

LEGISLATIVE FINANCE COMMITTEE: PROGRAM EVALUATIONS OF LOCAL SCHOOL DISTRICTS

OVERVIEW

Education is critical to the success of New Mexico's children and the overall quality of life in the state. Local school districts and charter schools receive almost \$4.7 billion in public money. Given this investment in New Mexico's future, the Legislative Finance Committee is continuing the practice of evaluating the operations of selected school districts to identify best practices and ensure efficient and effective use of public resources.

Legislative Finance Committee (LFC). The LFC was first established as the fiscal and management arm of the New Mexico Legislature in 1957. Since its inception, the Committee's role in the state budget process has grown as the complexity and size of the budget has increased. New Mexico is rare in that both the governor and a legislative agency (LFC) propose comprehensive state budgets to the Legislature. The Committee makes budgetary recommendations to the Legislature for funding state government, higher education and public schools. The program evaluation unit, formerly the performance audit unit, reviews the costs, efficiency, and effectiveness of activities of state agencies and political subdivisions and recommends changes to those entities, the Committee and the Legislature. The Committee also prepares legislation addressing financial and management issues affecting state government.

Authority. LFC has broad statutory authority to examine and evaluate the finances and operation of all departments, agencies, and institutions of New Mexico and all of its political subdivisions, including local school districts. State law requires agencies to cooperate with requests to examine documents and other materials and provides the Committee with subpoena power to compel cooperation if necessary.

LFC Program Evaluations. Program evaluations are intended to provide decision makers with timely, accurate, and objective information from which they can make effective policy decisions. Staff conducts program evaluations to determine whether taxpayer expenditures are producing desired results as intended by the Legislature; determine if publicly funded entities are complying with state and federal laws; improve the efficiency and effectiveness of state government operations and its responsiveness to the public; encourage management of all state agencies to improve fiscal and program accountability; and determine whether policy alternatives could improve operations and save taxpayers money.

LFC employs program evaluation staff with expertise in public administration, including education, business, and finance and on occasion brings additional contractual expertise to projects. For example, LFC contracted with information technology security experts to assess the accounting software used by local school districts, charter schools and universities.

Evaluations of Education. Since 1991, LFC has issued almost 40 major reports on public and higher education. These include evaluations of seven school districts, two research universities, charter schools and numerous other projects on education programs. LFC evaluations are intended to be useful to districts, while fulfilling the accountability and oversight role of the Committee.

School district evaluations focus on the efficiency and effectiveness of school district operations, emphasizing the impact of fiscal and human resource allocation on student performance. Districts' governance and central administration/oversight functions are examined, as well as student outcomes.

Education Evaluation Process. All full project evaluations follow the same general process: initiation and planning, field work, reporting and public hearing, close-out, and follow-up. LFC program evaluation staff conducts its projects independent of Committee members; obtains as much data and information from PED as possible; and coordinates with LESC, OEA & PED staff, as appropriate. These projects can and do result in recommendations for changes at the State level.

- **Initiation & Planning.** School districts receive an engagement letter which provides a description of the project's objectives and tentative timeline for completion. An entrance conference is conducted to allow staff and district personnel to meet one another and provide a more detailed overview of the evaluation process and information needs. During this period LFC staff performs background research and gathers information to understand the district and plan field work.
- **Field Work.** During the field work stage, staff collects additional data, including through interviews, observations, and survey research. Analysis of this data then leads to a draft of report findings and recommendations. Status updates are regularly provided as frequently as district management would like.
- **Reporting & Public Hearing.** Confidential draft reports are reviewed by the district, PED and LESC staff, which have an opportunity to provide feedback and correction before publication. An exit conference is held with each district's administrative team and board members to discuss the draft report. The district and PED have seven days to provide a written response to the report, which is included in the final public document. The report is presented to the LFC at a public hearing and on occasion to other committees such as the LESC.
- **Close-out & Follow-Up.** The district, and if necessary PED, has 30 days from the date of the hearing to submit an implementation plan in response to the report's recommendations. Over the next year, LFC staff review progress toward this plan.

STANDARD EVALUATION PROGRAM.

The evaluation program is the same for each school district, though depending on local input, risk assessment and policy focus, some components may receive more emphasis at one district than another or from one project to another. For example, LFC included focused analysis on how the funding formula treated growth in its evaluation of Rio Rancho Public Schools. Similarly, focused field work may be conducted on internal controls or spending practices at districts with problematic financial audits.

Objective 1: Governance. Assess oversight of school district and the use of governance and management best practices.

Key Questions

- Does the school board operate appropriately and efficiently within its statutory roles; openly carry out its duties and include the public; effectively oversee the superintendent's performance; approve and monitor district finances and student and operational performance; and avoid conflicts of interest in carrying out district business?
- Do the district superintendent and management facilitate and support the instruction of students, comply with state and local policies, efficiently administer district and school support functions, implement a continuous quality improvement process for operations and educational programming, monitor and improve student and district operational performance, and efficiently allocate district resources?

Key Fieldwork Steps include but may not be limited to:

- Identify practices that have effectively linked long-term financial and operational planning, provide the public with greater opportunities to inform decision-making, and contribute to efficient use of resources for possible dissemination to other districts.
- Review district strategic plans and long term financial, managerial, capital and human resource plans to determine if decision making frameworks are aligned with the district's vision and mission.
- Review budget processes to understand how resource allocation decisions are made.
- Observe board meetings and interview board members, as appropriate.
- Interview superintendents and selected directors (Bilingual, Secondary, CFO, etc.)
- Review the use of management and oversight reports for finance and performance.
- Review standard reports to the board to include monthly financial reporting, student performance accountability reporting, and reporting on other district operations.

Document review may include but not limited to:

- Strategic and long-term financial plans, written statements of philosophy, vision, mission, norms, values and targeted student learning goals and those for district finances.
- Background of school board members and superintendent.
- School board agendas and minutes, policies, board books, training documentation, and district procedures and manuals.
- Superintendent contract and evaluation forms.
- Documents produced by or actions taken by school improvement councils, leadership teams and planning committees.
- Public forums (e.g., newsletters, notices, press releases, parent letters, and community meetings).
- District and school EPSS (or other strategic plans, professional development plans, alternative governance plans, etc.).
- Technology plan.
- School calendar with professional development days and assessment days.
- Description of any major lawsuits the district is involved in and settlement costs.

Objective 2: Resource Allocation. Review the use of funding and cost-effectiveness of financial and human resource allocation.

Key Questions

- How does district spending and human resource practices compare to its strategic and financial plans and best practices; and does the district collect, analyze and report appropriate data and use it to guide resource allocation?
- How do resource allocation decisions at the district and individual school levels compare to best practices, expected costs and benefits and how do they compare to other districts?
- Can the district demonstrate that funds for specific programs are being used for those purposes?
- Are programs designated to assist specific sub-groups producing intended results?
- How have districts used federal stimulus funds and how are they managing general fund cuts?
- How has the Facilities Condition Index changed over time for each district?

Key Fieldwork Steps include but may not be limited to:

- Identify practices that have saved the district money and improved performance to highlight for possible use by other districts.
- Compare revenue and spending across time, with other districts and budget at various levels of detail, including specific transactions.
- Review school level, support program, central office, other operational units, special grant programs and capital spending practices, including whether they are aligned with the EPSS, federal, state, or local policy and are necessary and affordable to meet broader district goals.

- Review judgmental and random sample of transactions, including contracts and use of procurement cards.
- Review school site distribution of teachers by licensure levels and other attributes.
- Review organizational structure and staff allocation across non-instructional functions to identify areas of potential overlap, duplication or excess staffing.
- Review other human resource patterns, including salaries, additional compensation, overtime, contracted staff augmentation as well as staffing levels and professional development.
- Review funding formula impact and the need and use of emergency supplemental funding.
- Review capital financing, planning and oversight, and the use of technology.
- Review internal controls and procedures by reviewing external auditor reports, progress correcting findings and performing additional field work, as appropriate.
- As appropriate, review use of REC services, including cost, performance and decision-making process for outsourcing to REC or other vendors.
- Interview district administrators, including CFO, other personnel, district auditors and PED staff.

Document review may include but not limited to:

- Financial Reports - budgets, actual expenditure reports, other financial reports, audits, general ledger, payroll, budget adjustments, etc.
- Performance and compliance reports, including grant application and other reports to funders.
- Human resource reports, including teacher licensure distribution and other reports from STARS.
- Documents supporting transactions, including purchase orders, contracts, etc.
- Organizational charts.
- Funding formula calculations.
- PED and federal compliance, program and Office of Inspector General reports.
- Evaluation processes, collective bargaining agreements, etc.

Objective 3: Student Outcomes. Review student achievement and the extent to which policy, spending and/or personnel reforms have affected student performance.

Key Questions

- How well are the students in the district performing relative to district and state goals and other comparable students, particularly students on free/reduced lunch (low-income), ELL, and those participating in special education?
- How do district high school dropout and college remediation rates compare to state benchmarks and peer districts?
- How do the district's instructional leaders use data (SBA, short cycle assessments, attendance, parent satisfaction, etc.) to evaluate programs, staff, and activities?
- How does performance compare relative to cost and what programs, policies, and personnel actions contributed to improved student performance?

Key Fieldwork Steps include but may not be limited to:

- Identify practices that have helped the district improve student performance at an affordable cost.
- Compile student performance data and compare to district goals, over time and across similar peer groups (SBA and short cycle as appropriate). Focus should be on student growth, change in cohort performance over time and take into account student demographics when comparing to other groups. AYP framework should be used for background material and not for assessing relative performance of schools and districts.
- Analyze, as appropriate, other student performance data to assess various programs (high schools, Title I, ELL and Bilingual, AP, ACT, SAT, DIBELS, etc).
- Analyze parent satisfaction data, as available.

Document review may include but not limited to:

- Student demographic, test and other assessment data.
- PED performance reports and district EPSS.
- Interviews with district administrators and other personnel, including principals, teachers and students.
- Site visits to selected schools.
- Other local reports, documents, policies, procedures related to using performance information to improve schools, programs and allocate resources.