

Breakout Session Discussion Questions

During these breakout sessions we are hoping to gather input and insight into several issues and concerns that emerged throughout the course of the study. For each of these issues, there is a short narrative describing the policy issues at hand a series of 2 to 3 questions that the AIR team would like for each of the breakout groups to consider and discuss. We realize that these questions are complex and that the groups may or may not reach consensus. Given this reality, we hope that this exercise will provide us with recommendations and insight into the finer points of each of these issues so that we can make more informed decisions in the next phases of the project.

There will be two breakout sessions during the June 25th meeting to discuss and provide insight into these policy issues. At least one of the AIR team members will be assigned to each of the four breakout groups to answer questions and help facilitate discussion, if necessary. We ask that each of the four breakout groups select one individual to take notes (each group will be provided a laptop for this purpose) and another individual to serve as the chair of the group. Each group will be asked to present a summary of the discussions to the group during the plenary sessions following each breakout session.

Breakout Session #1: Discussions on Teacher Qualifications, Special Education, Preschool Programs, and Accounting for Growth and Decline

(1) Treating Teacher Qualifications: The Three-tier Licensure System and the T&E Index

Background:

In the long run, districts can exert choice over the average characteristics of the teaching staff it employs. Natural patterns of attrition, turnover, and recruitment in response to alternative job opportunities in the labor market offer district decision makers the opportunity to change the balance of teacher characteristics over time. Some policy makers argue that this balance, whether in the composition of teachers with respect to training & experience (T & E) or the three-tier licensure levels, should be a matter of local choice. That is, local school and district decision makers have the ability to make personnel adjustments by changing the terms and conditions of employment (e.g., salary schedules, benefits offered, and working conditions) that make one job more or less attractive than another.

In the short run, sudden changes in economic and demographic circumstances can create situations that can have major cost implications. For example, significant and sudden declines in enrollment can result in the necessity for local school districts to reduce the size of its teacher work force. It is often the case that the last teachers hired are the first to be released from their duties in the face of declining enrollment. This, in turn, may result in an imbalance of teachers by seniority (i.e., with more seniority than the district might otherwise choose in the long run), and an increase in the average seniority of the teaching staff would increase the average salaries paid to teachers.

Such short term circumstances could provide a rationale for short term adjustments in the average salaries of teachers and hence result in fiscal stress in the short run. Under such circumstances, one could argue that some kind of adjustment that includes a cost factor to account for variations in the T & E or in the composition of teachers with respect to the three-tier licensure system could possibly be justified. However, such adjustments could also be seen as a short term solution that should be phased out over some period of time (e.g., three years) while the district makes any adjustments it feels necessary in order to reach a longer term balance of teachers with respect to T & E or licensure.

Discussion Questions:

- The current formula provides an adjustment for teacher T & E so that “districts may hire and retain better educated and more experienced instructional personnel.” Do you feel that these adjustments are fair and soundly implemented? If not, what modifications or adjustments would you recommend? Please consider the relationship between the T & E adjustments and the three -tiered licensure system.
- Do you think the school funding formula should regularly include T & E adjustments or should these values be fixed except in the case of extreme growth and decline that results in a significant imbalance in the composition of the teaching staff? If so, what constitutes an “extreme” change (growth or decline) in enrollment?

(2) The Structure of Special Education Funding

Background:

In response to rising rates of special education identification over time, the federal law authorizing special education services (the Individuals with Disabilities Education Act) contains provisions discouraging over identification of special education students and state formulas that create fiscal incentives for more segregated placements. It is worth noting that, on average, New Mexico has a special education identification rate that is substantially above the national average.¹ The IDEA has also encouraged local agencies to consider ways of using funds to address learning problems before children are identified as eligible for special education services (e.g., Response to Intervention or RTI).

A number of states have adopted census-based funding approaches for providing resources for special education. For the purposes of funding, these census-based approaches are based on the concept of a fixed rate of identification that applies across all districts. In addition, states may allow these funds, or funds generated under any type of formula for that matter, to be used flexibly to provide services to special education students or to students at risk of being identified. While districts are free to identify more or less students than implied by the census-based formula, the funding levels are determined based on a single fixed rate of identification and the costs associated with providing instructional and related services to students with disabilities at that rate.

These census-based approaches have often been combined with pooled risk management or catastrophic aid programs that are intended to provide additional funding over and above the census-based formula to assist districts in addressing the needs of very severely involved, high cost students with disabilities. High cost may be defined, for example, as any student who can be shown to cost more than three times the average per pupil expenditure. These kinds of catastrophic aid programs are particularly important in helping smaller districts or even some moderately sized districts that may face a sudden and disproportionate influx of these high cost students which can create severe financial burdens.

Discussion Questions:

- Should New Mexico consider the use of a census based funding approach to special education funding or retain the current system which recognizes differences in the costs of level A, B, C and D students? In thinking about this question, please consider:
 - If the current funding formula creates fiscal incentives for identification and placement of special education students.
 - The nature of alternative methods of assessing special education student needs and delivering services to these students (e.g., RTI).
- If the current system is retained, should the state consider any other modifications (i.e. - measures to either reduce the number of special education referrals, provide catastrophic aid to small districts, etc.)?
- To what extent might the same approach be used in the case of students identified as gifted?

¹ New Mexico identifies 16 percent of public school enrollment as eligible for special education services, while this rate for the nation as a whole is 13.7 percent. See http://nces.ed.gov/programs/digest/d05/tables/dt05_052.asp

(3) Funding Early Childhood Education and Preschool Programs

Background:

The public and professional judgment panels (PJPs) noted that early childhood education and preschool programs were vital to help students, especially those considered at-risk, achieve the goals set forth by the New Mexico public education system. Their judgment is also supported by the existing research literature assessing the value of preschool programs. During PJPs deliberations, panelists gave recommendations on the overall proportions of the estimated potential populations of students to be served with assumptions about the mix of regular, at-risk and students with disabilities.

There are many policy questions and implementation issues surrounding early childhood education and preschool programs. For example, should there be universal access for these programs or should these programs be targeted towards specific populations? In addition, these programs can be costly – especially in rural areas. Given this reality, some localities have assumed the costs for such programs while others dictate that families to pay on a sliding scale.

Discussion Questions:

- Should funding for preschool and early childhood education programs be incorporated into the funding formula or funded entirely separately?
- Should the state support universal access for preschool and early childhood education programs or direct services to specific populations? If the state does decide to provide services to specific populations, which students will be served and how will this decision be made?

(4) Accounting for Growth and Decline

Background:

During the public engagement component, participants expressed concern that growth should be fully funded. The following passage is excerpted from the public engagement report:

***Growth should be fully funded.** Every child every year should generate funds for the district. In particular, this formula item disadvantages rapid growth districts, where lack of full funding for new students requires dipping into existing unit value funds to hire new teachers and also to purchase classrooms, furniture, and books for the new students. The study should explore ways to provide for issues associated with rapid growth.*

Declining enrollments can create the need for adjustments in resource allocation. As noted in the discussion of the T & E index, reductions in student enrollments can lead to higher average teacher salaries. Moreover, it can be difficult for districts to make immediate adjustments in staffing and other obligated operational expenditures (e.g., maintenance and operations costs) in the face of declining enrollment. Thus, while one could argue that when districts are growing, state funding should be adjusted to provide additional support from the first additional student, it can be also be argued that adjustments in funding in response to declining enrollments should not occur immediately to permit time for districts to make appropriate adjustments.

Discussion Questions:

- How should accounting for growth and decline be addressed in the development of the funding formula?
- Should declining enrollment be handled with an adjustment factor that does not decrease funding immediately, but adjusts it downward over time incrementally to provide time for districts to change their patterns of resource allocation?

Breakout Session #2: Effective and Efficient Incentives, School Size, Revenue Generation, and Formula Phase-In

(1) Effective and Efficient Incentives

Background:

Several states and localities have initiated incentives (and in some cases, sanctions) to encourage low-performing schools to raise their performance to state and federal No Child Left Behind Act standards. Providing additional funding and incentives may be a necessary condition for achieving the desired goals set out for New Mexico public schools.

In addition, if the state does decide to provide incentives to school sites, whether its to encourage them to raise their performance or to use existing funds effectively and efficiently, the implementation of incentive systems can be difficult. For example, if the state provides incentives to low-performing schools and they do in fact raise their performance, they may lose this additional funding and the resources that helped them reach these goals.

Discussion Questions:

- What are some methods to provide effective and efficient incentives to enable low-performing schools to raise their performance to state and federal standards? Should these incentives be integrated into the funding formula or into the law within which any changes to the funding formula might be recommended?
- What regulations, requirements, or incentives need to be considered along with the implementation of any new school funding formula to ensure that schools and districts use funds effectively and efficiently?

(2) *School Size Limits*

Background:

The efficient operation of schools and districts is affected by the size of these operating units. Larger districts and schools are able to take advantage of certain economies of scale in ways such as taking advantage of negotiating prices in the purchase of various types of supplies, materials, and equipment in large quantities or spreading administrative costs over a larger student body. The result is that comparable outcomes can be achieved at lower per pupil costs in larger schools and districts. Similarly, sometimes very large scale operations can run into inefficiencies associated with bureaucratic and administrative operations that impact per pupil costs.

Given the rural remote nature of the state, there are many justifiably small schools due to geographic barriers or distances that prevent schools from operating at larger sizes. These schools face a set of unique issues and often require additional resources to offer instructional programs and opportunities. In the design of a school funding formula, the state would presumably want to create incentives for districts and schools to operate as efficiently as possible and compensate for variations in costs that are outside local control.

Discussion Questions:

- For purposes of providing additional funding, how should the state define a “necessarily” small school (i.e. - a school that is justifiably small because of geographic barriers or distances that prevent schools from operating at larger sizes)?
- Should alternative settings for school-age children in detention facilities, treatment centers or alternative schools simply be treated as small schools and receive additional funding based on their small size? What kinds of additional support should be considered?
- Charter schools tend to be smaller than the average *regular* public school within any given district. If a charter school is small by choice, should it receive the size adjustments units provided under the current funding formula? Why or why not?
- We have calculated overhead rates to capture central administrative and maintenance and operations costs to school level costs for all schools. Should we apply the same overhead rates to charter schools as we do to the regular public schools within a given district? What this would do is essentially provide charter schools with funds that could be used to purchase various kinds of district support services from the districts within which they currently operate or to take these funds and use them to employ or purchases these services outside the auspices of the districts within which they operate.

(3) Revenue Generation

Background:

As the state considers the potential for implementing a new school funding formula that may entail a significant additional investment of funds, it is important to consider some of the viable options for generating additional revenues. Potential revenue streams include funds raised from property taxes, gross receipts tax, and examining current exemptions that may increase revenue if revisited.

Discussion Questions:

- If the state overcome its historic aversion to property taxation and significantly increased the share of property taxes in the revenue mix, should these property tax revenues for the marginal spending on education be both raised and spent at the local level? Why or why not?
- If the gross receipts tax rate were raised (currently at roughly 6-7 percent with local options) what types of efforts should be devoted to avoiding inefficient multiple taxation of business inputs?
- What other viable options do you see for generating additional revenues?

(4) Formula Phase-in

Background:

It is very important to thoughtfully and deliberately implement the changes that may be recommended as part of an funding formula study as it can be extremely difficult to accomplish large changes in a short period of time. School districts and the state must go through a significant planning process with the end goal in mind. New teachers may have to be trained by the higher education system. Incentives must be provided to help reduce turnover among existing staff, and higher salaries may be required to induce additional people into the market for these jobs.

In addition, new classroom space may be required to meet programmatic needs, and this will involve additional dollars allocated for facilities. For example, if the adequacy estimates are based on smaller class sizes or smaller pupil-staffing ratios, additional facilities will be necessary to house all of the additional classrooms and offices for professional staff.

The state should work with local school district decision makers to make this process as smooth as possible. For instance, if money is to be added to the system in order to increase staffing, it must be done in a deliberate way to ensure that certification standards for new personnel can be satisfied as the instructional programs are expanded.²

The bottom line is that changes in funding need to be phased into the system to provide state and local officials with sufficient time to plan on how best to allocate new dollars or cut old programs, to meet existing standards, and to improve the quality of instructional programs.

Discussion Questions:

- Over what period of time should a new funding formula be phased-in for New Mexico?
- What other kinds of legislation or changes in support for the New Mexico public schools be considered as the state proceeds toward consideration of implementing a new formula?
- What kinds of planning activities and reporting should be required for districts and schools during the phase-in of any changes in school funding?

² It has been suggested that such a lack of foresight and planning severely limited the effectiveness of California's recent well-intended large scale reform, statewide class size reduction. Although resources were made available for hiring additional instructional staff, school districts were not able to recruit and employ enough qualified teachers in the short period of time they were given. The quality of teachers suffered, and the program failed to deliver the hoped for improvements in student outcomes. See, for example, evaluations of California's class size reduction program by Jepsen and Rivkin (2002) and Wexler et al (1998). The latter is downloadable at: http://www.wested.org/policy/pubs/full_text/class_size/sect1.htm.