula Worksheet	Go to Table of Contents	Table with Results for All Districts
			Table with District Rank for All Districts
			Table with Hobbs and Districts in Comparison Groups
			Table with Statewide Equity Statistics
			Table with SEG by Poverty & Wealth Quintiles

4) **SEG Formula Worksheet:** Changes to the formula will be made on the “SEG Formula Worksheet”. The “worksheet” is organized into major parts of the formula using the same categories as in the “Table of Contents”. Under each category I have tried to provide an explanation of what changes you can make to the formula. For each change, I have tried to provide instructions on how to make a change. Column G shows you the value in the present formula. **DON’T CHANGE COLUMN G.** In column H (shaded column) where you see a bold square, you can make a change to the formula. If you make a change, you will see a red \* appear next to this box. This indicates that you have made a change from the original formula. For some of the changes you are either selecting to turn on the provision by putting a 1 in the box or to turn it off by putting a 0 in the box. After you change the formula you will see three buttons which allow you to: 1) go to the “Table of Contents” to select a graph or table with results, 2) reset the worksheet and stay in the same section, or 3) reset the worksheet and go to the table of contents. This is illustrated below.

New Mexico State Equalization Guarantee Simulation			
To examine alternatives to the present SEG formula, you can adjust the parameters in column H. Column G has the parameters in the present aid formula. Do not change these. Read the instructions (in italics) before making a change.			
	Present Formula Parameters (Don't Change)	Modified Formula Parameters (You Select)	Indicator If Different from Current
<b>I. CALCULATION OF THE TOTAL PROGRAM COST:</b>			
<b>A. Select the program cost per unit:</b>	\$3,572.34	<b>\$3,572.34</b>	
This is the basic funding level per student before adjustment for student characteristics or special programs.			

Go to Table of Contents

Reset Worksheet and Stay in This Section

Reset Worksheet and Go to Table of Contents

I will briefly talk about each section of the formula worksheet and the choices you have.

IA. *Select the program cost per unit:* This is illustrated above. The program cost per unit is the foundation amount which serves as the base which pupil weights and adjustments are applied to.

**IB. *Select pupil weights by grade:*** As indicated in the description, this is where you adjust the pupil weights for grade levels. If you don't want to assign a higher weight to a particular grade level put a 1 in the box for this grade. Pupil weights should not be less than 1.

**B. Select pupil weights by grade:**

Assigning a higher pupil weight for this grade implies that providing education in this grade are more expensive relative to other grades.  
*(If you don't want higher weights for a particular grade level put 1 in column H.)*

Early childhood education (half days)	1.440	1.440
Kindergarten (full days)	1.440	1.440
Grade 1	1.200	1.200
Grade 2	1.180	1.180
Grade 3	1.180	1.180
Grade 4	1.045	1.045
Grade 5	1.045	1.045
Grade 6	1.045	1.045
Grade 7	1.250	1.250
Grade 8	1.250	1.250
Grade 9	1.250	1.250
Grade 10	1.250	1.250
Grade 11	1.250	1.250
Grade 12	1.250	1.250

Go to Table of Contents  
 Reset Worksheet and Stay in This Section  
 Reset Worksheet and Go to Table of Contents

**IC. *Select pupil weights for at-risk students:*** As indicated in the description, these weights should reflect how much more expensive it is to help students in this category to reach state academic standards than students not in this category. For example, if you put a weight of 0.5 for one of these categories, you are indicating that you think this student is 50% more expensive to bring up to the state standard than students not in this category. If you set this weight to one, it implies that you do not think this student is any more expensive to educate than students not in this category.

**C. Select pupil weights for at-risk students:**

The pupil weights indicate how much more expensive it is to help students in this category reach academic standards than students not in this category.  
*(If you don't want to include higher weights for a particular group of students put 0 in column H.)*

Title 1 students (subsidized lunch students)	0.0915	0.0915
Mobile students	0.0915	0.0915
ELL students	0.0915	0.0915

Go to Table of Contents  
 Reset Worksheet and Stay in This Section  
 Reset Worksheet and Go to Table of Contents

**ID. *Select special education funding:*** As indicated in the description, you are provided in this section with three choices for modifying special education funding. First, you

can stay with the same basic funding approach but modify some of the weights assigned to different programs or ancillary staff. If you want this, leave 1 in cell H42 and modify the weights in cells H46 to H51. The second choice is to eliminate funding for special education all together. To get this you would leave 1 in cell H42 but put 0 in cells H46 to H51. The third choice is to use census-based special education funding. To do this you put 0 in H42 and 1 in H53. You will need to choose a classification rate between 0 and 1 and put it in cell H55. You will need to select a pupil weight for special education students greater than 0 and put it in cell H57.

**D. Select special education funding:**

You are provided in this section with the choice of continuing with the current special education funding system or moving instead to a Census-based funding system. If you want to continue the present system, you can change the pupil weights. If you move to a Census-based system, you need to select a classification rate and a pupil weight for special education weights.

1) Do you want to use the current system of special education funding? <i>(If yes, put 1 in column H; if no, put 0 in column H.)</i>	1	1
a. Select the pupil weight by student class: <i>(If you don't want higher weights for a particular student class put 0 in column H.)</i>		
A/B	0.700	0.700
C	1.000	1.000
D	2.000	2.000
3 year DD	2.000	2.000
4 year DD	2.000	2.000
b. Select weight for Ancillary FTE	25.000	25.000
2) Do you want to use a Census-based special education formula? <i>(If yes, put 1 in column H and put 0 in cell H38. If no, put 0 in column H.)</i>	0	0
a. Select the classification rate to use in formula <i>(The higher the classification rate, the higher the funding for special education.)</i>	0	0
b. Select the pupil weight for special education students <i>(If you don't want higher weights for special education student put 1 in column H.)</i>	0	0

- Go to Table of Contents
- Reset Worksheet and Stay in This Section
- Reset Worksheet and Go to Table of Contents

**IE. Select pupil weights for special programs:** As indicated in the description, you are given the choice of changing the weights associated with enrollment in Bilingual Multicultural Education programs, Fine Arts Programs, or Elementary Physical Education program. If you don't want to provide additional funding for these programs put 0 in the cell in column H next to this program. You also have the option of changing the funding received by districts to provide charter school students

or home school students access to extracurricular programs in the district. If you don't want to fund this put 0 in the cell in column H next to this program.

E. Select pupil weights for special programs:			
These parts of the formula provide funding for special programs or services. <i>(If you don't want to provide additional funding for these programs put 0 in column H.)</i>			
Bilingual Multicultural Education Program	0.5	0.5	
Fine Arts Program	0.05	0.05	
Elementary Physical Education Program	0.06	0.06	
Charter Schools Student Activities	0.1	0.1	
Home School Student Activities	0.1	0.1	

Go to Table of Contents

Reset Worksheet and Stay in This Section

Reset Worksheet and Go to Table of Contents

**IF. *Teacher-related adjustments:*** As indicated in the description, this part of the worksheet covers teacher related programs. You have three types of changes you can make in this section (and various combinations). First, you need to decide whether you want to keep the present T&E Index for public schools and charter schools in the SEG formula. If you do not want to keep the T&E then put 0 in cell H72. If you do, leave it at 1. If you decide to keep the T&E, then you need to decide whether to change the way the T&E is calculated for charter schools. Presently, the minimum for charter schools is the T&E index for the district. If you want to keep it this way then put 1 in H74. If you want to make the minimum 1, which is the minimum for districts, then put 0 in H74 and 1 in H77. The second decision you can make is whether to keep providing additional funding for National Board certified teachers. If yes, put a 1 in cell H80 and if no, put a 0. If you decide to keep this funding then you need to decide whether you want to change the weight which you can do in cell H83. The third choice is whether to include the AIR comparable wage index (CWI) for New Mexico in the SEG. If yes, then you would put 1 in cell H85 and if no, leave it as a 0. If you decide to use the CWI, then you need to decide what the base will be for the CWI, which means selecting the district where the CWI will be set equal to 1.

You can only make one choice between cells H88, H89, and H90 by putting 1 in the cell next to this base and 0 in the cell for the other two bases.

F. Teacher-related adjustments:			
<p>This section covers a couple parts of the SEG formula related to teachers. You are given the option of whether to continue the present funding associated teacher experience and education in a district (T&amp;E Index) and National Board certified teachers. You are also given the option of adjusting funding using the comparable wage index (CWI) developed by AIR to adjust for geographic differences in the cost of hiring comparable professional staff.</p>			
1) Do you want to adjust for teacher education and experience using the T&E Index? (If yes, put 1 in column H; if no put 0.)	1	1	
a. If yes, do you want to use current T&E Index for charter schools? (Presently, the minimum for charter schools is the T&E index for public schools in their district.) (If yes, put 1 in column H; if no put 0.)	1	1	
b. If yes, do you want minimum index for charter schools to be 1? (If yes, put 1 in column H and put 0 in cell H78. If no, put 0 in column H.)	0	0	
2) Do you want to provide additional funds for National Board certified teachers? (If yes, put 1 in column H; if no put 0.)	1	1	
If so, what weight do you want to multiply by the FTE National Board certified teachers?	1.5	1.5	
3) Do you want to use AIR's comparable wage index (CWI)?* (If yes, put 1 in column H; if no put 0.)	0	0	
If yes, choose one of these three options by putting 1 in column H for that option. Make sure the other two options have 0 in column H.			
a. Do you want to use the CWI as reported in AIR Report?	0	0	
b. Do you want the CWI centered on the district average. (In the district with the average CWI, the CWI would equal 1.)	0	0	
c. Do you want the CWI adjusted so the minimum is equal to 1. (In the district with the minimum CWI, the CWI would equal 1.)	0	0	

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**IG. School and district size adjustments:** As indicated in the description, in this section of the worksheet, you can decide what adjustments to make, if any, for district size or school size. You have two basic choices you can make. The first choice is whether you want to keep any of the existing school and district size adjustments. For the elementary school and senior high school size adjustments, you can decide whether to provide these to public schools, charter schools or both. Under the present formula, cells H96, H97, H101, H102, H104, and H107 should all have a 1 in them indicating that they are being used. If you decide, you want to eliminate any of these put a zero in the box in column H next to that adjustment. The second choice you could make is whether to use the AIR size adjustment instead of the present adjustments. If you decide you want to use the AIR size adjustment, put a 0 in cells H96, H97, H101,

H102, H104, and H107. You need to decide if you want this adjustment for public schools, charter schools, or both. If you decide you want to use the AIR adjustment for public schools, put a 1 in cell H112. You then need to decide what base you want to use for the AIR size adjustment. The base is the enrollment level where the adjustment equals 1. The higher the base, the more the AIR adjustment will raise SEG funding. If you decide to use the AIR adjustment for charter schools, then put 1 in cell H116 and put the base in cell H118.

**G. School and district size adjustments:**

This section covers several parts of the SEG formula related to school and district size. You are given the option of whether to continue using the present funding adjustment for district and school size (public and charter schools) or to use the size adjustment proposed by AIR in its 2008 report on New Mexico school finances.

1) Do you want to use the present elementary/middle school size adjustment? (If yes, put 1 in column H; if no put 0.)		
a. In public schools	1	1
b. In charter schools	1	1
2) Do you want to use the present senior high school size adjustment? (If yes, put 1 in column H; if no put 0.)		
a. In public schools	1	1
b. In charter schools	1	1
3) Do you want to use the present district size adjustment? (If yes, put 1 in column H; if no put 0.)	1	1
4) Do you want to use the present rural adjustment? (If yes, put 1 in column H; if no put 0.)	1	1
5) Do you want to use the size adjustment in the AIR report? (If you select an alternative adjustment, make sure to put 0 for all the current size adjustments in cells H96, H97, H101, H102, H104, H107.)		
a. Do you want to use AIR district size adjustments? (If yes, put 1 in column H; if no put 0.)	0	0
If yes, select enrollment level to serve as base. (At the base the adjustment equals one. For districts with enrollment less than base the adjustment is greater than 1. The district average is approximately 3,500 students.)	0	0
b. Do you want to use AIR charter school size adjustments? (If yes, put 1 in column H; if no put 0.)	0	0
If yes, select enrollment level to serve as base. (Charter school average is approximately 180 students)	0	0

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**IIH. Growth adjustment and save harmless adjustment:** As indicated in the description, you are given the choice as whether to continue these two adjustments. The growth adjustment provides additional funding to districts and charter schools experiencing growth in enrollment over last year of more than 1%. If you want to keep this for public schools, you put 1 in the cell H132; if not, put 0 in this cell. If you decide to

keep it, you can select the enrollment growth rate used to determine funding in cell H125. The higher the enrollment growth rate the fewer the number of districts qualifying for this adjustment. You can also change the weights used to calculate the adjustment in cells H126 and H127. The higher the weights, the more funding will be provided. You can make the same set of choices for charter schools in cells H129, H131, H132, and H133. The second adjustment in this section is for save harmless, which provides additional funding to small districts or charter schools experiencing an enrollment decline. If you decide to keep this, put 1 in cell H135, if not put 0 in this cell.

<b>H. Growth adjustment and Save Harmless adjustment:</b>		
You are given the option in this section of whether to continue a couple of parts of the formula. The Enrollment Growth adjustment provides additional funding to districts (and charter schools) with annual enrollment growth over 1%. Save Harmless adjustment provides funding to small school districts with a decline in enrollment.		
1) Do you want to use an enrollment growth adjustment similar to present formula for public school districts? (If yes, put 1 in column H; if no put 0.)	1	1
a. Select the threshold enrollment growth rate to be eligible for adjustment	0.0100	0.0100
b. Select weight for moderate growth	0.5	0.5
c. Select weight for higher growth	1.5	1.5
2) Do you want to use an enrollment growth adjustment similar to present formula for charter schools? (If yes, put 1 in column H; if no put 0.)	1	1
a. Select the threshold enrollment growth rate to be eligible for adjustment	0.0100	0.0100
b. Select weight for moderate growth	0.5	0.5
c. Select weight for higher growth	1.5	1.5
3) Do you want to use a save harmless adjustment similar to present formula? (If yes, put 1 in column H; if no put 0.)	1	1
Select the enrollment cutoff to be eligible for save harmless adjustment.	200	200

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**IIA. Determine local property tax contribution to funding:** As indicated in the description, this part of the formula calculates the minimum amount that local districts are expected to contribute in local property tax revenue to school funding. It captures the capacity of school districts to raise property tax revenue at a given tax rate. You are given the option of using the present measure property values used in the formula or use the assessed values reported by PED. If you decide to use present

property values put 1 in cell H144 and put 0 in cell H149. You then decide whether to change the local levy rate (cell H146) or the local contribution rate (cell H147). If you decide to use the assessed values put 1 in cell H149 and put 0 in cell H144. If you decide to use assessed values, you also have to choice of whether to keep the levy rate the same or have a different rate for residential property (cell H152), non-residential property (cell H153), or mineral (oil, gas, copper) property (cell H154).

**II. CALCULATION OF THE LOCAL CONTRIBUTION TO FUNDING SEG:**

**A. Determine local property tax contribution to funding:**

This part of the formula calculates the minimum amount that local districts are expected to contribute in local property tax revenue to school funding. It captures the capacity of school districts to raise property tax revenue at a given tax rate. You are given the option of changing the property tax rate, the local contribution rate, or the property values used to calculate the local tax contribution. The local contribution rate is the share of the estimated revenue that local governments are expected to contribute to school funding.

1) Do you want to use present approach for calculating local property tax contribution? <i>(If yes, put 1 in column H; if no put 0.)</i>	1	1
a. Select local property tax levy rate (per \$1,000 of taxable value)	0.50	0.50
b. Select local contribution rate.	0.75	0.75
2) Do you want base the local tax contribution on assessed value in 2010 and allow the property tax rate to vary by type of property? <i>(If yes, put 1 in column H and ) in cell H139. If no, put 0 in column H.</i>	0	0
a. Select local property tax levy rate by type of property (per \$1,000 of AV)		
(1) Residential property	0.50	0.50
(2) Non-residential property	0.50	0.50
(3) Oil, gas, copper property	0.50	0.50
b. Select local contribution rate	0.75	0.75

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**IIB. Determine other local contribution to funding:** In this section, you can decide whether you want to include Impact Aid and forest reserves as part of the local contribution. If no, then put a 0 in cells H159 and H161. If yes, then you can decide whether you want to keep the local contribution rate at 75% or use another rate. You can also decide in cell H163 whether energy savings contract payments should be counted as another local contribution.

**B. Determine other local contribution to funding:**

This part of the formula calculates the amount of other local revenue to be contributed to school funding for the calculation of SEG funding. You can decide on what share of this revenue should be used in calculation of SEG. If you don't think this revenue should be used in SEG calculation, then put 0.

- 1) Select local contribution rate for Impact Aid. 0.75
- 2) Select local contribution rate for Federal Forest Reserve 0.75
- 3) Shoulds energy savings contract payments be included in local contribution? 1  
*(If yes, put 1 in column H; if no put 0.)*

0.75
0.75
1

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**IIIC. Determine percent that charter schools are funded:** You can select in cell H167 the percent of calculated SEG in which charter schools are funded.

**C. Determine percent that charter schools are funded:**

- 1) Select percent that charter schools are funded. 98%

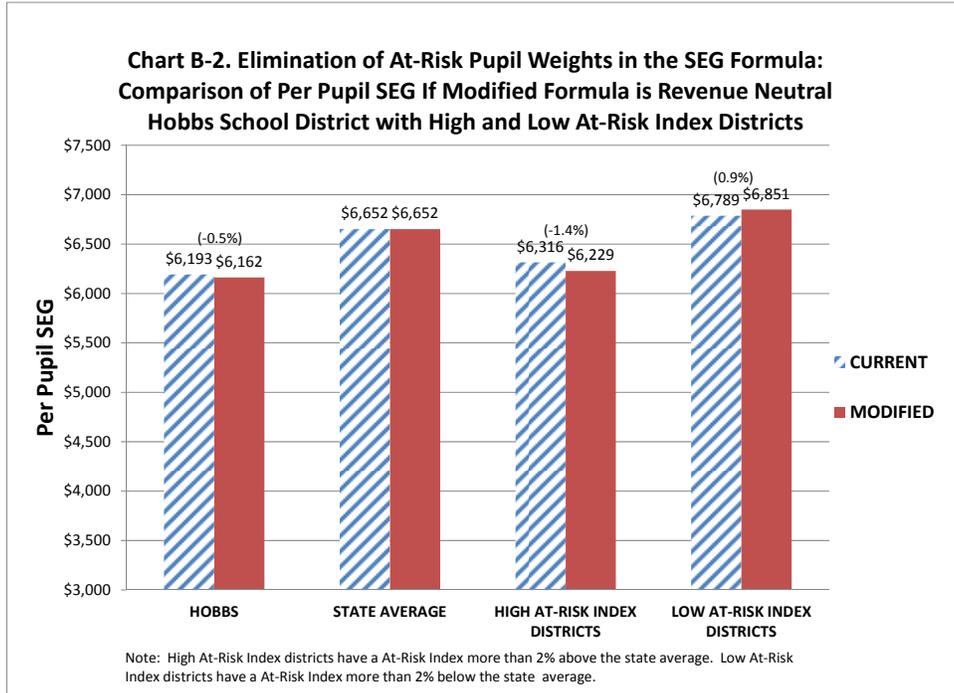
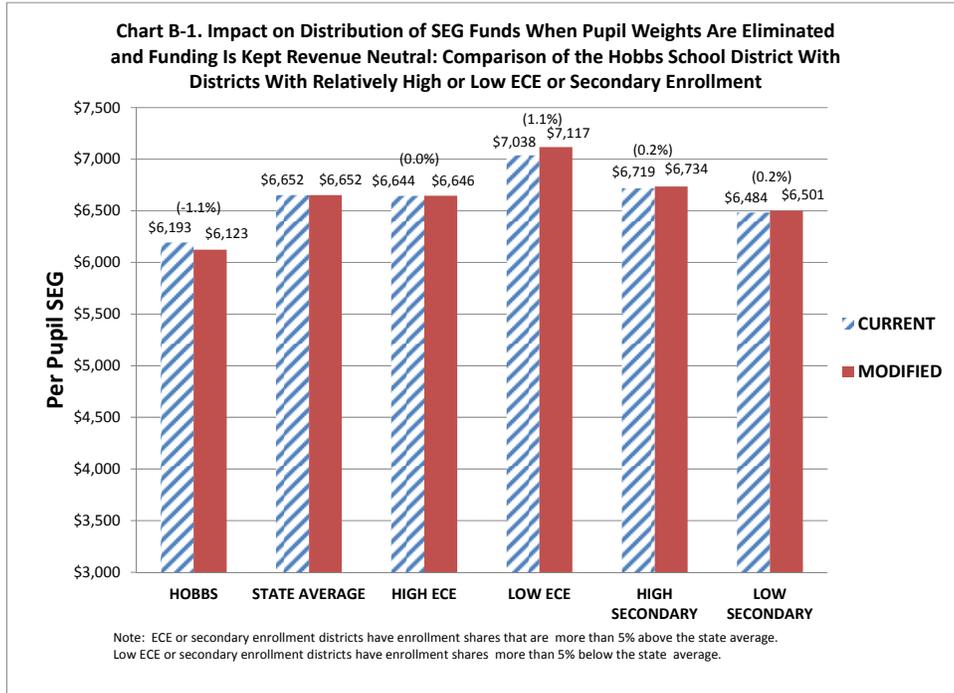
98%
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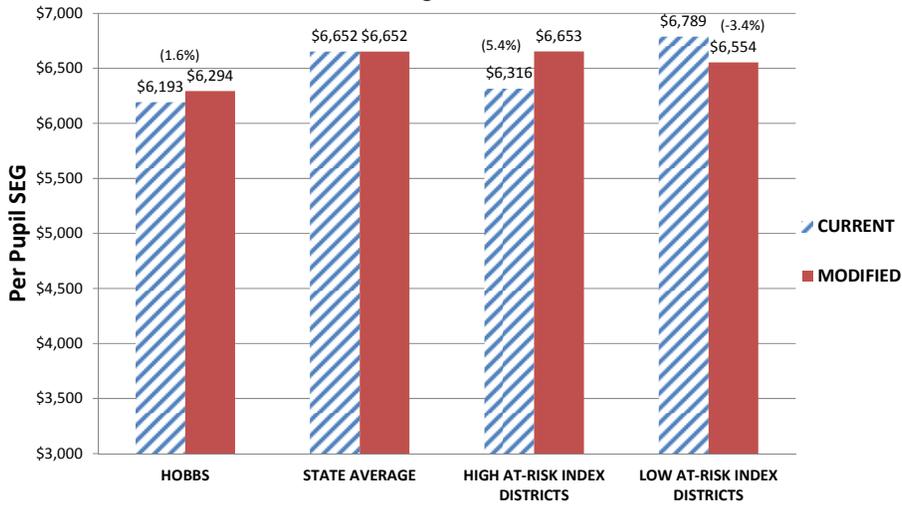
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## Appendix B: Charts Showing Impacts of Formula Changes on Table 2



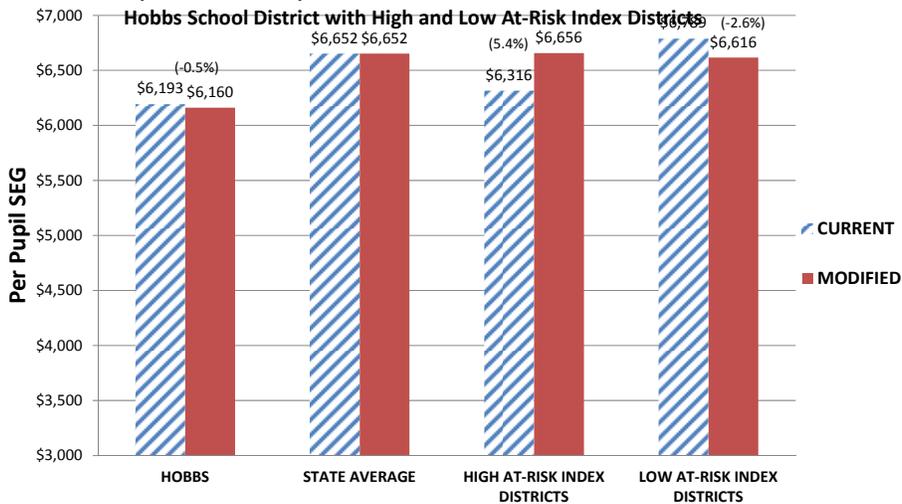
**Chart B-3. Set At-Risk Pupil Weights at 0.5:  
Comparison of Per Pupil SEG If Modified Formula is Revenue Neutral  
Hobbs School District with High and Low At-Risk Index Districts**



Note: High At-Risk Index districts have a At-Risk Index more than 2% above the state average. Low At-Risk Index districts have a At-Risk Index more than 2% below the state average.

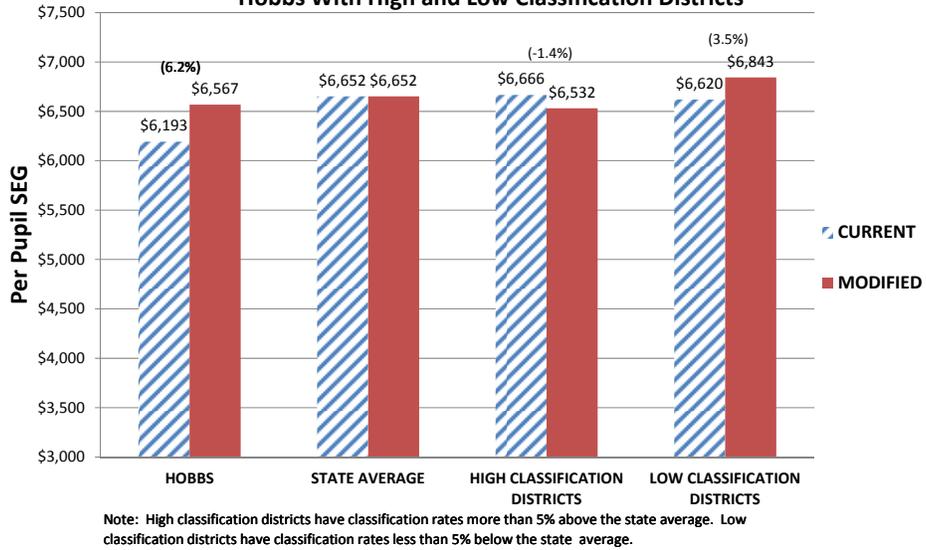
**Chart B-4: ELL and Title 1 Weights Set at 0.5 and Mobility Pupil Weight  
Eliminated:**

**Comparison of Per Pupil SEG If Modified Formula is Revenue Neutral  
Hobbs School District with High and Low At-Risk Index Districts**

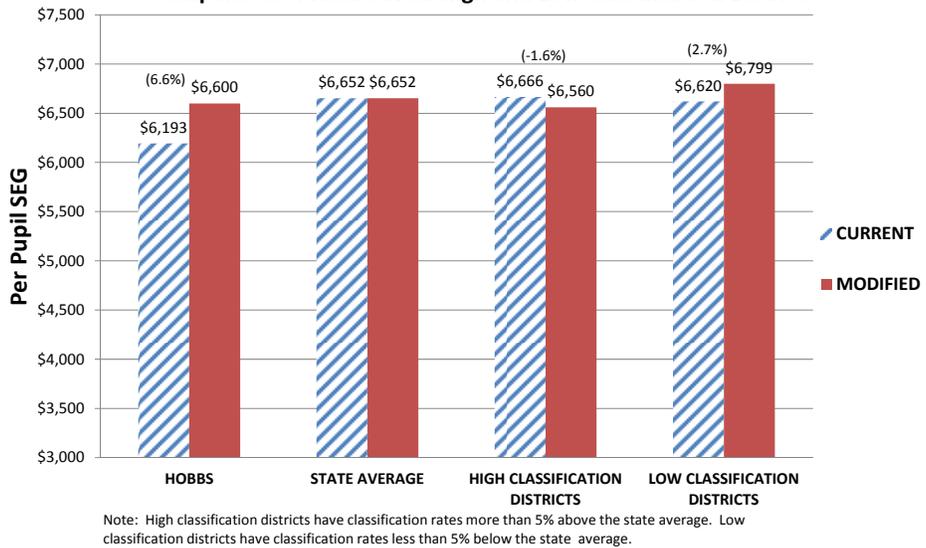


Note: High At-Risk Index districts have a At-Risk Index more than 2% above the state average. Low At-Risk Index districts have a At-Risk Index more than 2% below the state average.

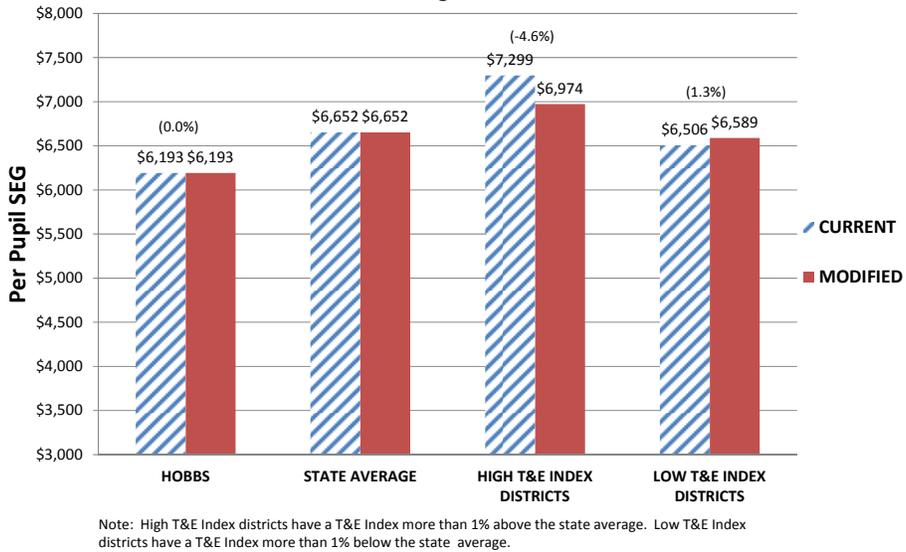
**Chart B-5. Removing Additional Funding for Special Education:  
Comparison of Per Pupil SEG If Modified Formula is Revenue Neutral  
Hobbs With High and Low Classification Districts**



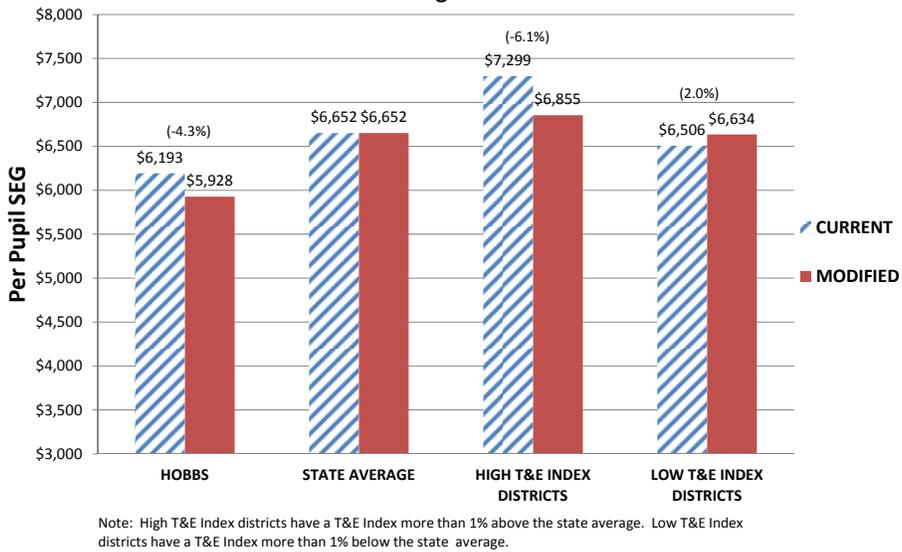
**Chart B-6. Change Special Education Funding to a Census-Based System:  
Per Pupil SEG If Modified Formula is Revenue Neutral  
Comparison of Hobbs With High and Low Classification Districts**



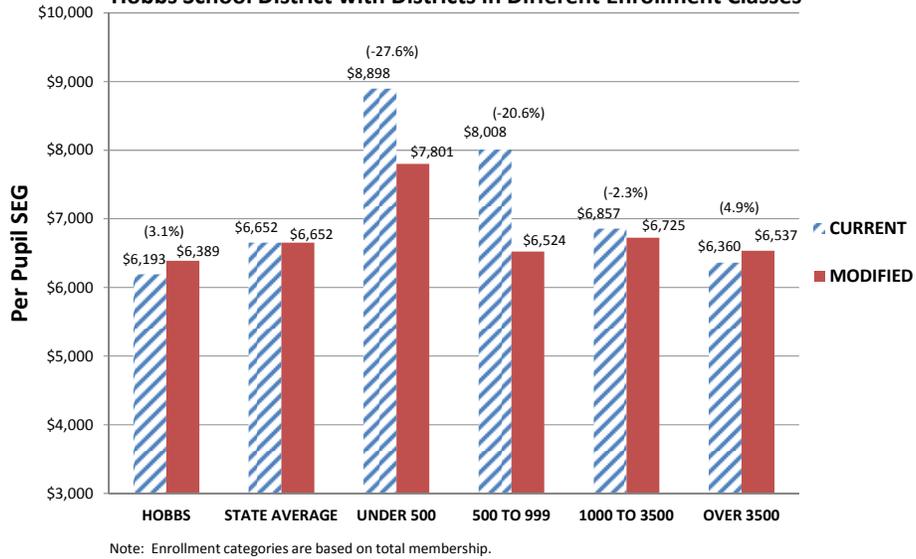
**Chart B-7. Effects on the SEG if the T&E Index Is Dropped:  
Comparison of Per Pupil SEG If Modified Formula is Revenue Neutral  
Hobbs School District with High and Low T&E Index Districts**



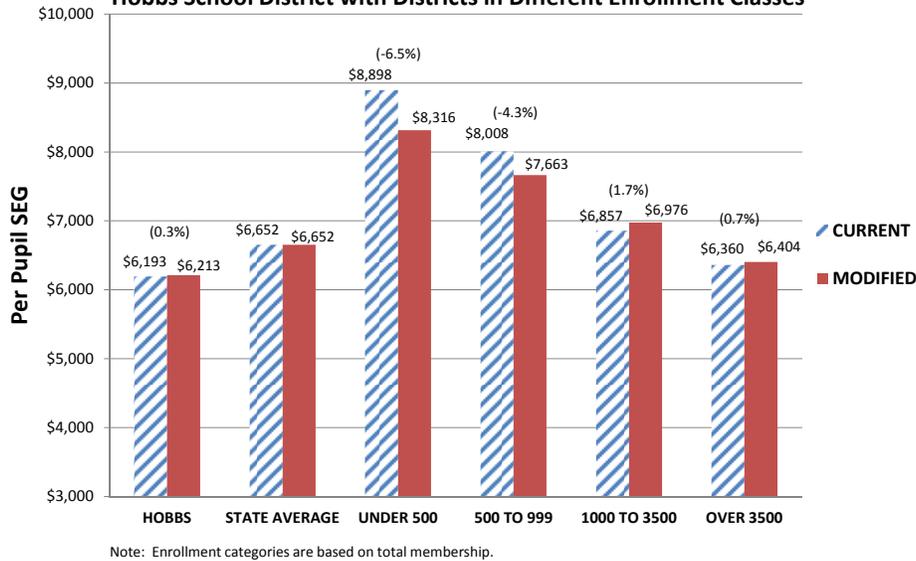
**Chart B-8. T&E Index Is Dropped and AIR CWI Index Is Included:  
Comparison of Per Pupil SEG If Modified Formula is Revenue Neutral  
Hobbs School District with High and Low T&E Index Districts**



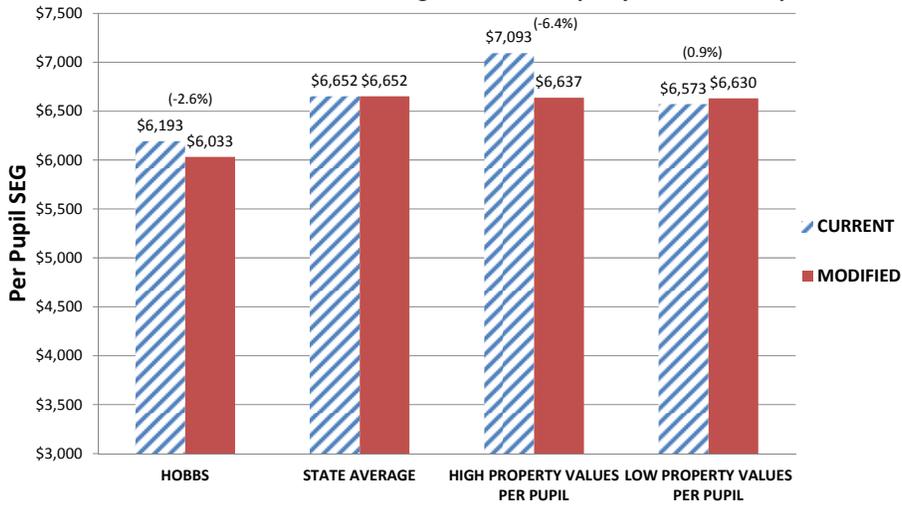
**Chart B-9. Size, Growth, Save Harmless Adjustments Are Dropped:  
Comparison of Per Pupil SEG If Modified Formula is Revenue Neutral  
Hobbs School District with Districts in Different Enrollment Classes**



**Chart B-10. Replacing Current Size Adjustments With AIR Adjustments:  
Comparison of Per Pupil SEG If Modified Formula is Revenue Neutral  
Hobbs School District with Districts in Different Enrollment Classes**

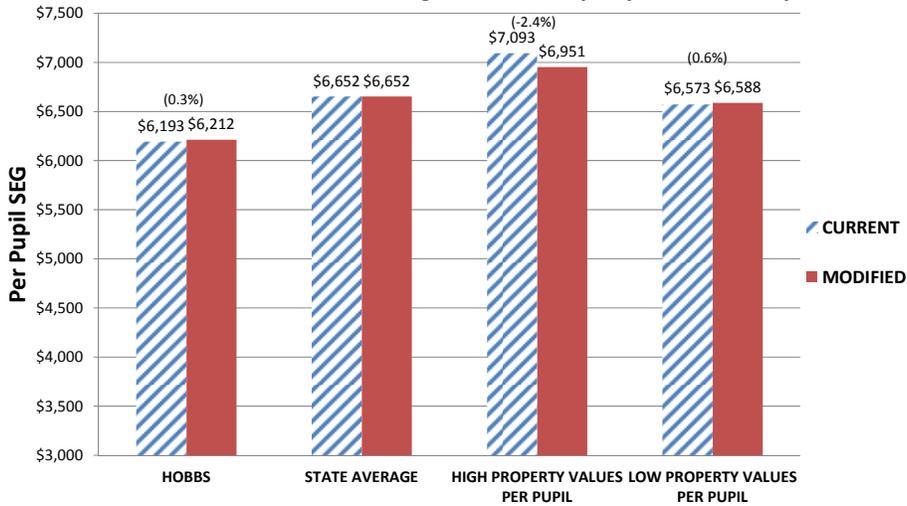


**Chart B-11. Changing Local Levy Rate from \$0.5 to \$5 Per \$1,000:  
Comparison of Per Pupil SEG If Modified Formula is Revenue Neutral for  
Hobbs with Districts with High and Low Property Values Per Pupil**



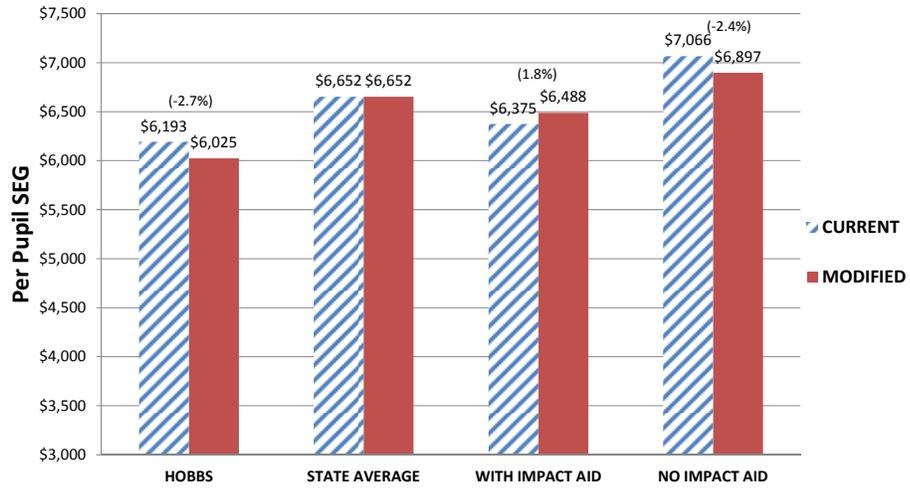
Note: High assessed value per pupil districts are more than 5% above the state average. Low assessed value districts are more than 5% below the state average.

**Chart B-12. Property Tax Contribution Calculated With Assessed Value:  
Comparison of Per Pupil SEG If Modified Formula is Revenue Neutral for  
Hobbs with Districts with High and Low Property Values Per Pupil**



Note: High assessed value per pupil districts are more than 5% above the state average. Low assessed value districts are more than 5% below the state average.

**Chart B-13. Remove Impact Aid and Forest Reserves from Local Contribution:  
Comparison of Per Pupil SEG If Modified Formula is Revenue Neutral for Hobbs School  
District with Districts With and Without Impact Aid**



# Appendix C: Detailed Comparison Tables Between SEG and Census Student Measures

Table C-1. Comparison of Child Poverty Rates and Subsidized Lunch Rates

District	Census Child Poverty Rate				Subsidized Lunch Rate				of Subsidized Lunch and Child Pt				Percent of State Average			
	2010	2009	2008	AVERAGE	2010	2009	2008	AVERAGE	2010	2009	2008	AVERAGE	2010	2009	2008	AVERAGE
Correlation		0.559	0.968			0.938	0.899		0.586	0.677	0.508	0.675				
Average	28.0	26.3	25.0	26.4	28.4	30.6	27.18	28.73	1.02	1.17	1.12	1.08	1.00	1.00	1.00	1.00
Average variation	9.095	9.004	8.308	7.884	14.506	14.121	13.736	13.650	0.369	0.423	0.561	0.390	0.362	0.360	0.499	0.360
ALAMOGORDO	22.2	19.1	19.6	20.3	28.1	26.0	23.8	26.0	1.26	1.36	1.21	1.28	1.24	1.16	1.08	1.18
ALBUQUERQUE	21.8	18.9	16.9	19.2	20.3	19.0	19.6	19.6	0.93	1.01	1.16	1.02	0.91	0.86	1.03	0.94
ANIMAS	42.7	20.9	21.5	28.4	25.2	26.4	21.3	24.3	0.59	1.26	0.99	0.86	0.58	1.07	0.88	0.79
ARTESIA	24.0	17.9	19.3	20.4	18.2	23.0	20.6	20.6	0.76	1.29	1.07	1.01	0.74	1.10	0.95	0.93
AZTEC	17.2	14.9	13.3	15.2	12.9	13.9	13.5	13.4	0.75	0.93	1.01	0.89	0.73	0.79	0.90	0.82
BELEN	30.4	24.4	20.1	25.0	23.8	29.9	23.9	25.8	0.78	1.22	1.19	1.03	0.76	1.04	1.06	0.96
BERNALILLO	27.0	19.0	17.0	21.0	27.6	29.1	41.6	32.8	1.02	1.53	2.45	1.56	1.00	1.30	2.18	1.44
BLOOMFIELD	32.9	17.7	15.8	22.1	20.0	21.2	20.2	20.5	0.61	1.20	1.28	0.93	0.60	1.02	1.14	0.86
CAPTAN	17.4	16.7	15.3	16.5	18.2	20.4	16.9	18.5	1.04	1.23	1.10	1.12	1.02	1.04	0.98	1.04
CARLSBAD	20.7	16.8	18.4	18.6	18.9	23.4	21.0	21.1	0.91	1.39	1.14	1.13	0.89	1.19	1.02	1.05
CARRIZOZO	43.1	32.1	29.0	34.7	38.4	39.4	30.6	36.1	0.89	1.23	1.05	1.04	0.87	1.05	0.94	0.96
CENTRAL CONS.	40.4	29.4	25.9	31.9	39.2	39.5	37.3	38.7	0.97	1.34	1.44	1.21	0.95	1.14	1.28	1.12
CHAMA	20.4	25.6	22.4	22.8	30.4	31.2	28.9	30.2	1.49	1.22	1.29	1.32	1.46	1.04	1.15	1.22
CIMARRON	13.2	16.9	16.8	15.6	16.5	17.2	14.0	15.9	1.25	1.02	0.83	1.02	1.22	0.87	0.74	0.94
CLAYTON	20.5	22.9	27.5	23.7	24.4	24.8	22.3	23.8	1.19	1.08	0.81	1.01	1.16	0.92	0.72	0.93
CLOUDCROFT	28.3	12.5	14.6	18.5	16.3	14.9	13.2	14.8	0.57	1.19	0.90	0.80	0.56	1.01	0.80	0.74
CLOVIS	26.8	26.2	25.1	26.0	24.1	29.2	26.1	26.5	0.90	1.11	1.04	1.02	0.88	0.95	0.93	0.94
COBRE CONS.	34.3	31.1	29.5	31.6	35.9	37.0	34.0	35.6	1.04	1.19	1.16	1.13	1.02	1.01	1.03	1.04
CORONA	19.6	31.7	27.2	26.2	28.6	29.9	25.9	28.1	1.45	0.94	0.95	1.07	1.42	0.80	0.85	0.99
CUBA	33.3	32.2	28.0	31.2	65.5	66.8	99.4	77.2	1.97	2.07	3.55	2.48	1.93	1.77	3.15	2.29
DEMING	47.6	42.7	38.5	43.0	55.0	41.5	32.2	42.9	1.16	0.97	0.83	1.00	1.13	0.83	0.74	0.92
DES MOINES	55.7	23.0	27.8	35.5	24.7	30.5	22.3	25.9	0.44	1.33	0.80	0.73	0.44	1.13	0.72	0.67
DEXTER	24.0	26.2	25.4	25.2	19.6	22.5	19.6	20.6	0.82	0.86	0.77	0.82	0.80	0.73	0.69	0.76
DORA	19.5	33.1	32.0	28.2	24.1	26.0	23.2	24.4	1.23	0.79	0.72	0.87	1.21	0.67	0.64	0.80
DULCE	22.4	33.0	28.8	28.1	36.2	38.5	38.4	37.7	1.62	1.17	1.33	1.34	1.58	1.00	1.19	1.24
ELIDA	15.7	26.7	26.0	22.8	15.4	18.8	14.6	16.3	0.98	0.70	0.56	0.71	0.96	0.60	0.50	0.66
ESPANOLA	29.2	23.6	20.9	24.6	34.3	35.1	34.4	34.6	1.17	1.49	1.65	1.41	1.15	1.27	1.46	1.30
ESTANCIA	28.7	33.3	26.0	29.3	25.6	27.8	21.7	25.1	0.89	0.84	0.84	0.85	0.88	0.71	0.74	0.79
EUINCE	15.5	15.7	13.2	14.8	17.8	15.3	16.7	16.6	1.15	0.97	1.26	1.12	1.13	0.83	1.12	1.04
FARMINGTON	27.3	17.4	15.5	20.1	19.1	19.9	19.6	19.6	0.70	1.15	1.27	0.97	0.69	0.98	1.13	0.90
FLOYD	28.3	32.7	31.5	30.8	15.1	19.3	19.8	18.1	0.53	0.59	0.63	0.59	0.52	0.50	0.56	0.54
FT. SUMNER	29.4	26.9	26.9	27.8	19.6	21.9	19.3	20.2	0.66	0.81	0.72	0.73	0.65	0.69	0.64	0.67
GADSDEN	41.8	45.6	40.5	42.6	39.3	44.6	37.6	40.5	0.94	0.98	0.93	0.95	0.92	0.83	0.83	0.88
GALLUP	41.6	34.3	35.1	37.0	39.9	51.5	40.8	44.1	0.96	1.50	1.16	1.19	0.94	1.28	1.03	1.10
GRADY	27.1	32.7	31.6	30.5	14.4	16.0	14.4	14.9	0.53	0.49	0.46	0.49	0.52	0.42	0.41	0.45
GRANTS	36.9	32.1	29.5	32.8	39.0	44.4	38.0	40.5	1.06	1.39	1.29	1.23	1.03	1.18	1.15	1.14
HAGERMAN	31.8	35.7	35.3	34.3	38.4	44.1	38.3	40.3	1.21	1.24	1.08	1.18	1.18	1.05	0.96	1.09
HATCH	38.7	47.9	42.2	42.9	46.8	53.7	43.5	48.0	1.21	1.12	1.03	1.12	1.18	0.96	0.92	1.03
HOBBS	24.6	18.4	18.3	20.4	22.4	19.4	21.1	21.0	0.91	1.05	1.16	1.03	0.89	0.90	1.03	0.95
HONDO	40.3	34.7	32.0	35.7	37.9	45.5	50.8	44.7	0.94	1.31	1.59	1.25	0.92	1.12	1.41	1.16
HOUSE	22.2	31.4	28.6	27.4	13.8	13.5	10.2	12.5	0.62	0.43	0.36	0.46	0.61	0.37	0.32	0.42
JAL	24.5	19.4	19.4	21.1	26.8	23.5	24.4	24.9	1.09	1.21	1.26	1.18	1.07	1.03	1.12	1.09
JEMEZ MOUNTAIN	30.6	36.7	32.0	33.1	32.4	29.0	30.7	30.7	1.06	0.79	0.96	0.93	1.04	0.67	0.85	0.86
JEMEZ VALLEY	17.8	12.5	11.1	13.8	28.5	29.7	46.4	34.9	1.60	2.38	4.17	2.53	1.57	2.03	3.71	2.34
LAKE ARTHUR	23.9	20.0	19.0	21.0	21.9	22.3	21.2	21.8	0.92	1.11	1.11	1.04	0.90	0.95	0.99	0.96
LAS CRUCES	25.9	27.9	25.2	26.3	23.9	27.9	23.6	25.1	0.92	1.00	0.94	0.95	0.90	0.85	0.83	0.88
LAS VEGAS CITY	33.9	29.6	30.1	31.2	31.3	35.4	28.2	31.6	0.92	1.19	0.94	1.01	0.90	1.02	0.83	0.94
LOGAN	20.0	20.2	19.9	20.0	15.7	16.3	14.1	15.4	0.78	0.81	0.71	0.77	0.77	0.69	0.63	0.71
LORDSBURG	33.5	30.2	30.7	31.5	38.5	40.7	32.9	37.4	1.15	1.35	1.07	1.19	1.12	1.15	0.95	1.10
LOS ALAMOS	2.7	2.4	2.2	2.4	2.1	2.3	3.0	2.5	0.77	0.98	1.39	1.03	0.76	0.83	1.24	0.95
LOS LUNAS	30.7	24.8	20.0	25.2	20.2	26.5	21.9	22.9	0.66	1.07	1.10	0.91	0.65	0.91	0.97	0.84
LOVING	14.5	18.9	20.0	17.8	13.5	17.7	16.4	15.9	0.93	0.94	0.82	0.89	0.91	0.80	0.73	0.82
LOVINGTON	19.4	17.7	17.6	18.2	19.1	16.9	18.4	18.1	0.98	0.95	1.04	0.99	0.96	0.81	0.93	0.92
MAGDALENA	39.2	46.6	44.1	43.3	66.7	77.0	60.3	68.0	1.70	1.65	1.37	1.57	1.67	1.41	1.22	1.45
MAXWELL	25.0	28.2	27.5	26.9	21.3	21.4	17.5	20.1	0.85	0.76	0.63	0.75	0.84	0.65	0.56	0.69
MELROSE	34.4	23.0	21.3	26.2	21.8	26.7	23.3	23.9	0.64	1.16	1.09	0.91	0.62	0.99	0.97	0.84
MESA VISTA	23.3	21.7	19.5	21.5	22.9	23.9	22.0	22.9	0.98	1.10	1.13	1.07	0.96	0.94	1.00	0.99
MORA	28.0	30.0	30.9	29.6	36.3	37.0	30.0	34.4	1.29	1.23	0.97	1.16	1.27	1.05	0.86	1.07
MORIARTY	20.6	17.1	13.7	17.1	22.1	25.1	20.2	22.4	1.07	1.46	1.48	1.31	1.05	1.25	1.31	1.21
MOSQUERO	29.4	20.7	18.5	22.9	12.8	16.7	13.2	14.2	0.44	0.81	0.71	0.62	0.43	0.69	0.63	0.57
MOUNTAINAIR	23.8	49.2	38.4	37.1	41.1	49.5	38.5	43.1	1.73	1.01	1.00	1.16	1.69	0.86	0.89	1.07
PECOS	31.6	20.3	20.8	24.2	24.1	27.8	21.8	24.6	0.76	1.37	1.05	1.01	0.75	1.17	0.93	0.94
PENASCO	17.9	22.8	22.1	20.9	23.4	30.5	22.6	25.5	1.31	1.34	1.02	1.22	1.28	1.14	0.91	1.13
POJOAQUE	18.8	15.5	13.9	16.1	13.1	13.1	11.7	12.6	0.70	0.85	0.84	0.79	0.68	0.72	0.75	0.73
PORTALES	27.8	27.4	26.8	27.3	30.0	34.4	29.1	31.2	1.08	1.25	1.09	1.14	1.06	1.07	0.97	1.05
QUEMADO	29.7	37.2	38.5	35.1	41.8	50.6	37.1	43.2	1.41	1.36	0.96	1.23	1.38	1.16	0.86	1.14
QUESTA	30.5	20.8	20.5	23.9	23.3	27.1	24.1	24.8	0.76	1.31	1.17	1.04	0.75	1.11	1.04	0.96
RATON	29.0	25.6	25.1	26.6	22.3	23.7	19.7	21.9	0.77	0.93	0.79	0.82	0.75	0.79	0.70	0.76
RESERVE	46.8	31.5	33.2	37.2	45.7	54.3	39.2	46.4	0.98	1.72	1.18	1.25	0.96	1.47	1.05	1.15
RIO RANCHO	11.8	10.3	9.4	10.5	7.1	6.1	3.9	5.7	0.60	0.59	0.42	0.55	0.59	0.51	0.37	0.50
ROSWELL	31.0	26.3	26.0	27.8	25.7	30.1	28.2	28.0	0.83	1.14	1.09	1.01	0.81	0.97	0.97	0.93
ROY	11.5	20.0	19.6	17.0	18.9	20.7	12.3	17.3	1.64	1.03	0.63	1.01				

**Table C-2. Comparison of ELL Share and Percent of Population Who Cannot Speak English Well**

	ELL (OCR CRITERIA)				Percent of Population Who Cannot Speak English Well	Ratio of ELL to English Not Spoken Well	Compared to State Average
	2007-08	2008-09	2009-10	Average			
Correlation		<b>0.959</b>	<b>0.876</b>	<b>0.940</b>	<b>0.359</b>		
Average	<b>16.872</b>	<b>15.220</b>	<b>13.953</b>	<b>15.348</b>	<b>8.561</b>	<b>2.612</b>	<b>1.000</b>
Average Variation	<b>18.477</b>	<b>16.815</b>	<b>14.185</b>	<b>15.975</b>	<b>6.940</b>	<b>5.434</b>	<b>2.081</b>
ALAMOGORDO	2.491	2.366	2.303	2.387	5.300	0.450	0.172
ALBUQUERQUE	16.828	15.719	15.813	16.120	9.200	1.752	0.671
ANIMAS	5.703	6.977	6.303	6.328	5.200	1.217	0.466
ARTESIA	5.402	5.624	4.040	5.022	10.700	0.469	0.180
AZTEC	2.586	2.966	2.587	2.713	1.600	1.696	0.649
BELEN	6.264	4.961	5.540	5.589	7.700	0.726	0.278
BERNALILLO	32.781	38.207	40.863	37.284	6.800	5.483	2.099
BLOOMFIELD	14.797	13.874	13.037	13.902	7.100	1.958	0.750
CAPITAN	0.000	0.000	0.000	0.000	1.600	0.000	0.000
CARLSBAD	2.467	1.568	2.256	2.097	4.900	0.428	0.164
CARRIZOZO	0.000	0.000	0.000	0.000	7.400	0.000	0.000
CENTRAL CONS.	34.628	28.779	25.746	29.718	5.800	5.124	1.962
CHAMA	47.807	48.293	40.099	45.400	1.000	45.400	17.383
CIMARRON	0.560	0.798	0.412	0.590	3.500	0.169	0.065
CLAYTON	0.183	0.166	2.189	0.846	5.500	0.154	0.059
CLOUDCROFT	1.082	0.917	0.000	0.667	2.500	0.267	0.102
CLOVIS	10.774	13.754	9.090	11.206	7.200	1.556	0.596
COBRE CONS.	27.092	18.476	13.564	19.711	8.700	2.266	0.867
CORONA	11.765	16.092	11.905	13.254	3.600	3.682	1.410
CUBA	56.466	31.145	42.710	43.440	13.900	3.125	1.197
DEMING	35.707	31.213	31.150	32.690	16.700	1.957	0.749
DES MOINES	0.000	0.000	0.000	0.000	3.800	0.000	0.000
DEXTER	18.902	18.638	15.313	17.617	26.400	0.667	0.256
DORA	9.013	2.033	4.564	5.203	10.500	0.496	0.190
DULCE	17.460	35.147	23.314	25.307	2.300	11.003	4.213
ELIDA	0.000	0.000	0.000	0.000	1.300	0.000	0.000
ESPAÑOLA	27.705	26.459	27.071	27.078	11.800	2.295	0.879
ESTANCIA	17.676	6.191	1.730	8.532	18.700	0.456	0.175
EUNICE	9.043	7.131	6.050	7.408	15.400	0.481	0.184
FARMINGTON	11.957	10.748	11.448	11.385	5.500	2.070	0.793
FLOYD	20.243	19.672	24.898	21.604	1.800	12.002	4.596
FT. SUMNER	5.466	3.343	2.564	3.791	3.600	1.053	0.403
GADSDEN	50.726	47.100	40.244	46.023	34.400	1.338	0.512
GALLUP	44.751	35.386	31.778	37.305	20.200	1.847	0.707
GRADY	0.000	0.000	0.000	0.000	1.500	0.000	0.000
GRANTS	14.412	15.795	13.130	14.446	6.400	2.257	0.864
HAGERMAN	11.894	12.471	13.959	12.775	16.000	0.798	0.306
HATCH	49.306	49.784	47.991	49.027	33.000	1.486	0.569
<b>HOBBS</b>	<b>16.338</b>	<b>17.769</b>	<b>17.374</b>	<b>17.160</b>	<b>9.700</b>	<b>1.769</b>	<b>0.677</b>
HONDO	17.213	13.636	17.751	16.200	15.500	1.045	0.400
HOUSE	0.000	0.000	0.000	0.000	3.800	0.000	0.000
JAL	14.734	15.802	14.833	15.123	13.400	1.129	0.432
JEMEZ MOUNTAIN	59.239	54.155	41.358	51.584	8.900	5.796	2.219
JEMEZ VALLEY	25.732	22.868	23.506	24.035	13.800	1.742	0.667
LAKE ARTHUR	17.219	18.471	20.548	18.746	13.400	1.399	0.536
LAS CRUCES	11.643	13.160	13.599	12.801	11.700	1.094	0.419
LAS VEGAS CITY	33.003	21.928	20.113	25.015	8.600	2.909	1.114
LOGAN	1.282	0.881	0.000	0.721	0.900	0.801	0.307
LORDSBURG	7.615	7.636	6.359	7.203	8.900	0.809	0.310
LOS ALAMOS	3.466	4.110	5.413	4.330	1.700	2.547	0.975
LOS LUNAS	12.487	10.785	9.393	10.888	9.600	1.134	0.434
LOVING	30.488	21.465	20.854	24.269	9.100	2.667	1.021
LOVINGTON	18.208	15.003	14.443	15.885	18.800	0.845	0.324
MAGDALENA	36.259	35.172	36.123	35.851	28.200	1.271	0.487
MAXWELL	0.000	0.000	0.000	0.000	1.800	0.000	0.000
MELROSE	0.000	0.000	0.000	0.000	1.800	0.000	0.000
MESA VISTA	56.293	48.615	56.186	53.698	5.500	9.763	3.738
MORA	15.263	10.623	7.171	11.019	8.800	1.252	0.479
MORIARTY	6.236	5.140	5.356	5.577	2.400	2.324	0.890
MOSQUERO	0.000	0.000	0.000	0.000	1.700	0.000	0.000
MOUNTAINAIR	0.000	7.524	5.607	4.377	4.600	0.952	0.364
PECOS	38.957	33.876	25.706	32.846	11.800	2.784	1.066
PENASCO	20.615	0.000	21.022	13.879	11	1.262	0.483
POJOAQUE	28.986	24.772	20.636	24.798	8.4	2.952	1.130
PORTALES	7.163	6.467	6.687	6.772	7.1	0.954	0.365
QUEMADO	0.000	0.000	0.000	0.000	6.2	0.000	0.000
QUESTA	63.862	57.435	16.346	45.881	2.8	16.386	6.274
RATON	18.655	11.800	13.043	14.499	4.8	3.021	1.157
RESERVE	0.000	0.000	0.000	0.000	2.9	0.000	0.000
RIO RANCHO	4.696	3.683	2.989	3.789	3.8	0.997	0.382
ROSWELL	10.394	8.895	8.674	9.321	10.9	0.855	0.327
ROY	0.000	0.000	0.000	0.000	27.6	0.000	0.000
RUIDOSO	10.883	10.503	11.530	10.972	5.7	1.925	0.737
SAN JON	0.000	0.000	0.000	0.000	3.4	0.000	0.000
SANTA FE	33.306	28.907	27.191	29.801	13	2.292	0.878
SANTA ROSA	28.919	19.033	12.381	20.111	6	3.352	1.283
SILVER CITY	4.033	3.902	2.848	3.594	5.7	0.631	0.241
SOCORRO	0.735	0.530	1.364	0.876	8.5	0.103	0.039
SPRINGER	0.000	0.000	0.000	0.000	7.4	0.000	0.000
TAOS	12.436	11.565	13.354	12.452	5.1	2.442	0.935
TATUM	0.000	12.945	11.801	8.249	7	1.178	0.451
TEXICO	1.504	1.484	1.060	1.349	12.3	0.110	0.042
TRUTH OR CONS.	14.954	13.699	9.728	12.794	2.6	4.921	1.884
TUCUMCARI	5.540	5.083	3.755	4.793	4.9	0.978	0.374
TULAROSA	1.973	3.791	3.351	3.038	3.5	0.868	0.332
VAUGHN	30.769	30.208	38.095	33.024	3.6	9.173	3.512
WAGON MOUND	31.544	30.233	50.704	37.493	8.4	4.464	1.709
LAS VEGAS WEST	26.867	25.429	24.632	25.643	8.9	2.881	1.103
ZUNI	98.149	93.806	45.263	79.073	7.5	10.543	4.037

Table C-3. Comparison of Mobility Rate with Census Population Mobility Rate

DISTRICT	DISTRICT MOBILITY				CENSUS POPULATION MOBILITY			Ratio of Pop Mobility		Comparison to State Average	
	2006-07	2007-08	2008-09	AVERAGE	Same State	Different State	in Same State to Mobility Rate	Ratio of Pop Mobility to Student Mobility Rate	Same State to Student Mobility Rate	Ratio of Pop Mobility to Student Mobility Rate	
Correlation		0.832	0.850	0.941	-0.026	0.877					
Average	21.311	22.433	22.888	22.211	9.078	12.246	3.366	2.624	1.000	1.000	
Average variation	10.060	10.218	10.348	9.607	4.640	5.342	3.326	2.829	0.988	1.078	
ALAMOGORDO	15.84	16.29	18.15	16.76	14.0	19.9	1.197	0.842	0.356	0.321	
ALBUQUERQUE	33.18	30.34	24.72	29.41	13.3	16.6	2.212	1.772	0.657	0.675	
ANIMAS	15.30	8.63	17.93	13.95	9.3	15.4	1.500	0.906	0.446	0.345	
ARTESIA	15.35	20.72	21.31	19.13	9.1	13.7	2.102	1.396	0.624	0.532	
AZTEC	26.01	10.93	21.51	19.48	13.5	16.2	1.443	1.203	0.429	0.458	
BELEN	23.92	20.49	23.15	22.52	11.2	13.3	2.011	1.693	0.597	0.645	
BERNALILLO	13.14	17.07	14.40	14.87	7.9	10.1	1.882	1.472	0.559	0.561	
BLOOMFIELD	23.66	24.87	23.93	24.15	6.8	9.8	3.552	2.465	1.055	0.939	
CAPTAN	22.78	24.76	21.80	23.11	11.5	15.3	2.010	1.511	0.597	0.576	
CARLSBAD	22.38	21.77	24.10	22.75	13.9	16.9	1.636	1.346	0.486	0.513	
CARRIZOZO	22.56	23.74	27.45	24.59	21.3	24.2	1.154	1.016	0.343	0.387	
CENTRAL CONS.	20.20	25.86	25.26	23.77	3.7	4.4	6.425	5.403	1.909	2.050	
CHAMA	22.81	13.93	12.35	16.36	3.6	6.5	4.545	2.517	1.351	0.959	
CIMARRON	8.46	20.32	21.25	16.67	8.6	11.8	1.939	1.413	0.576	0.539	
CLAYTON	18.91	15.74	18.17	17.61	8.4	19.3	2.096	0.912	0.623	0.348	
CLOUDCROFT	20.85	14.47	17.65	17.66	5.3	11.6	3.331	1.522	0.990	0.580	
CLOVIS	31.97	35.06	26.79	31.27	17.3	23.2	1.808	1.348	0.537	0.514	
COBRE CONS.	16.13	13.88	17.70	15.90	11.8	16.9	1.348	0.941	0.400	0.359	
CORONA	11.24	22.50	18.09	17.27	17.3	17.3	0.998	0.998	0.297	0.381	
CUBA	23.94	19.87	23.37	22.39	2.3	3.2	9.737	6.998	2.893	2.667	
DEMING	21.06	23.57	20.66	21.76	11.3	16.8	1.926	1.295	0.572	0.494	
DES MOINES	12.69	21.21	28.92	20.94	5.4	14.0	3.877	1.496	1.152	0.570	
DEXTER	23.23	24.45	25.48	24.39	6.6	8.7	3.695	2.803	1.098	1.068	
DORA	24.76	29.52	27.24	27.17	2.9	16.2	9.369	1.677	2.784	0.639	
DULCE	22.20	18.87	13.03	18.03	11.1	11.7	1.625	1.541	0.483	0.587	
ELIDA	11.94	23.28	40.57	25.26	1.2	2.7	21.051	9.356	6.254	3.566	
ESPANOLA	20.67	20.52	21.43	20.87	8.0	9.4	2.609	2.220	0.775	0.846	
ESTANCIA	26.71	35.92	31.79	31.47	14.9	22.7	2.112	1.386	0.628	0.528	
EUNICE	20.07	19.90	19.63	19.86	11.1	11.7	1.790	1.698	0.532	0.647	
FARMINGTON	27.21	26.99	30.44	28.21	13.2	17.0	2.137	1.659	0.635	0.632	
FLOYD	11.83	19.43	13.58	14.95	7.7	7.7	1.941	1.941	0.577	0.740	
FT. SUMNER	17.87	22.05	20.83	20.25	6.1	8.5	3.320	2.382	0.986	0.908	
GADSDEN	29.36	32.49	24.99	28.95	6.4	10.7	4.523	2.705	1.344	1.031	
GALLUP	27.18	25.11	25.84	26.04	4.7	6.6	5.541	3.946	1.646	1.504	
GRADY	19.44	30.33	24.19	24.66	12.2	12.2	2.021	2.021	0.600	0.770	
GRANTS	24.05	22.44	24.94	23.81	10.9	12.9	2.185	1.846	0.649	0.703	
HAGERMAN	20.70	20.00	25.51	22.07	18.6	20.5	1.187	1.077	0.353	0.410	
HATCH	18.84	18.60	20.40	19.28	4.7	4.7	4.102	4.102	1.219	1.563	
HOBBS	33.27	32.16	28.08	31.17	13.5	18.8	2.309	1.658	0.686	0.632	
HONDO	20.31	30.83	45.16	32.10	4.3	8.7	7.466	3.690	2.218	1.406	
HOUSE	77.48	82.09	84.16	81.24	5.7	5.7	14.253	14.253	4.235	5.432	
JAL	20.04	24.71	22.99	22.58	6.2	15.2	3.642	1.486	1.082	0.566	
JEMEZ MOUNTAIN	18.05	19.25	23.41	20.24	7.7	8.1	2.628	2.498	0.781	0.952	
JEMEZ VALLEY	13.55	13.59	15.13	14.09	8.4	9.8	1.677	1.438	0.498	0.548	
LAKE ARTHUR	23.64	28.57	31.52	27.91	7.2	9.5	3.876	2.938	1.152	1.120	
LAS CRUCES	11.33	12.68	13.15	12.38	17.1	21.1	0.724	0.587	0.215	0.224	
LAS VEGAS CITY	16.59	19.07	23.68	19.78	11.3	14.4	1.750	1.373	0.520	0.523	
LOGAN	32.03	23.17	34.39	29.86	8.9	10.8	3.356	2.765	0.997	1.054	
LORDSBURG	31.27	20.77	16.50	22.85	6.0	6.9	3.808	3.311	1.131	1.262	
LOS ALAMOS	4.31	6.33	3.42	4.69	9.4	13.6	0.499	0.345	0.148	0.131	
LOS LUNAS	23.68	19.62	17.07	20.12	12.3	14.5	1.636	1.388	0.486	0.529	
LOVING	15.99	23.38	21.52	20.30	8.0	8.7	2.537	2.333	0.754	0.889	
LOVINGTON	24.27	20.63	19.30	21.40	10.6	13.0	2.019	1.646	0.600	0.627	
MAGDALENA	13.24	17.31	17.27	15.94	2.2	2.2	7.245	7.245	2.153	2.761	
MAXWELL	15.52	25.47	21.05	20.68	23.9	23.9	0.865	0.865	0.257	0.330	
MELROSE	17.37	20.89	19.63	19.30	5.5	9.0	3.509	2.144	1.043	0.817	
MESA VISTA	14.32	12.11	12.28	12.90	6.0	9.0	2.150	1.433	0.639	0.546	
MORA	8.29	12.14	11.13	10.52	7.4	9.3	1.422	1.131	0.422	0.431	
MORIARTY	24.79	22.57	21.97	23.11	8.9	10.7	2.596	2.160	0.771	0.823	
MOSQUERO	17.07	2.63	28.95	16.22	0.0	1.0		16.217		6.181	
MOUNTAINAIR	27.66	29.70	28.35	28.57	7.6	7.6	3.759	3.759	1.117	1.433	
PECOS	10.91	13.20	13.48	12.53	3.4	4.2	3.685	2.983	1.095	1.137	
PENASCO	8.25	9.84	16.03	11.37	4.4	6.6	2.585	1.723	0.768	0.657	
POJOAQUE	7.63	9.12	7.48	8.08	6.1	7.6	1.324	1.063	0.393	0.405	
PORTALES	23.89	26.19	26.31	25.46	16.8	22.6	1.516	1.127	0.450	0.429	
QUEMADO	21.50	25.39	24.19	23.69	2.1	11.8	11.282	2.008	3.352	0.765	
QUESTA	16.22	29.01	18.26	21.17	8.8	13.2	2.405	1.603	0.715	0.611	
RATON	16.96	19.08	19.69	18.58	11.1	13.9	1.674	1.336	0.497	0.509	
RESERVE	30.00	21.71	18.82	23.51	2.5	6.7	9.405	3.509	2.794	1.337	
RIO RANCHO	18.01	15.27	16.60	16.63	11.3	16.5	1.471	1.008	0.437	0.384	
ROSWELL	27.42	28.70	28.54	28.22	14.6	19.3	1.933	1.462	0.574	0.557	
ROY	8.82	7.61	14.52	10.32	4.6	5.6	2.243	1.842	0.666	0.702	
RUIDOSO	24.42	26.64	22.64	24.57	6.7	11.1	3.667	2.213	1.089	0.844	
SAN JON	38.56	32.67	34.44	35.22	5.7	8.1	6.179	4.348	1.836	1.657	
SANTA FE	17.78	21.64	17.82	19.08	12.5	17.0	1.526	1.122	0.454	0.428	
SANTA ROSA	14.45	16.88	16.23	15.85	11.6	16.5	1.367	0.961	0.406	0.366	
SILVER CITY	23.66	19.62	14.91	19.40	11.5	15.4	1.687	1.260	0.501	0.480	
SOCORRO	17.51	18.25	15.94	17.24	8.8	11.0	1.959	1.567	0.582	0.597	
SPRINGER	14.08	9.09	14.50	12.56	14.9	18.6	0.843	0.675	0.250	0.257	
TAOS	18.63	17.69	17.03	17.78	9.0	11.7	1.976	1.520	0.587	0.579	
TATUM	14.21	27.78	26.00	22.66	2.4	3.6	9.443	6.295	2.806	2.399	
TEXICO	17.08	22.76	19.45	19.76	13.5	15.1	1.464	1.309	0.435	0.499	
TRUTH OR CONS.	26.01	19.45	25.75	23.74	5.2	6.6	4.565	3.597	1.356	1.371	
TUCUMCARI	32.23	30.26	36.29	32.93	12.0	16.1	2.744	2.045	0.815	0.779	
TULAROSA	23.29	23.81	19.13	22.08	11.5	14.3	1.920	1.544	0.570	0.588	
VAUGHN	46.15	36.70	41.41	41.42	5.1	13.2	8.122	3.138	2.413	1.196	
WAGON MOUND	54.36	58.94	57.14	56.82	7.6	9.2	7.476	6.176	2.221	2.354	
LAS VEGAS WEST	17.02	26.78	21.77	21.86	13.8	15.2	1.584	1.438	0.471	0.548	
ZUNI	15.10	26.91	14.04	18.68	5.2	7.4	3.593	2.525	1.067	0.962	

# Appendix D: Detailed Results and Formula Worksheet When Proposed Modifications Are Made in SEG Formula (in Table 8)

TABLE D-1. COMPARISON OF THE 2010-11 STATE EQUALIZATION GUARANTEE BETWEEN THE CURRENT FORMULA AND MODIFIED FORMULA

DISTRICT/CHARTER	TOTAL MEMBERSHIP	CURRENT FORMULA					MODIFIED FORMULA					% DIFFERENCE BETWEEN MODIFIED AND CURRENT SEG	PER PUPIL SEG IF REVENUE NEUTRAL	DISTRICT RANK WITHOUT CHARTER SCHOOLS (OUT OF 89)	PERCENT CHANGE IF REVENUE NEUTRAL
		TOTAL SEG FUNDS IN 2010-11	PERCENT OF TOTAL	PER PUPIL SEG	DISTRICT RANK WITHOUT CHARTER SCHOOLS (OUT OF 89)	PERCENT OF STATE AVERAGE	TOTAL SEG FUNDS IN 2010-11	PERCENT OF TOTAL	PER PUPIL SEG	DISTRICT RANK WITHOUT CHARTER SCHOOLS (OUT OF 89)	PERCENT OF STATE AVERAGE				
STATEWIDE	327,561	\$2,178,791,176	100.00%	\$6,652	100.00%	\$2,178,836,316	100.00%	\$6,652	100.00%	100.00%	0.00%	\$6,652	0.00%		0.00%
PUBLIC SCHOOL DISTRICTS	313,075	\$2,055,933,279	94.36%	\$6,567	98.72%	\$2,079,282,820	95.43%	\$6,641	99.84%	99.84%	1.13%	\$6,641	1.13%	74	-1.13%
CHARTER SCHOOLS	14,486	\$122,857,897	5.64%	\$8,481	127.92%	\$99,553,496	4.57%	\$6,872	103.66%	103.66%	-18.97%	\$6,872	-18.97%	64	-18.97%
ALBUQUERQUE	87,518	\$578,505,194	26.55%	\$6,610	99.37%	\$578,014,481	26.53%	\$6,605	99.29%	99.29%	-0.08%	\$6,605	-0.08%	64	-0.08%
<b>HOBBS</b>	<b>8,054.75</b>	<b>\$49,883,621</b>	<b>2.29%</b>	<b>\$6,193</b>	<b>93.10%</b>	<b>\$53,502,634</b>	<b>2.46%</b>	<b>\$6,642</b>	<b>99.85%</b>	<b>99.85%</b>	<b>7.25%</b>	<b>\$6,642</b>	<b>7.25%</b>	<b>64</b>	<b>7.25%</b>
COMPARISON GROUP:	50,895	\$331,952,578	15.24%	\$6,522	98.05%	\$331,987,168	15.24%	\$6,523	98.06%	98.06%	0.02%	\$6,523	0.02%	66	0.02%
CARLSBAD	5,741	\$42,306,561	1.94%	\$7,370	110.79%	\$35,681,536	1.64%	\$6,215	93.43%	93.43%	-15.67%	\$6,215	-15.67%	81	-15.67%
CLOVIS	8,344	\$51,180,046	2.35%	\$6,134	92.21%	\$53,993,549	2.48%	\$6,471	97.28%	97.28%	5.49%	\$6,471	5.49%	74	5.49%
DEMING	5,138	\$33,577,856	1.54%	\$6,535	98.24%	\$38,686,758	1.78%	\$7,529	113.18%	113.18%	15.21%	\$7,529	15.21%	50	15.21%
FARMINGTON	10,334	\$64,288,193	2.95%	\$6,221	93.52%	\$65,161,320	2.99%	\$6,306	94.80%	94.80%	1.37%	\$6,306	1.37%	79	1.37%
LOS LUNAS	8,391	\$54,106,283	2.48%	\$6,449	96.95%	\$53,967,694	2.48%	\$6,432	96.69%	96.69%	-0.26%	\$6,432	-0.26%	41	-0.26%
LOVINGTON	3,201	\$23,284,663	1.07%	\$7,274	109.35%	\$21,328,772	0.98%	\$6,663	100.17%	100.17%	-8.40%	\$6,663	-8.40%	63	-8.40%
ROSWELL	9,746	\$63,208,976	2.90%	\$6,485	97.49%	\$63,167,539	2.90%	\$6,481	97.43%	97.43%	-0.06%	\$6,481	-0.06%	73	-0.06%
OTHER DISTRICTS IN LEA COUNTY:	4,485	\$33,619,904	1.54%	\$7,496	112.69%	\$31,762,829	1.46%	\$7,082	106.46%	106.46%	-5.52%	\$7,082	-5.52%	44	-5.52%
EUNICE	576	\$3,919,820	0.18%	\$6,805	102.30%	\$4,305,838	0.20%	\$7,475	112.37%	112.37%	9.85%	\$7,475	9.85%	53	9.85%
JAL	397	\$3,282,144	0.15%	\$8,267	124.28%	\$3,357,379	0.15%	\$8,457	127.13%	127.13%	2.30%	\$8,457	2.30%	32	2.30%
LOVINGTON	3,201	\$23,284,663	1.07%	\$7,274	109.35%	\$21,328,772	0.98%	\$6,663	100.17%	100.17%	-8.40%	\$6,663	-8.40%	63	-8.40%
TATUM	311	\$3,133,277	0.14%	\$10,091	151.70%	\$2,770,840	0.13%	\$8,924	134.16%	134.16%	-11.56%	\$8,924	-11.56%	26	-11.56%
DISTRICTS WITH SIMILAR AT-RISK INDEX (BETWEEN 6% AND 7%):	336,782	\$2,223,716,321	102.06%	\$6,603	99.26%	\$2,245,352,481	103.05%	\$6,667	100.23%	100.23%	0.97%	\$6,667	0.97%	50	0.97%
CLOVIS	313,075	\$2,055,933,279	94.36%	\$6,567	98.72%	\$2,079,282,820	95.43%	\$6,641	99.84%	99.84%	1.13%	\$6,641	1.13%	74	1.13%
COBRE CONS.	1,314	\$12,448,860	0.57%	\$9,476	142.45%	\$9,962,701	0.46%	\$7,583	114.00%	114.00%	-19.98%	\$7,583	-19.98%	47	-19.98%
ESTANCIA	859	\$7,186,394	0.33%	\$8,368	125.80%	\$6,640,223	0.30%	\$7,732	116.24%	116.24%	-7.60%	\$7,732	-7.60%	44	-7.60%
HAGERMAN	429	\$3,593,539	0.16%	\$8,377	125.93%	\$3,798,446	0.17%	\$8,854	133.10%	133.10%	5.69%	\$8,854	5.69%	27	5.69%
JEMEZ VALLEY	347	\$2,615,635	0.12%	\$7,532	113.23%	\$2,412,483	0.11%	\$6,947	104.43%	104.43%	-7.77%	\$6,947	-7.77%	59	-7.77%
LAKE ARTHUR	141	\$1,459,077	0.07%	\$10,366	155.83%	\$1,460,973	0.07%	\$10,380	156.04%	156.04%	0.14%	\$10,380	0.14%	12	0.14%
LAS VEGAS CITY	1,886	\$14,774,674	0.68%	\$7,835	117.78%	\$14,062,926	0.65%	\$7,457	112.10%	112.10%	-4.82%	\$7,457	-4.82%	54	-4.82%
LORDSBURG	603	\$5,466,345	0.25%	\$9,065	136.27%	\$4,943,189	0.23%	\$8,198	123.24%	123.24%	-9.56%	\$8,198	-9.56%	36	-9.56%
MOUNTAINAIR	315	\$3,308,518	0.15%	\$10,520	158.15%	\$2,886,016	0.13%	\$9,177	137.96%	137.96%	-12.77%	\$9,177	-12.77%	24	-12.77%
PECOS	652	\$5,966,765	0.27%	\$9,148	137.52%	\$5,492,200	0.25%	\$8,420	126.58%	126.58%	-7.96%	\$8,420	-7.96%	33	-7.96%
QUEMADO	174	\$1,105,372	0.05%	\$6,371	95.78%	\$1,044,081	0.05%	\$6,018	90.47%	90.47%	-5.54%	\$6,018	-5.54%	84	-5.54%
RESERVE	167	\$1,241,564	0.06%	\$7,435	111.77%	\$958,511	0.04%	\$5,740	86.29%	86.29%	-22.80%	\$5,740	-22.80%	86	-22.80%
LOVINGTON	3,201	\$23,284,663	1.07%	\$7,274	109.35%	\$21,328,772	0.98%	\$6,663	100.17%	100.17%	-8.40%	\$6,663	-8.40%	63	-8.40%
SANTA FE	12,545	\$77,268,524	3.55%	\$6,160	92.60%	\$82,937,041	3.81%	\$6,611	99.38%	99.38%	7.32%	\$6,611	7.32%	66	7.32%
TUCUMCARI	1,074	\$8,063,112	0.37%	\$7,509	112.88%	\$8,142,099	0.37%	\$7,583	114.00%	114.00%	0.99%	\$7,583	0.99%	47	0.99%
DISTRICTS WITH 30% OF ASSESSED VALUE IN OIL, GAS, COPPER AND NO IMPACT AID:	15,432	\$12,855,004	5.18%	\$7,313	109.94%	\$102,648,740	4.71%	\$6,652	100.00%	100.00%	-9.04%	\$6,652	-9.04%	46	-9.04%
ARTESIA	3556	\$23,568,418	1.08%	\$6,629	99.65%	\$22,620,839	1.04%	\$6,362	95.64%	95.64%	-4.03%	\$6,362	-4.03%	77	-4.03%
AZTEC	3153	\$20,048,403	0.92%	\$6,359	95.60%	\$19,911,598	0.91%	\$6,315	94.93%	94.93%	-0.69%	\$6,315	-0.69%	78	-0.69%
CARLSBAD	5,741	\$42,306,561	1.94%	\$7,370	110.79%	\$35,681,536	1.64%	\$6,215	93.43%	93.43%	-15.67%	\$6,215	-15.67%	81	-15.67%
COBRE CONS.	1,314	\$12,448,860	0.57%	\$9,476	142.45%	\$9,962,701	0.46%	\$7,583	114.00%	114.00%	-19.98%	\$7,583	-19.98%	47	-19.98%
DORA	243	\$2,688,444	0.12%	\$11,086	166.66%	\$2,577,036	0.12%	\$10,627	159.76%	159.76%	-4.14%	\$10,627	-4.14%	9	-4.14%
EUNICE	576	\$3,919,820	0.18%	\$6,805	102.30%	\$4,305,838	0.20%	\$7,475	112.37%	112.37%	9.85%	\$7,475	9.85%	53	9.85%
JAL	397	\$3,282,144	0.15%	\$8,267	124.28%	\$3,357,379	0.15%	\$8,457	127.13%	127.13%	2.30%	\$8,457	2.30%	32	2.30%
LAKE ARTHUR	141	\$1,459,077	0.07%	\$10,366	155.83%	\$1,460,973	0.07%	\$10,380	156.04%	156.04%	0.14%	\$10,380	0.14%	12	0.14%
TATUM	311	\$3,133,277	0.14%	\$10,091	151.70%	\$2,770,840	0.13%	\$8,924	134.16%	134.16%	-11.56%	\$8,924	-11.56%	26	-11.56%

TABLE D-2. COMPARISON OF PER PUPIL SEG AND DISTRICT RANK UNDER CURRENT FORMULA AND MODIFIED FORMULA--PUBLIC SCHOOLS ONLY

DISTRICT/CHARTER	CURRENT FORMULA			MODIFIED FORMULA			% DIFFERENCE BETWEEN MODIFIED AND CURRENT SEG	PER PUPIL REVENUE NEUTRAL	DISTRICT RANK (OUT OF 89)	PERCENT CHANGE IF REVENUE NEUTRAL
	PER PUPIL SEG	DISTRICT RANK (OUT OF 89)	PERCENT OF STATE AVERAGE	PER PUPIL SEG	DISTRICT RANK (OUT OF 89)	PERCENT OF STATE AVERAGE				
STATEWIDE--PUBLIC SCHOOLS	\$6,567		100.00%	\$6,641		100.00%	1.13%	\$6,641		1.13%
<b>HOBBS</b>	<b>\$6,193</b>	<b>83</b>	<b>94.30%</b>	<b>\$6,642</b>	<b>64</b>	<b>100.02%</b>	<b>7.25%</b>	<b>\$6,642</b>	<b>64</b>	<b>7.25%</b>
ALAMOGORDO	\$6,451	75	98.23%	\$6,373	76	95.96%	-1.21%	\$6,373	76	-1.21%
ALBUQUERQUE	\$6,610	66	100.65%	\$6,605	67	99.46%	-0.08%	\$6,605	67	-0.08%
ANIMAS	\$10,583	11	161.15%	\$9,275	21	139.66%	-12.36%	\$9,275	21	-12.36%
ARTESIA	\$6,629	65	100.94%	\$6,362	77	95.80%	-4.03%	\$6,362	77	-4.03%
AZTEC	\$6,359	79	96.83%	\$6,315	78	95.09%	-0.69%	\$6,315	78	-0.69%
BELEN	\$6,514	70	99.19%	\$6,533	70	98.37%	0.29%	\$6,533	70	0.29%
BERNALILLO	\$6,475	73	98.60%	\$6,250	80	94.11%	-3.47%	\$6,250	80	-3.47%
BLOOMFIELD	\$6,466	74	98.46%	\$6,538	69	98.45%	1.11%	\$6,538	69	1.11%
CAPTAN	\$7,710	46	117.41%	\$7,735	43	116.47%	0.32%	\$7,735	43	0.32%
CARLSBAD	\$7,370	51	112.23%	\$6,215	81	93.59%	-15.67%	\$6,215	81	-15.67%
CARRIZOZO	\$10,415	17	158.60%	\$9,904	15	149.13%	-4.91%	\$9,904	15	-4.91%
CENTRAL CONS.	\$4,582	87	69.77%	\$4,920	89	74.09%	7.38%	\$4,920	89	7.38%
CHAMA VALLEY	\$10,902	9	166.01%	\$9,225	23	138.91%	-15.38%	\$9,225	23	-15.38%
CLAYTON	\$9,139	31	139.17%	\$7,847	41	118.16%	-14.14%	\$7,847	41	-14.14%
CIMARRON	\$8,693	35	132.37%	\$7,825	42	117.83%	-9.99%	\$7,825	42	-9.99%
CLOUDCROFT	\$8,556	36	130.29%	\$7,993	39	120.36%	-6.58%	\$7,993	39	-6.58%
CLOVIS	\$6,134	85	93.41%	\$6,471	74	97.44%	5.49%	\$6,471	74	5.49%
COBRE CONS.	\$9,476	27	144.30%	\$7,583	47	114.18%	-19.98%	\$7,583	47	-19.98%
CORONA	\$10,430	16	158.82%	\$11,874	5	178.80%	13.84%	\$11,874	5	13.84%
CUBA	\$7,772	45	118.35%	\$8,319	34	125.27%	7.04%	\$8,319	34	7.04%
DEMING	\$6,535	68	99.51%	\$7,529	50	113.37%	15.21%	\$7,529	50	15.21%
DES MOINES	\$10,525	13	160.27%	\$11,385	8	171.44%	8.17%	\$11,385	8	8.17%
DEXTER	\$7,499	49	114.19%	\$7,564	49	113.90%	0.87%	\$7,564	49	0.87%
DORA	\$11,086	7	168.81%	\$10,627	9	160.02%	-4.14%	\$10,627	9	-4.14%
DULCE	\$4,899	86	74.60%	\$5,039	88	75.88%	2.86%	\$5,039	88	2.86%
ELIDA	\$10,121	20	154.12%	\$10,287	14	154.90%	1.64%	\$10,287	14	1.64%
ESPAÑOLA	\$6,950	58	105.83%	\$7,029	57	105.84%	1.14%	\$7,029	57	1.14%
ESTANCIA	\$8,368	39	127.43%	\$7,732	44	116.43%	-7.60%	\$7,732	44	-7.60%
EUNICE	\$6,805	61	103.62%	\$7,475	53	112.56%	9.85%	\$7,475	53	9.85%
FARMINGTON	\$6,221	82	94.73%	\$6,306	79	94.96%	1.37%	\$6,306	79	1.37%
FLOYD	\$9,728	25	148.13%	\$9,528	19	143.47%	-2.06%	\$9,528	19	-2.06%
FT. SUMNER	\$9,793	24	149.12%	\$8,633	29	130.00%	-11.85%	\$8,633	29	-11.85%
GADSDEN	\$6,591	67	100.37%	\$7,489	52	112.77%	13.62%	\$7,489	52	13.62%
GALLUP	\$4,389	88	66.83%	\$5,431	87	81.78%	23.74%	\$5,431	87	23.74%
GRADY	\$10,971	8	167.06%	\$10,468	11	157.63%	-4.58%	\$10,468	11	-4.58%
GRANTS	\$6,808	60	103.67%	\$6,920	60	104.20%	1.65%	\$6,920	60	1.65%
HAGERMAN	\$8,377	38	127.56%	\$8,854	27	133.32%	5.69%	\$8,854	27	5.69%
HATCH	\$6,519	69	99.27%	\$8,590	30	129.35%	31.77%	\$8,590	30	31.77%
HONDO	\$10,116	22	154.04%	\$10,515	10	158.33%	3.94%	\$10,515	10	3.94%
HOUSE	\$12,413	4	189.02%	\$12,245	4	184.38%	-1.35%	\$12,245	4	-1.35%
JAL	\$8,267	41	125.89%	\$8,457	32	127.35%	2.30%	\$8,457	32	2.30%
JEMEZ MOUNTAIN <sup>2</sup>	\$8,986	34	136.84%	\$9,055	25	136.35%	0.77%	\$9,055	25	0.77%
JEMEZ VALLEY	\$7,532	47	114.69%	\$6,947	59	104.61%	-7.77%	\$6,947	59	-7.77%
LAKE ARTHUR	\$10,366	18	157.85%	\$10,380	12	156.30%	0.14%	\$10,380	12	0.14%
LAS CRUCES	\$6,486	71	98.77%	\$6,518	71	98.15%	0.49%	\$6,518	71	0.49%
LAS VEGAS CITY	\$7,835	43	119.31%	\$7,457	54	112.29%	-4.82%	\$7,457	54	-4.82%
LOGAN	\$10,563	12	160.85%	\$9,645	17	145.23%	-8.69%	\$9,645	17	-8.69%
LORDSBURG	\$9,065	33	138.04%	\$8,198	36	123.45%	-9.56%	\$8,198	36	-9.56%
LOS ALAMOS	\$6,997	56	106.55%	\$6,082	82	91.58%	-13.08%	\$6,082	82	-13.08%
LOS LUNAS	\$6,449	76	98.20%	\$6,432	75	96.85%	-0.26%	\$6,432	75	-0.26%
LOVING	\$8,465	37	128.90%	\$8,109	38	122.11%	-4.21%	\$8,109	38	-4.21%
LOVINGTON	\$7,274	52	110.77%	\$6,663	63	100.33%	-8.40%	\$6,663	63	-8.40%
MAGDALENA	\$8,262	42	125.81%	\$8,648	28	130.22%	4.67%	\$8,648	28	4.67%
MAXWELL	\$11,444	6	174.27%	\$11,418	7	171.93%	-0.23%	\$11,418	7	-0.23%
MELROSE	\$10,121	20	154.12%	\$9,295	20	139.96%	-8.16%	\$9,295	20	-8.16%
MESA VISTA	\$9,611	26	146.35%	\$9,536	18	143.59%	-0.78%	\$9,536	18	-0.78%
MORA <sup>2</sup>	\$9,164	29	139.55%	\$8,476	31	127.63%	-7.51%	\$8,476	31	-7.51%
MORIARTY	\$6,392	77	97.34%	\$6,623	65	99.73%	3.61%	\$6,623	65	3.61%
MOSQUERO	\$13,816	1	210.39%	\$14,474	1	217.95%	4.76%	\$14,474	1	4.76%
MOUNTAINAIR	\$10,520	14	160.19%	\$9,177	24	138.19%	-12.77%	\$9,177	24	-12.77%
PECOS	\$9,148	30	139.30%	\$8,420	33	126.79%	-7.96%	\$8,420	33	-7.96%
PEÑASCO	\$9,102	32	138.60%	\$8,286	35	124.77%	-8.97%	\$8,286	35	-8.97%
POJOAQUE	\$6,235	81	94.94%	\$6,507	72	97.98%	4.36%	\$6,507	72	4.36%
PORTALES	\$7,141	55	108.74%	\$7,224	56	108.78%	1.16%	\$7,224	56	1.16%
QUEMADO	\$6,371	78	97.02%	\$6,018	84	90.62%	-5.54%	\$6,018	84	-5.54%
QUESTA	\$10,308	19	156.97%	\$9,256	22	139.38%	-10.21%	\$9,256	22	-10.21%
RATON	\$7,166	54	109.12%	\$7,329	55	110.36%	2.27%	\$7,329	55	2.27%
RESERVE	\$7,435	50	113.22%	\$5,740	86	86.43%	-22.80%	\$5,740	86	-22.80%
RIO RANCHO	\$6,262	80	95.36%	\$5,870	85	88.39%	-6.26%	\$5,870	85	-6.26%
ROS WELL	\$6,485	72	98.75%	\$6,481	73	97.59%	-0.06%	\$6,481	73	-0.06%
ROY	\$12,645	2	192.55%	\$13,261	3	199.68%	4.87%	\$13,261	3	4.87%
RUIDOSO	\$6,669	64	101.55%	\$6,685	62	100.66%	0.24%	\$6,685	62	0.24%
SAN JON	\$10,875	10	165.60%	\$10,291	13	154.96%	-5.37%	\$10,291	13	-5.37%
SANTA FE	\$6,160	84	93.80%	\$6,611	66	99.55%	7.32%	\$6,611	66	7.32%
SANTA ROSA	\$9,203	28	140.14%	\$8,195	37	123.40%	-10.95%	\$8,195	37	-10.95%
SILVER CITY CONS.	\$6,981	57	106.30%	\$6,539	68	98.46%	-6.33%	\$6,539	68	-6.33%
SOCORRO	\$6,804	62	103.61%	\$7,012	58	105.59%	3.06%	\$7,012	58	3.06%
SPRINGER	\$10,480	15	159.59%	\$9,731	16	146.53%	-7.15%	\$9,731	16	-7.15%
TAOS	\$6,855	59	104.39%	\$6,903	61	103.95%	0.70%	\$6,903	61	0.70%
TATUM	\$10,091	23	153.66%	\$8,924	26	134.38%	-11.56%	\$8,924	26	-11.56%
TEXICO	\$8,365	40	127.38%	\$7,705	45	116.02%	-7.89%	\$7,705	45	-7.89%
TRUTH OR CONSEQ.	\$6,800	63	103.55%	\$7,500	51	112.93%	10.29%	\$7,500	51	10.29%
TULMCARI	\$7,509	48	114.34%	\$7,583	47	114.18%	0.99%	\$7,583	47	0.99%
TULAROSA	\$7,181	53	109.35%	\$7,881	40	118.67%	9.75%	\$7,881	40	9.75%
VAGHBN	\$11,904	5	181.27%	\$11,459	6	172.55%	-3.74%	\$11,459	6	-3.74%
WAGON MOUND	\$12,442	3	189.46%	\$13,780	2	207.50%	10.75%	\$13,780	2	10.75%
WEST LAS VEGAS	\$7,789	44	118.61%	\$7,679	46	115.63%	-1.41%	\$7,679	46	-1.41%
ZUNI	\$4,133	89	62.94%	\$6,069	83	91.39%	46.84%	\$6,069	83	46.84%

**Table D-3: Printout of Formula Worksheet With Proposed Changes in Table 8**

<b>New Mexico State Equalization Guarantee Simulation</b>			
<p>To examine alternatives to the present SEG formula, you can adjust the parameters in column H. Column G has the parameters in the present aid formula. Do not change these. Read the instructions (in italics) before making a change.</p>			
	Present Formula Parameters (Don't Change)	Modified Formula Parameters (You Select)	Indicator If Different from Current
<b>I. CALCULATION OF THE TOTAL PROGRAM COST:</b>			
<b>A. Select the program cost per unit:</b>			
<p>This is the basic funding level per student before adjustment for student characteristics or special programs.</p>	\$3,572.34	<b>\$4,260.00</b>	*
<b>B. Select pupil weights by grade:</b>			
<p>Assigning a higher pupil weight for this grade implies that providing education in this grade are more expensive relative to other grades.  <i>(If you don't want higher weights for a particular grade level put 1 in column H.)</i></p>			
Early childhood education (half days)	1.440	<b>1.000</b>	*
Kindergarten (full days)	1.440	<b>1.000</b>	*
Grade 1	1.200	<b>1.000</b>	*
Grade 2	1.180	<b>1.000</b>	*
Grade 3	1.180	<b>1.000</b>	*
Grade 4	1.045	<b>1.000</b>	*
Grade 5	1.045	<b>1.000</b>	*
Grade 6	1.045	<b>1.000</b>	*
Grade 7	1.250	<b>1.200</b>	*
Grade 8	1.250	<b>1.200</b>	*
Grade 9	1.250	<b>1.200</b>	*
Grade 10	1.250	<b>1.200</b>	*
Grade 11	1.250	<b>1.200</b>	*
Grade 12	1.250	<b>1.200</b>	*
<b>C. Select pupil weights for at-risk students:</b>			
<p>The pupil weights indicate how much more expensive it is to help students in this category reach academic standards than students not in this category.  <i>(If you don't want to include higher weights for a particular group of students put 0 in column H.)</i></p>			
Title 1 students (subsidized lunch students)	0.0915	<b>0.5</b>	*
Mobile students	0.0915	<b>0</b>	*
ELL students	0.0915	<b>0.5</b>	*
<b>D. Select special education funding:</b>			
<p>You are provided in this section with the choice of continuing with the current special education funding system or moving instead to a Census-based funding system. If you want to continue the present system, you can change the pupil weights. If you move to a Census-based system, you need to select a classification rate and a pupil weight for special education weights.</p>			
1) Do you want to use the current system of special education funding? <i>(If yes, put 1 in column H; if no, put 0 in column H.)</i>	1	<b>0</b>	*
a. Select the pupil weight by student class: <i>(If you don't want higher weights for a particular student class put 0 in column H.)</i>			
A/B	0.700	<b>0.700</b>	
C	1.000	<b>1.000</b>	
D	2.000	<b>2.000</b>	
3 year DD	2.000	<b>2.000</b>	
4 year DD	2.000	<b>2.000</b>	
b. Select weight for Ancillary FTE	25.000	<b>25.000</b>	
2) Do you want to use a Census-based special education formula? <i>(If yes, put 1 in column H and put 0 in cell H38. If no, put 0 in column H.)</i>	0	<b>1</b>	*
a. Select the classification rate to use in formula <i>(The higher the classification rate, the higher the funding for special education.)</i>			
	0	<b>0.16</b>	*
b. Select the pupil weight for special education students <i>(If you don't want higher weights for special education student put 1 in column H.)</i>			
	0	<b>2</b>	*

**E. Select pupil weights for special programs:**

These parts of the formula provide funding for special programs or services.

(If you don't want to provide additional funding for these programs put 0 in column H.)

Bilingual Multicultural Education Program	0.5	0	*
Fine Arts Program	0.05	0	*
Elementary Physical Education Program	0.06	0	*
Charter Schools Student Activities	0.1	0	*
Home School Student Activities	0.1	0	*

**F. Teacher-related adjustments:**

This section covers a couple parts of the SEG formula related to teachers. You are given the option of whether to continue the present funding associated teacher experience and education in a district (T&E Index) and National Board certified teachers. You are also given the option of adjusting funding using the comparable wage index (CWI) developed by AIR to adjust for geographic differences in the cost of hiring comparable professional staff.

1) Do you want to adjust for teacher education and experience using the T&E Index? (If yes, put 1 in column H; if no put 0.)	1	0	*
a. If yes, do you want to use current T&E Index for charter schools? (Presently, the minimum for charter schools is the T&E index for public schools in their district.) (If yes, put 1 in column H; if no put 0.)	1	1	
b. If yes, do you want minimum index for charter schools to be 1? (If yes, put 1 in column H and put 0 in cell H7B. If no, put 0 in column H.)	0	0	
2) Do you want to provide additional funds for National Board certified teachers? (If yes, put 1 in column H; if no put 0.)	1	1	
If so, what weight do you want to multiply by the FTE National Board certified teachers?	1.5	1.5	
3) Do you want to use AIR's comparable wage index (CWI)?* (If yes, put 1 in column H; if no put 0.)	0	0	
If yes, choose one of these three options by putting 1 in column H for that option. Make sure the other two options have 0 in column H.			
a. Do you want to use the CWI as reported in AIR Report?	0	0	
b. Do you want the CWI centered on the district average. (In the district with the average CWI, the CWI would equal 1.)	0	0	
c. Do you want the CWI adjusted so the minimum is equal to 1. (In the district with the minimum CWI, the CWI would equal 1.)	0	0	

**G. School and district size adjustments:**

This section covers several parts of the SEG formula related to school and district size. You are given the option of whether to continue using the present funding adjustment for district and school size (public and charter schools) or to use the size adjustment proposed by AIR in its 2008 report on New Mexico school finances.

1) Do you want to use the present elementary/middle school size adjustment? (If yes, put 1 in column H; if no put 0.)			
a. In public schools	1	0	*
b. In charter schools	1	0	*
2) Do you want to use the present senior high school size adjustment? (If yes, put 1 in column H; if no put 0.)			
a. In public schools	1	0	*
b. In charter schools	1	0	*
3) Do you want to use the present district size adjustment? (If yes, put 1 in column H; if no put 0.)	1	0	*
4) Do you want to use the present rural adjustment? (If yes, put 1 in column H; if no put 0.)	1	0	*
5) Do you want to use the size adjustment in the AIR report? (If you select an alternative adjustment, make sure to put 0 for all the current size adjustments in cells H96, H97, H101, H102, H104, H107.)			
a. Do you want to use AIR district size adjustments? (If yes, put 1 in column H; if no put 0.)	0	1	*
If yes, select enrollment level to serve as base. (At the base the adjustment equals one. For districts with enrollment less than base the adjustment is greater than 1. The district average is approximately 3,500 students.)	0	3500	*
b. Do you want to use AIR charter school size adjustments? (If yes, put 1 in column H; if no put 0.)	0	0	
If yes, select enrollment level to serve as base. (Charter school average is approximately 180 students)	0	0	

**H. Growth adjustment and Save Harmless adjustment:**

You are given the option in this section of whether to continue a couple of parts of the formula. The Enrollment Growth adjustment provides additional funding to districts (and charter schools) with annual enrollment growth over 1%. Save Harmless adjustment provides funding to small school districts with a decline in enrollment.

1) Do you want to use an enrollment growth adjustment similar to present formula for public school districts? <i>(If yes, put 1 in column H; if no put 0.)</i>	1	1
a. Select the threshold enrollment growth rate to be eligible for adjustment	0.0100	0.0100
b. Select weight for moderate growth	0.5	0.5
c. Select weight for higher growth	1.5	1.5
2) Do you want to use an enrollment growth adjustment similar to present formula for charter schools? <i>(If yes, put 1 in column H; if no put 0.)</i>	1	0 *
a. Select the threshold enrollment growth rate to be eligible for adjustment	0.0100	0.0100
b. Select weight for moderate growth	0.5	0.5
c. Select weight for higher growth	1.5	1.5
3) Do you want to use a save harmless adjustment similar to present formula? <i>(If yes, put 1 in column H; if no put 0.)</i>	1	0 *
Select the enrollment cutoff to be eligible for save harmless adjustment.	200	200

**II. CALCULATION OF THE LOCAL CONTRIBUTION TO FUNDING SEG:**

**A. Determine local property tax contribution to funding:**

This part of the formula calculates the minimum amount that local districts are expected to contribute in local property tax revenue to school funding. It captures the capacity of school districts to raise property tax revenue at a given tax rate. You are given the option of changing the property tax rate, the local contribution rate, or the property values used to calculate the local tax contribution. The local contribution rate is the share of the estimated revenue that local governments are expected to contribute to school funding.

1) Do you want to use present approach for calculating local property tax contribution? <i>(If yes, put 1 in column H; if no put 0.)</i>	1	1
a. Select local property tax levy rate (per \$1,000 of taxable value)	0.50	0.50
b. Select local contribution rate.	0.75	0.75
2) Do you want base the local tax contribution on assessed value in 2010 and allow the property tax rate to vary by type of property? <i>(If yes, put 1 in column H and ) in cell H139. If no, put 0 in column H.</i>	0	0
a. Select local property tax levy rate by type of property (per \$1,000 of AV)		
(1) Residential property	0.50	0.50
(2) Non-residential property	0.50	0.50
(3) Oil, gas, copper property	0.50	0.50
b. Select local contribution rate	0.75	0.75

**B. Determine other local contribution to funding:**

This part of the formula calculates the amount of other local revenue to be contributed to school funding for the calculation of SEG funding. You can decide on what share of this revenue should be used in calculation of SEG. If you don't think this revenue should be used in SEG calculation, then put 0.

1) Select local contribution rate for Impact Aid.	0.75	0.75
2) Select local contribution rate for Federal Forest Reserve	0.75	0.75
3) Shoulds energy savings contract payments be included in local contribution? <i>(If yes, put 1 in column H; if no put 0.)</i>	1	1

**C. Determine percent that charter schools are funded:**

1) Select percent that charter schools are funded.	98%	98%
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