Report
to
The LEGISLATIVE FINANCE COMMITTEE

Public Education Department
Performance, Cost, and Governance of Selected Charter Schools
January 18, 2016

Report #16-01

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January 18, 2016

Ms. Hanna Skandera, Secretary
Public Education Department
Jerry Apodaca Education Building
300 Don Gaspar
Santa Fe, New Mexico 87501

Dear Secretary Skandera:

On behalf of the Legislative Finance Committee, I am pleased to transmit the evaluation, *Performance, Cost, and Governance of Selected Charter Schools.* The evaluation reviewed student performance, school finance, governance, and virtual education.

This report will be presented to the Legislative Finance Committee on January 18, 2016. An exit conference to discuss the contents of the report was conducted with the Public Education Department on January 8, 2016. In addition, exit conferences were conducted with select charter schools the week of January 11, 2016.

I believe this report addresses issues the Committee asked us to review and hope New Mexico's education system will benefit from our efforts. We very much appreciate the cooperation and assistance we received from your staff.

Sincerely,

David Abbey

David Abbey, Director

Cc: Senator John Arthur Smith, Chairman, Legislative Finance Committee
Representative Jimmie C. Hall, Vice-Chairman, Legislative Finance Committee
Representative Dennis J. Roch, Chairman, Legislative Education Study Committee
Dr. Tom Clifford, Secretary, Department of Finance and Administration
Mr. Keith Gardner, Chief of Staff, Office of the Governor
Ms. Rachel Gudgel, Director, Legislative Education Study Committee
Mr. Timothy Keller, State Auditor

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EXECUTIVE SUMMARY

After 15 years of rapid growth, the state's charter schools, if treated as a single school district, would rank as the third largest district in terms of student enrollment and funding. New Mexico now has a total of 102 charter schools authorized for FY17, including two virtual charter schools. Charter schools serve approximately 7 percent of the student population and make up 11 percent of all public schools statewide; however, they received 46 percent of funding increases over the past seven years.

Charter school authorization occurs independently of the state's budget process and does not take into consideration the financial implications for the state. Charter schools dilute the amount of state money available to all public schools through size adjustment program units, enrollment growth, transportation funding, and overall cost per student. While the cost per student for charter schools is higher than district schools, charter school student performance in New Mexico is mixed. There is little difference between student achievement between charter schools and traditional public schools. The charters of poorly performing charter schools are rarely revoked and high performing charters do not share best practices with district schools.

Further, state funding and accountability structures fail to address the unique nature of virtual schools. While virtual schools require less overhead expenditures than brick-and-mortar schools, funding for virtual charter school costs is not significantly lower than brick-and-mortar schools. Both virtual schools combined spent approximately $4.5 million on contracts with their out-of-state contracting companies. Compared with traditional schools, virtual charters have not demonstrated cost-effectiveness and policymakers have insufficient evidence to promote virtual charter schools in New Mexico.

This evaluation follows a number of LFC education evaluations, and LFC and LESC joint reports. Overall, the six selected charter schools in this study provided different educational programs with varied academic results and program costs per student. Authorization, oversight, and governance of charter schools continue to be essential to school effectiveness and the need to address those areas, both at the district level and with the Public Education Department and the Public Education Commission, are ongoing.

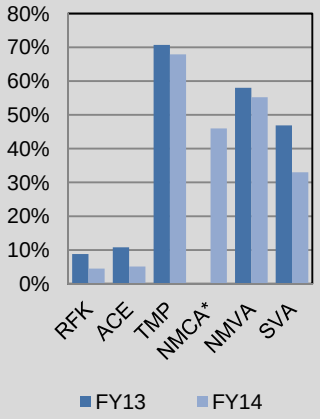
This report includes a series of recommendations to address student achievement, school finance, governance, and virtual education. Specifically, this evaluation recommends analyzing the impact of increasing charter school enrollment on the state's budget. In addition, it recommends creating an advisory group to review virtual education and create statutory requirements for funding and student achievement. Finally, it recommends phasing out or reducing the school size multiplier in the public school funding formula for charter schools by creating categorical funding and adjusting the method for counting students for the formula to eliminate the double-funding of certain students attending charters.

Economically Disadvantaged Students and English Language Learners, FY15

School	Econ. Dis-advantaged	English Language Learners
SVA	100%	31%
RFK	97%	58%
ACE	88%	9%
Districts	**62%**	**26%**
Local Charters	**59%**	**17%**
State Charters	**55%**	**14%**
NMCA	53%	3%
TMP	45%	3%
NMVA	0%*	31%

Source: PED
* Data as reported by PED. NMVA does not collect free and reduced lunch data and may enroll economically disadvantaged students

Percentage Reading Proficient and Above SBA FY13 and FY14



Source: PED
* NMCA began operations in FY14

KEY FINDINGS

Selected charter schools reflect the diversity in structure, organization, and performance seen across New Mexico charter schools. Achievement data for the past three years shows little difference in student achievement in New Mexico for charter school students versus school district students. Overall, student achievement on math and reading assessments shows locally chartered charter schools perform consistently below state-chartered charter schools and district schools.

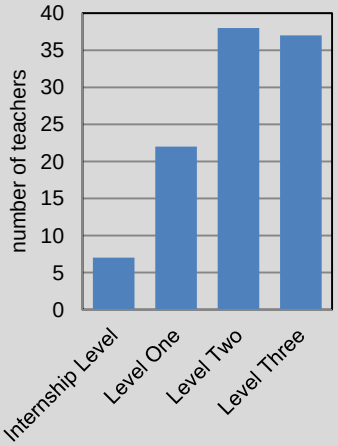
Charter schools (both state-chartered and locally chartered) serve a lower percentage of Hispanic, economically disadvantaged, and English language learner students compared to district schools. State-chartered charter schools with the lowest percentages of economically disadvantaged students, and English language learners only slightly outperform locally chartered charter schools and district schools on standard based assessment (SBA) student scores. Despite higher percentages of economically disadvantaged students and English language learners, district schools outperform state-chartered charter schools and locally chartered charter schools in certain SBA categories including scaled math scores for Hispanic students and scaled reading scores for economically disadvantaged students.

Reading and math SBA scores declined at most selected charter schools between FY13 and FY14. Reading scores were down across all selected charter schools between FY13 and FY14, with the largest drop in student proficiency at South Valley Academy and ACE Leadership. Math scores were also down across all schools with the exception of New Mexico Virtual Academy's 5.7 percentage point increase in the number of proficient students.

Administrators of selected charter schools indicated the current Public Education Department (PED) school grading system does not adequately reflect the unique missions of their schools. Charter school directors felt their schools were not getting credit for addressing the needs of their students and providing students different, stimulating curriculum, teaching approaches, or social emotional learning. Charter schools with multiple grade configurations receive a single PED school grade based on all grade level achievement making it difficult to assess performance for their equivalents of elementary, middle, and high schools.

The correlation between average student economic status and school grade is strong at state-chartered charter schools. Previous LFC reports have found this trend to be true for traditional schools and charter schools statewide. Looking at state-chartered charter schools and selected charter schools, schools that receive the highest PED school grades tend to have a lower percentage of economically disadvantaged students. State-chartered charter schools with 'A' grades had only 34 percent economically disadvantaged students on average. Schools with 'D' and 'F' grades had 62 percent and 63 percent economically disadvantaged students.

Teacher Certification Levels, Selected Charter Schools, FY15



Source: PED

Total Program Cost and Student Population, Largest School Districts and All Charter Schools, FY15

APS	All Charter Schools	LCPS
$638.7 M	$190.6 M	$177.9 M
85,981	22,009	24,025

Source: LFC Files

During a meeting with LFC and LESC in fall 2015, PED indicated they did not intend to implement the GAA provision to eliminate the double-funding as the Legislature intended.

The variety of teaching experience and teacher licensure level is well-balanced at selected charter schools. Selected charter schools have more level two and level three teachers than level one and internship level teachers. Additionally, more teachers at selected charter schools have advanced degrees than bachelor's degrees and teachers at selected charter schools have slightly more experience than teachers statewide. Compared to the statewide average, the teacher turnover rates at most selected charter schools are low and average teacher salaries are higher than the state average in FY15.

Funding charter schools continues to create significant challenges to ensure cost-effective educational services. From FY08 to FY15 charter schools received 46 percent of the change in funding while educating only 7 percent of all students. Over the last seven years there has been a steady increase in funding for public education. School districts received about $114 million in additional funding while charter schools received about $98 million.

Charter school authorization occurs independently of the state's budget process and such expansion should take into account the overall availability of state funds for public education and the financial implications of expanding enrollment. Charter school enrollment more than doubled from FY08 to FY15 contributing to the change in funding, however, funding is not requested by PED for new charter school enrollment and enrollment cap increases.

In aggregate, if classified as a district, all charter schools in New Mexico would rank as the third largest school district (based on enrollment and SEG funding) in the state in FY15. Charter schools received $8,663 per student while school districts received $7,597 per student in FY15. If Las Cruces Public Schools, the closest in total student population to all charter schools, received the same per student funding, it would receive an additional $30 million.

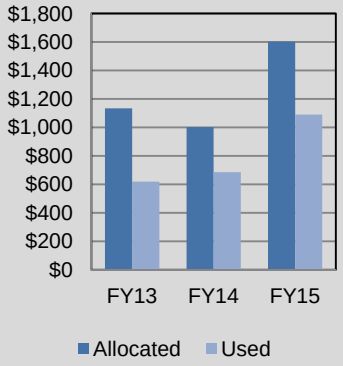
In FY15, 79 of the 97 charter schools in operation received size adjustment program units through the funding formula. Additionally, in FY15, 28 of New Mexico's 97 charter schools depended on school size program units for more than 30 percent of their formula funding. Charter schools account for approximately 35 percent of all statewide size adjustment program units for FY13, FY14, and FY15, a total of 7,404 of the 21,171 total statewide size adjustment program units. The $29.6 million generated represents 15.5 percent of the total $190.6 million in total charter school program costs. While charter schools generated almost 35 percent of the total size adjustment program units in FY15, they serve 7 percent of the total student population.

Language in the General Appropriation Act of 2015 intended to eliminate the double-funding of students in new formula-based programs is not being implemented by the Public Education Department. State statute establishes funding based on prior year enrollment; however, statute allows the generation of enrollment growth units if current year enrollment grows more than 1 percent. The enrollment growth factor is intended to provide

additional compensation to school districts and charter schools for students not funded in basic membership units. Previously, a loophole allowed charter schools phasing in new programs to count current year enrollment in new programs – a divergence from the required prior-year reporting. Additionally, schools are able to count those same students in calculations of enrollment growth units, resulting in the double-funding of students participating in new programs.

Transportation funding for state-chartered charter schools is another example of dilution of monies. Previous LFC and LESC reports found many state-chartered charter schools receive more funding than is needed to transport students, resulting in large transportation fund balances. LESC interim subcommittees on public school transportation during the 2012 and 2013 interims heard testimony from PED that state-chartered charter schools were receiving more school transportation funding formula allocations than they needed to provide to-and-from transportation services for students.

State-Chartered Charter School Transportation Allocations, FY13 to FY15
(in thousands)



Source: PED

In FY15, districts received approximately $1.6 million from the 2 percent administrative fees and approximately $2.2 million was withheld by PED from state-chartered charter schools.

Authorization, oversight, and governance are essential to charter school effectiveness. The National Association of Charter School Authorizers (NACSA) gives New Mexico a score of 14 out of 30 for the states' policies on charter schools. The score is based on a number of factors such as performance management and replication, alternative authorizers, renewal standards, default closure, authorizer evaluations and others.

Charter school authorizers and PED cannot account for the 2 percent of the charter school program cost withheld by districts and PED. Both APS and PED provide broad categories for the 2 percent fee withheld from charter schools. Categories for APS include: staffing and maintenance of the Charter/Magnet School Department, any dedicated staff that are needed for the authorizer to fulfill its obligation, training provided to the charter schools, and any other purpose that may be negotiated as an amendment to the contract. Categories for PED include: Charter School Division staff salaries and benefits, supporting the Public Education Commission's work (including travel and expenses), resources needed to accomplish the oversight necessary (such as, pens, paper, software, and other supply costs), and all other bureaus in the PED that spend time on issues related to charter schools.

The Public Education Commission, PED, and district authorizers lack consistency. New Mexico charter schools are rarely revoked before the end of their terms. Four charter schools have been revoked by the Public Education Commission (PEC) since enactment of the Charter School Act but three revocations were overturned by the Secretary of Education. In 2010, the three worst performing charter schools in the state, Ralph J. Bunche Academy, La Resolana Leadership Academy, and the Learning Community Charter School, were not renewed by the PEC. The three schools appealed to the Secretary of Education who then overturned the PEC's decision.

Closing 1,000 of the worst performing charter schools nationwide would significantly increase the average learning taking place in the rest of the charter sector.

NMCA is currently capped at 2,000 students, with an enrollment of 792 in FY15 and 1,063 students at the time of LFC's visit to the school.

Despite low performance, the Charter School Division (CSD) recommended a three year term of renewal with conditions for ACE Leadership. CSD stated that ACE Leadership demonstrates compliance with applicable laws, rules, and regulations relating to financial management and oversight expectations, even though it did not meet six out the seven goals listed on its 2015 renewal application and has consistently low reading and math proficiency. The PEC determined the school's growth and overall average final grade of a 'C' at the time of application in FY14 warranted a three year term renewal.

In general, governing councils at selected charter schools operate appropriately but could improve in key areas. Selected schools' governing councils were clear on their oversight roles vis-à-vis the director and school financial oversight and actively sought members with essential backgrounds and skills. Only one of the selected charter school governing councils has ever removed an unproductive member and most selected school governing council members stated that the need to remove an unproductive member had never occurred and there was no process for evaluating board members performance.

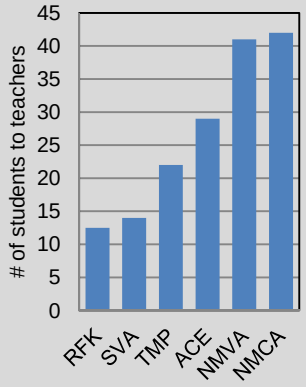
The majority of governing councils at selected schools did not have clear long-term strategic plans or goals, or have a mechanism for self-evaluation as a governing council. Strategic plans and benchmarks for governing board self-evaluation provide for clear directions and effective leadership. Strategic plans should focus on long-range goals for program delivery, fiscal responsibility, student enrollment and achievement, and community relations.

New Mexico needs to develop new funding formula and accountability structures to address virtual schools. Virtual education takes many forms and serves many purposes. Formats in virtual education include full-time online kindergarten through 12th grade schools as well as single courses that allow students to explore a subject not available in their brick-and-mortar schools. Virtual education is also used by students to make up credits for a required course they earlier failed.

The Connections Academy, a for-profit organization, is a division of Connections Education, LLC, which is owned by Pearson PLC. Connections Academy contracts to provide an online school platform for students in kindergarten through 12th grade in 26 states. Under New Mexico law, charter schools can contract with providers for services, but cannot contract away management duties. In 2013, the initial New Mexico Connections Academy (NMCA) application was denied by the Public Education Commission as it found the charter was "contrary to the best interests of the charter school's projected students, the community, or the school district in whose geographic boundaries the charter school applies to operate," but after a series of appeals it was authorized and opened in FY13.

Research has found serious deficiencies with K12 Inc., which New Mexico Virtual Academy utilizes. New Mexico Virtual Academy is a locally chartered charter school, authorized by Farmington Municipal Schools in FY12, with enrollment capped at 500 students. K12 Inc. is a for-profit

Selected Charter School Student Teacher Ratio, FY15



Source: PED

company that provides an alternative to the traditional brick-and-mortar education by selling online schooling and curriculum for kindergarten to 12th grade students in public or private schools.

Student to teacher ratios for both virtual schools are significantly higher than selected charter schools. New Mexico Connections Academy and New Mexico Virtual Academy have an average student to teacher ratio of 41; however, middle and high school teachers have much higher teaching loads. For example, English teachers for 11th and 12th grades at NMCA teach around 230 students while middle school history teachers teach around 300 students in seventh, eighth, and ninth grades. Elementary teachers teach an average of 30 to 35 students. The special education teacher's caseload at NMCA is around 41 students. Robert F. Kennedy Charter and South Valley Academy had the lowest student to teacher ratios with 12.5 and 14, respectively.

Compared to traditional schools, virtual charter schools in New Mexico have not demonstrated cost-effectiveness. Virtual schools require less overhead expenditures than brick-and-mortar schools, however, virtual charter school costs are not significantly lower than brick-and-mortar school costs.

New Mexico Virtual Academy paid an estimated $1.5 million to K12 Inc. in FY15 for curriculum, online and paper books, computers, and training. New Mexico Connections Academy paid their contract company Connections Academy of New Mexico, LLC just over $3 million for services in FY15.

New Mexico Connections Academy received few bids for curriculum, technology support, and hardware requests for proposals (RFP) and New Mexico Virtual Academy did not go through an RFP process. NMCA had an RFP written by attorneys for curriculum, technology support, and hardware. NMCA received few bids and their contracting company, Connections Academy of New Mexico, LLC won all three bids for the online curriculum framework, laptops, and technological support for the school.

KEY RECOMMENDATIONS

The Legislature should consider:

- Phasing out or reducing size adjustment program units for charter schools and creating a categorical funding program to fund first-year charter school and charter growth units;
- Requiring 100 percent of unspent transportation funds be reverted to the emergency transportation fund;
- Making a separate transportation appropriation with a separate distribution formula for state-chartered charter schools;
- Amending the school finance act to eliminate the double-funding of students participating in charter schools and receiving growth units; and
- Creating an advisory group to review online education issues and create statutory requirements for virtual school funding, and student achievement expectations.

The Public Education Department should:

- Create a school report card that addresses elementary school, middle school, and high school grade configurations;
- Create a strategic plan to address PEC authorizations; including decreasing state-chartered charter schools' audit findings, addressing state-chartered charter school growth, and addressing governing council best practices;
- Provide guidance for districts and school boards on the best practices for authorization and accountability of locally chartered charter schools; and
- Analyze and monitor the academic performance of virtual charter school students and annually report the results of its analysis to the Finance Committee and Legislative Education Study Committee.

Legislative

The Public Education Department and Public Education Commission should:

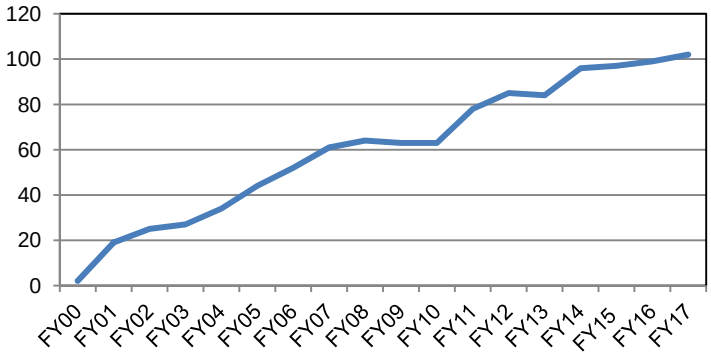
- Analyze the impact of increasing charter school enrollment through new charter school approvals and enrollment cap increases and the impact increased enrollment has on the State's budget.

BACKGROUND INFORMATION

Charter schools have expanded rapidly in New Mexico over the last 15 years, from two operating charter schools in FY00 to 59 in FY10 and 99 in FY16, a 64 percent increase in the last five years. Four new charter schools, two state-chartered charter schools and two locally chartered charter schools, have been authorized in FY17. This steady, nearly linear growth in charter schools mirrors the pace in total operating charter schools in the country, with 6,400 charters serving over 2.5 million students nationwide in FY14, as reported by the National Center for Educational Statistics.

Beginning in the 1990s, charter schools were seen as tools to encourage competition in local school systems and instill a market-based philosophy in public education. Charter schools were created as complements to public schools, where educators and the school community could apply innovative teaching strategies for children not well-served by traditional public schools. Charter schools would receive public funds and be freed of some state regulations and district bureaucracy but they would be held accountable for the results and underperforming schools would be shut down. The promise of charter schools was that they would be "effective" (children would learn more) and "efficient" (they could target resources on student learning).

Chart 1. New Mexico Charter School Growth, FY00 through FY17



Source: PED

In New Mexico, charter schools make up 11 percent of all public schools statewide. Nationwide, charter schools make up 6.3 percent of all U.S. public schools, with the college preparatory (30 percent) the most popular educational approach, and a substantial number (8 percent) focusing on the demanding science, technology, engineering, and mathematics (STEM) area. Another popular approach is core knowledge (16 percent), which emphasizes a broad and deep understanding of important academic content in literature, history, science, math, and other subjects. Newer, technology-dependent approaches include blended learning (6 percent) and virtual/online learning (2 percent). With the increased commitment and responsibility the state has placed on New Mexico charter schools for educating students and the growing emphasis on alternative public school choice nationwide, the state has an obligation to hold charter schools accountable for their financial and academic performance.

The majority of charter schools in New Mexico and nationwide perform at similar levels as traditional public schools. However, many charter schools remain open despite consistent low performance due largely to ineffective oversight and community pressure to keep the schools open. Additionally, a 2010 study by the National Center on School Choice found that the rate at which teachers leave the profession and move between schools is significantly higher in charter schools than in traditional public schools and can negatively affect school quality.

In a 2013 report, the Center for Research on Education Outcomes (CREDO) expanded on its original 2009 report by reviewing charter school performance in 26 states. The report found that 25 percent of charter schools performed better than nearby traditional public schools, 56 percent performed similarly, and 19 percent performed worse. The study suggests there was a decrease in charter schools that performed worse than traditional public schools due to the closing of a number of low-performing charter schools since the original report, and that learning in charter schools varied greatly across the 26 states studied. More detailed research has shown that certain groups of charter school students—especially middle school and economically disadvantaged charter students—perform stronger academically. A 2011 meta-analysis published by the National Charter School Research Project found middle school students at charter schools tend to outperform students at traditional public schools in math and reading. A 2009 RAND Corporation report on eight states found charter school students are more likely to graduate high school and enroll in college than similar traditional public school students.

Table 1. National Research on the Pros and Cons of Charter Schools

Pros	Cons
Provide options for families	Fiscal inefficiency
Diverse education approaches	Subject to market forces
Foster competition	Unfair playing field: target students
Foster innovation	Less transparency
Carve out a niche through adopted vision	Less local control
Increased accountability results in better charters	Less diversity: segregate along class and racial lines

Source: Education Commission of the States

Statutory Creation. In New Mexico, the Charter Schools Act (Section 22-8B-1 NMSA 1978) outlines how charter schools are created, monitored, and funded. Legislation allowing charter schools was originally passed in 1992 and charter schools were required to be "conversion schools", or schools were transformed from existing public schools and only allowed minimal control over fiscal and human resources operations. This law was replaced in 1999 with an act that allowed start-up and conversion schools. Before 2006, the 89 school districts acted as charter school authorizers and in 2006, a new chartering authority was created, the Public Education Commission (PEC), allowing the authorization of state-chartered charter schools. Applications denied by a board of education or PEC may be appealed to the Public Education Department (PED) and the Secretary of Education's decision is final. If the board of education or PEC does not act on an application within 60 days, the Secretary of Education is required to automatically review it. Fifteen new charters may be authorized per year, with up to 75 approved in a five-year period. New conversions are no longer allowed. All charters cumulatively may not enroll more than 10 percent of students in a district with 1,300 or fewer students. Fifty-six out of 89 school districts have less than 1,300 students, and five of the 56 districts have charter schools.

With the creation of the PEC, state-chartered charter schools are essentially allowed to become their own local education agency (LEA), with PEC responsible for technical support, state-chartered charter school budgets, and the approval, denial, suspension or revocation of state-chartered charter schools. Neither the Charter School Division (CSD) nor the PEC has direct oversight of locally chartered charter schools. Operational autonomy is limited for state-chartered charter schools in that there is no blanket waiver from most traditional rules and regulations governing other public schools but the state grants waivers for many operational requirements. Charter schools must request all other waivers on a case-by-case basis. Management contracts are restricted to nonprofit educational service providers.

Charter schools are also referenced in the Public School Capital Outlay Act (Section 22-24-1 NMSA 1978), Public School Capital Improvements Act (Section 22-25-1 NMSA 1978), the Public School Buildings Act (Section 22-26-1 NMSA 1978), the Education Technology Equipment Act (Section 6-15A-1 NMSA 1978), and the Public School Lease Purchase Act (Section 22-26A-1 NMSA 1978); the body of law which establishes how charter schools receive capital outlay and lease funds. This report will provide an overview of selected charter school student performance, resource allocation, and governance.

Funding. Almost all charter school operational funding comes from the state equalization guarantee (SEG) distributions. The distribution is based on an average enrollment of the second and third reporting date of the previous year. Distributions for first year charter schools and charter schools phasing in grade levels use current year enrollment. After the first year of operations the charter school uses its own training and experience (T&E) index but retains the district's at-risk index calculations. Allocations to charter schools have grown from about $891 thousand in FY01 to $106 million in FY09 to $190 million in FY15.

For locally chartered charter schools, funds pass through the district with 2 percent deducted for administrative fees and for state-chartered charter schools the 2 percent goes back to PED. "The amount of funding allocated to a charter school shall be not less than ninety-eight percent of the school-generated program cost. The school district or division may withhold and use two percent of the school-generated program cost for its administrative support of a charter school. That portion of money from state or federal programs generated by students enrolled in a locally chartered charter school shall be allocated to that charter school serving students eligible for that aid. Any other public school program not offered by the locally chartered charter school shall not be entitled to the share of money generated by a charter school program" (Section 22-8B-13 NMSA 1978).

In FY15, districts received approximately $1.6 million from the 2 percent administrative fees and approximately $2.2 million went back to PED from state-chartered charter schools. In December 2015, the Legislative Education Study Committee (LESC) examined whether the 2 percent administrative fee should be reduced or eliminated but elected not to recommend changes.

Previous LFC reports have recommended changes in the funding formula to recognize charter schools' unique role in the education system. Charter schools are not currently recognized as "special programs" and currently receive size adjustment program units unlike other "special programs" such as magnet schools that are statutorily prohibited from receiving the program units. Two components of the formula contribute to more per student funding for charter schools: the size adjustment program units, and the enrollment growth program units. As a result, charter schools generally garner more program units per student than their district counterparts. In FY14, an LESC subcommittee on charter schools found that Albuquerque charter high schools use their small size as a competitive advantage to gain enrollment and receive 32 percent in size adjustment and enrollment growth program units funding which translates to $2,000 in additional funding per student relative to Albuquerque Public Schools (APS). For instance, Albuquerque charter schools received $23 million in size adjustment and enrollment growth program units in FY14.

Charter School Expansion. There is potential for rapid charter school expansion in New Mexico as more interest in replicating high performing schools is developing. Charter school authorization occurs independent of the state's budget process and such expansion should take into account the overall availability of state funds for public education and the financial strain of opening a new school.

Bellwether Education Partners, a nonprofit dedicated to helping education organizations become more effective, supports the authorization of 30 new charter schools in New Mexico by 2020. The Bellwether Education Partners recently hired a founding executive director for the New Mexico Center for Charter School Excellence (NMCCSE). NMCCSE is a nonprofit that aims to support efforts in New Mexico's communities to open new, high-performing charter schools through incubation, replication, and expansion of high-performing charter schools. Were 30 new charters to be established by 2020 with an average enrollment of 200 students, receiving an average of $8,100 per student, they would receive $48.6 million in state appropriations. If the total SEG funding increases at the five year average rate of 3.3 percent per annum, the 30 new charters would receive about 11 percent of the projected $437 million in new SEG monies by 2020.

PED will use a $26 thousand grant from the Daniels Fund to identify and illuminate barriers to replication and increased enrollment in 12 high-performing charter schools. The Daniels Fund mission is to "support innovative education initiatives…such as charter schools" and offers grants to support planning, start-up, and operations in nonprofit organizations in Colorado, Wyoming, Utah, and New Mexico. Working collaboratively with the New Mexico Coalition of Charter Schools, PED has identified 12 locally chartered charter schools and state-chartered charter schools that have school grades of 'A' or 'B' to potentially replicate **(Appendix B)**.

Previous Charter School Findings. The LFC is committed to improving education in New Mexico. Previous LFC evaluations have provided key findings and recommendations to address equity issues and student performance in New Mexico. Previous findings on charter schools include:

- Charter authorizers need to play a greater role in determining charter schools' role in the larger educational framework in New Mexico[7];
- Charter authorizers need to increase oversight and monitoring of charter schools to ensure the academic and financial performance of schools[7];
- Charter school site visits showed issues with regard to untimely financial audits, overpaying or neglecting tax obligations, improper expenses, lacking oversight functions, an over reliance on external financial management organizations, conflicts of interest, and other examples of resource mismanagement[7];
- The state needs to mandate closure of poor performing charter schools by formalizing "second chance" renewal charters with conditions. If closure of poorly performing charter schools is not a viable option, policy makers should strongly consider a hard cap on charter schools statewide[7];

- Charter schools provide alternative school options for students but also account for a large proportion of New Mexico's dropouts and are expensive to operate[2];
- Charter schools generally garner more program units per student than their district counterparts, which dilutes the funding formula unit value[6];
- Charter schools may offer at-risk, as well as achieving students, academic opportunities that traditional schools typically do not offer. However, several charter schools targeting at-risk students produce outcomes similar to alternative schools, with low graduation rates and large numbers of dropouts[2];
- Many adults who attend charter schools in the public education system never earn a high school credential[6];
- Charter schools pay excessive lease costs at taxpayer expense[4];
- Some charter schools use operational funds to pay for expensive leases and high administrative costs;
- The instructional materials process suffers from a lack of oversight, and school districts and charter schools sometimes expend funds in ways inconsistent with state law[1];
- Reengaging adult students over the age of 22 through the public school system is not a cost-effective recovery strategy[5]; and
- The state is funding expensive dual credit courses designed to help students succeed in high school and postsecondary education without evaluating the impact on students' academic outcomes[5].

1. Public Education Department – Oversight and Spending of Instructional Materials in Public Schools (2014);
2. Public Education Department and Higher Education Department - Cost-Effective Options for Increasing High School Graduation and Improving Adult Education (2014);
3. Public Education Department - Promoting Effective Teaching in New Mexico (2013);
4. Public Schools Facilities Authority – Charter School Facilities Lease Assistance and Capital Outlay Planning (2013);
5. Dual Credit Cost-effectiveness and Impact on Remediation and On-time Degree Completion (2012);
6. Evaluation Supplemental – Formula Funding Component Briefs UPDATED (2011);
7. Public Education Department - Program Evaluation of New Mexico Charter Schools (2010).

Charter School Selection. Of the six selected charter schools, four were selected randomly; two locally chartered and two state-chartered were randomly selected for this evaluation based on the following criteria: authorized since 2010, located in Albuquerque, Taos, Santa Fe, or Las Cruces, include secondary grades, and enroll over 150 students. In addition, both virtual schools were specifically selected to evaluate the unique aspects of this new form of education. These six schools represent 11.4 percent of the total charter school student population.

ACE LEADERSHIP HIGH SCHOOL

State Charter School ◆ Location: Albuquerque ◆ Grades: 9-12 ◆ Approximate Number of Students: 300

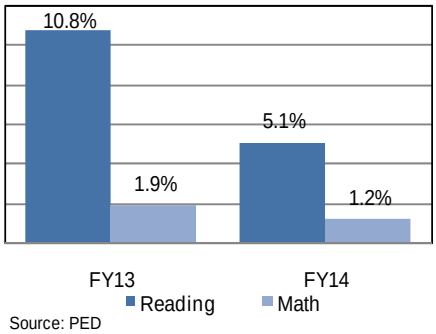
Mission Statement

The Mission of ACE Leadership High School is to engage young people who love to design and build things with the skills they need to become leaders in the construction profession. We serve young people who have limited means to have successful careers by caring for their intellectual, physical, and emotional well-being as students.

PED SCHOOL GRADE

FY15	3 Year Avg.
F	D

Reading and Math SBA Percentage of Students Proficient and Above



Source: PED

FY15 Student Demographics

Percentage of Low-income Students	Percentage of English Language Learners (ELL)
88%	9%

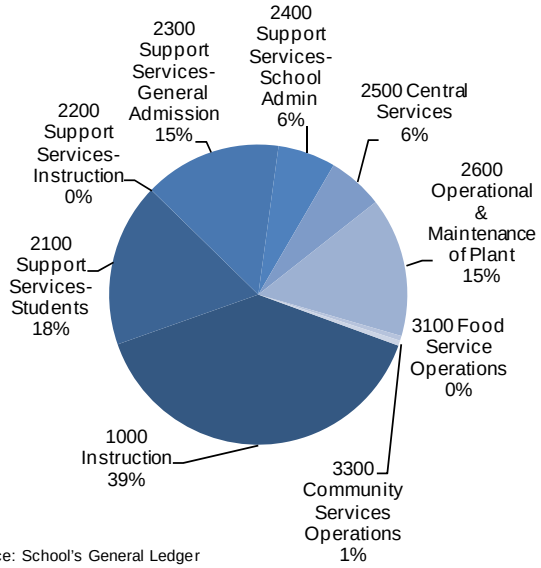
Black	White	Indian	Hispanic	Asian	Native Hawaiian or Other Pacific Islander	Multiracial
0.9%	5.8%	4.6%	88.2%	0.0%	0.0%	0.6%

Finances

Total Expenditures FY15
$3,015,419

Instructional Expenditures FY15	Percentage Instructional Expenditures FY15
$1,177,040	39%

Personnel Compensation and Benefits FY15	Percentage Personnel Expenditures FY15
$2,082,069	69%



Source: School's General Ledger

The MASTERS Program

State Charter School ◆ Location: Santa Fe ◆ Grades: 10-12 ◆ Approximate Number of Students: 200

Mission Statement

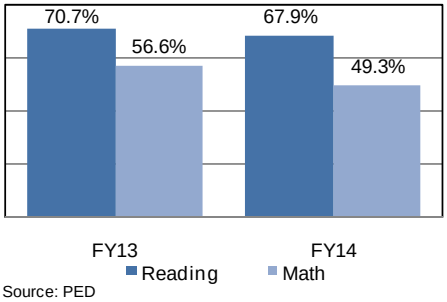
The Masters Program is committed to the development of engaged, compassionate students who value academic excellence and education beyond high school, service to others and creating a conscious community.

PED SCHOOL GRADE

FY15	3 Year Avg.
B*	A

*School's grade was reduced by one letter because it failed to test 95 percent of eligible students

Reading and Math SBA Percentage of Students Proficient and Above



Source: PED

FY15 Student Demographics

Percentage of Low-income Students	Percentage of English Language Learners (ELL)
45%	3%

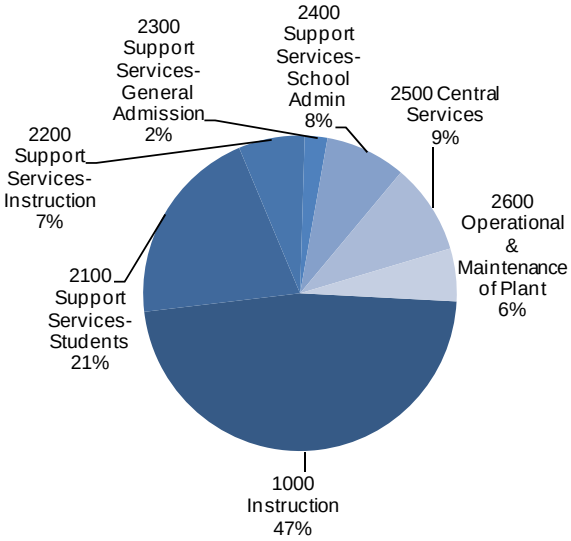
Black	White	Indian	Hispanic	Asian	Native Hawaiian or Other Pacific Islander	Multiracial
0.5%	44.9%	1.5%	50.5%	2.5%	0.0%	0.0%

Finances

Total Expenditures FY15
$1,811,105

Instructional Expenditures FY15	Percentage Instructional Expenditures FY15
$856,254	47%

Personnel Compensation and Benefits FY15	Percentage Personnel Expenditures FY15
$1,268,133	70%



Source: School's General Ledger

NEW MEXICO CONNECTIONS ACADEMY

State Charter School ◆ Location: Santa Fe ◆ Grades: 4-12 ◆ Approximate Number of Students: 1000

Mission Statement

The mission of New Mexico Connections Academy (NMCA) is to help each 4 –12th grade student, throughout the state of New Mexico who needs an alternative to the traditional classroom for a particular time period, maximize his or her potential and meet the highest performance standards through a uniquely individualized learning programs, access to high quality NM-certified teachers, and high parental involvement. This mission will also include a school-with-in-a-school model with a focus on science, technology, engineering, and math (STEM).

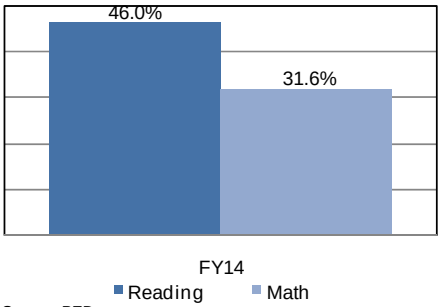
PED SCHOOL GRADE

FY15: C*

2 Year Avg.: B

*School's grade was reduced by one letter because it failed to test 95 percent of eligible students

Reading and Math SBA Percentage of Students Proficient and Above



Source: PED

FY15 Student Demographics

Percentage of Low-income Students	Percentage of English Language Learners (ELL)
53%	3%

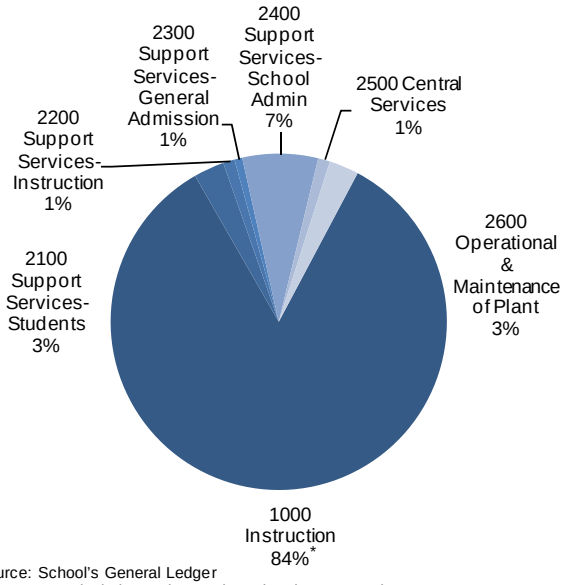
Black	White	Indian	Hispanic	Asian	Native Hawaiian or Other Pacific Islander	Multiracial
2.8%	47.7%	4.2%	41.7%	0.6%	0.4%	2.6%

Finances

Total Expenditures FY15
$4,717,851

Instructional Expenditures FY15	Percentage Instructional Expenditures FY15
$3,959,421	84%*

Personnel Compensation and Benefits FY15	Percentage Personnel Expenditures FY15
$1,417,319	30%



Source: School's General Ledger
*Percentages include non-instruction related contractual

NEW MEXICO VIRTUAL ACADEMY℠

District Charter School ◆ Farmington Municipal Schools ◆ Grades 6-12 ◆ Approximate Number of Students: 500

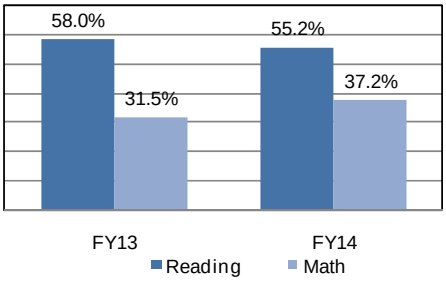
Mission Statement

It is the mission of New Mexico Virtual Academy (NMVA) to use technology to provide an innovative public charter school education option meeting the individual needs of sixth through twelfth grade students. NMVA will be accountable for developing each student's full potential by utilizing research-based technology applications, meaningful teacher/student/parent involvement, and engaging individualized learning. NMVA will be a blended model: distance learning combined with traditional face-to face classroom instruction according to each student's academic and social needs. New Mexico Virtual Academy will develop and enrich all of its students by fostering their desire to be lifelong learners to reach their full potential in life.

PED SCHOOL GRADE

FY15	3 Year Avg.
C	B

Reading and Math SBA Percentage of Students Proficient and Above



Source: PED

FY15 Student Demographics

Percentage of Low-income Students	Percentage of English Language Learners (ELL)
0%	31%

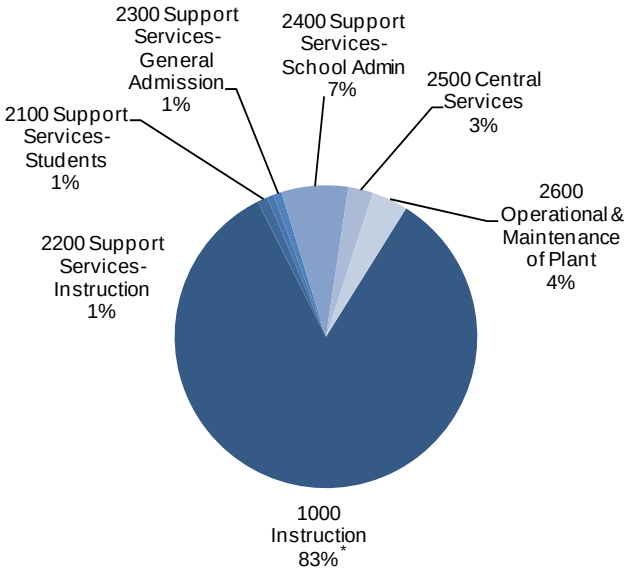
Black	White	Indian	Hispanic	Asian	Native Hawaiian or Other Pacific Islander	Multiracial
0.4%	3.1%	0.2%	96.3%	0.0%	0.0%	0.0%

Finances

Total Operational Expenditures FY15
$2,680,336

Instructional Expenditures FY15	Percentage Instructional Expenditures FY15
$2,241,939	83%*

Personnel Compensation and Benefits FY15	Percentage Personnel Expenditures FY15
$884,107	33%



Source: School's General Ledger
*Percentages include non-instruction related contractual expenses

District Charter School ◆ Albuquerque Public Schools ◆ Grades: 9-12 ◆ Approximate Number of Students: 300

Mission Statement

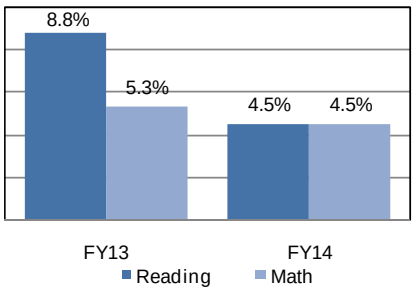
Vision: RFK, a school where you can engage in your chosen path toward secondary education or career in an environment that prepares, motivates, and supports you in partnership with your family.

Mission: This year we will improve teacher and student performance through a supportive and responsible environment.

PED SCHOOL GRADE

FY15	3 Year Avg.
D	D

Reading and Math SBA Percentage of Students Proficient and Above



Source: PED

FY15 Student Demographics

Percentage of Low-income Students	Percentage of English Language Learners (ELL)
97%	58%

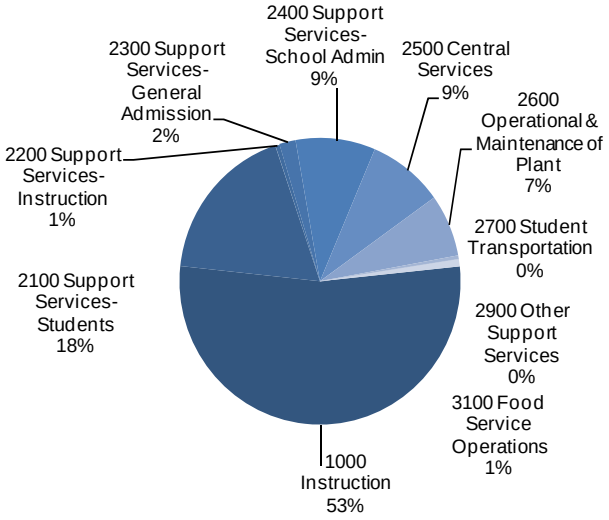
Black	White	Indian	Hispanic	Asian	Native Hawaiian or Other Pacific Islander	Multiracial
0%	5.0%	1.7%	93.3%	0.0%	0.0%	0.0%

Finances

Total Expenditures FY15
$3,193,588

Instructional Expenditures FY15	Percentage Instructional Expenditures FY15
$1,704,068	53%

Personnel Compensation and Benefits FY15	Percentage Personnel Expenditures FY15
$2,344,259	74%



Source: School's General Ledger

District Charter School ◆ Albuquerque Public Schools ◆ Grades 6-12 ◆ Approximate Number of Students: 600

Mission Statement

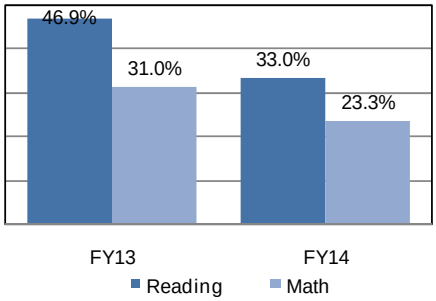
High School Mission Statement: To prepare young people to become lifelong learners in a small school setting, based on high academic standards for all, individual appreciation for each student and teacher, a culture of trust, respect for the diverse traditions of New Mexico, and involvement of family and community.

Middle School Mission Statement: To empower young people to become independent lifelong learners in a small school setting, based on a culture of high academic expectations and mutual respect and trust for all, where embracing self-awareness leads to becoming a responsible member in our local and global community.

PED SCHOOL GRADE

FY15	3 Year Avg.
D	C

Reading and Math SBA Percentage of Students Proficient and Above



Source: PED

FY15 Student Demographics

Percentage of Low-income Students	Percentage of English Language Learners (ELL)
100%	31%

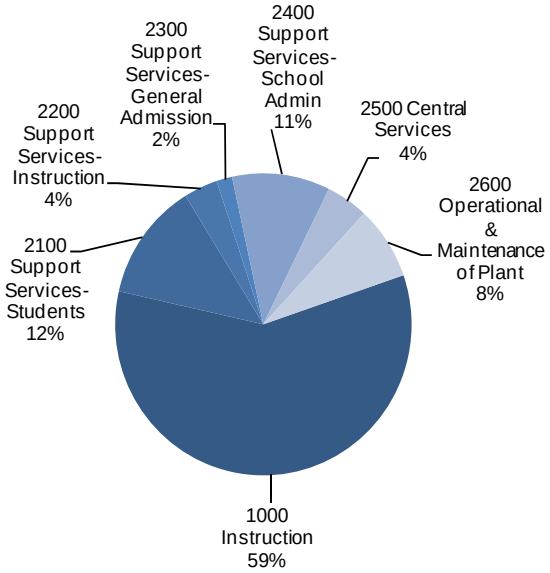
Black	White	Indian	Hispanic	Asian	Native Hawaiian or Other Pacific Islander	Multiracial
0.4%	3.1%	0.2%	96.3%	0.0%	0.0%	0.0%

Finances

Total Expenditures FY15
$3,790,124

Instructional Expenditures FY15	Percentage Instructional Expenditures FY15
$2,228,444	59%

Personnel Compensation and Benefits FY15	Percentage Personnel Expenditures FY15
$3,152,132	83%

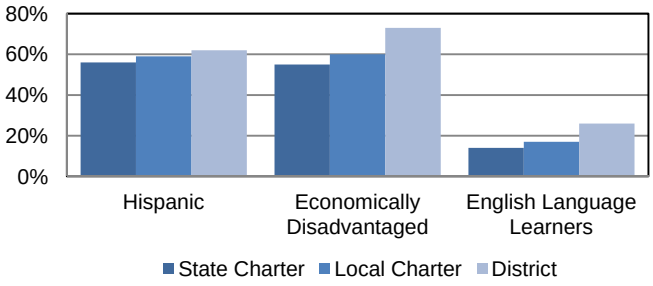


Source: School's General Ledger

SELECTED CHARTER SCHOOLS REFLECT THE DIVERSITY IN STRUCTURE, ORGANIZATION, AND PERFORMANCE SEEN ACROSS NEW MEXICO CHARTER SCHOOLS

As a whole, charter school performance in New Mexico and nationally shows little overall difference than traditional public schools. Achievement data for the past three years shows little difference in student achievement in New Mexico for charter school students versus school district students. Overall, student achievement on math and reading assessments shows locally chartered charter schools perform consistently below state-chartered charter schools and district schools.

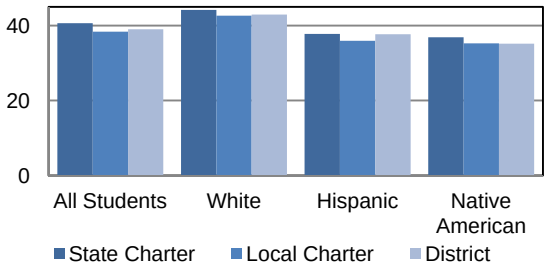
Chart 2. Student Demographics, FY15



Source: PED

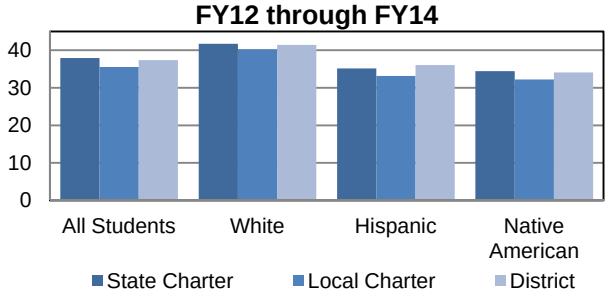
Charter schools (both state-chartered and locally chartered) serve a lower percentage of Hispanic, economically disadvantaged, and English language learner students compared to district schools. The National Alliance for Public Charter School stated in a 2014 report that New Mexico charter schools scored relatively low on indicators of serving minority students and economically disadvantaged students compared to traditional public schools. State-chartered charter schools with the lowest percentages of economically disadvantaged students, and English language learners only slightly outperform locally chartered charter schools and district schools on standard based assessment (SBA) student scores. Despite higher percentages of economically disadvantaged students and English language learners, district schools outperform state-chartered charter schools and locally chartered charter schools in certain SBA categories including scaled math scores for Hispanic students and scaled reading scores for economically disadvantaged students.

Chart 3. Average Scaled Score-Reading SBA FY12 through FY14



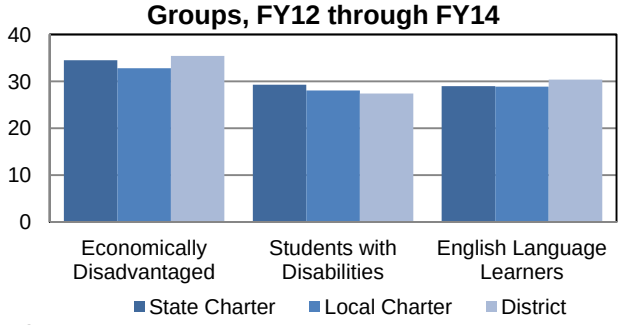
Source: PED

Chart 4. Average Scaled Score-Math SBA FY12 through FY14



Source: PED

Chart 5. Average Scaled Score-Reading SBA, Selected Student Groups, FY12 through FY14



Source: PED

Student demographics can vary widely between charter schools. For example, ACE Leadership, Robert F. Kennedy Charter, and South Valley Academy (SVA) have student populations that are predominately Hispanic. New Mexico Connections Academy, The Masters Program, and New Mexico Virtual Academy are comparatively balanced between white and Hispanic students. In FY15, SVA had the highest percentage of economically disadvantaged students at 100 percent and also had a high percentage of English language learners. Three selected charter schools had more English language learners than state averages and three selected charter schools had more economically disadvantaged students than state averages.

Table 2. Economically Disadvantaged Students and English Language Learners, FY15

School	Economically Disadvantaged	English Language Learners
South Valley Academy	100%	31%
Robert F. Kennedy Charter	97%	58%
ACE Leadership High School	88%	9%
All Students- Districts	**62%**	**26%**
All Students- Local Charters	**59%**	**17%**
All Students- State Charters	**55%**	**14%**
New Mexico Connections Academy	53%	3%
The Masters Program	45%	3%
New Mexico Virtual Academy	0%*	31%*

Source: PED
* Data as reported by PED. NMVA does not collect free and reduced lunch data and may enroll economically disadvantaged students

Several selected charter schools have large English language learner (ELL) and economically disadvantaged student populations, however, only 1 percent of these students were proficient or above in reading on the FY14 SBA. Fourteen economically disadvantaged, ELL students were proficient and all 14 proficient students attended South Valley Academy. The group of students with the highest reading proficiency was non-economically-disadvantaged, non-ELL students at 26 percent proficient and above. The Masters Program had the highest percentage of proficient students with 61 percent. ACE Leadership and Robert F. Kennedy Charter schools had the lowest percentage of proficient students at only 5 percent each.

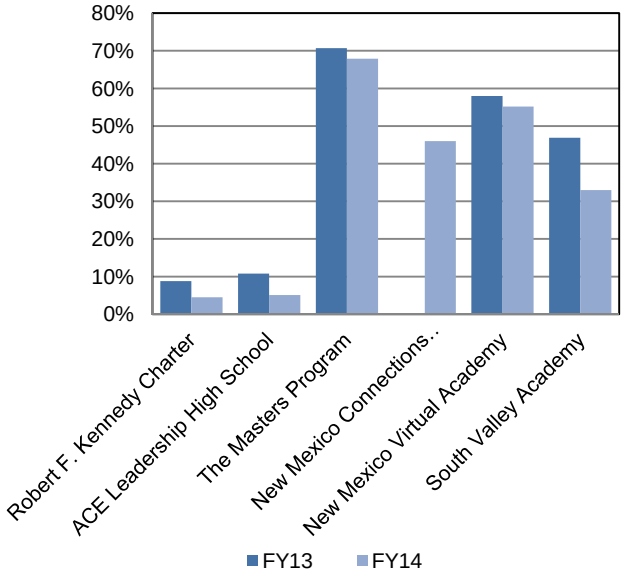
Table 3. Students Proficient and Above, SBA Reading, FY14

School	Percent of Students Proficient and Above	Non- economically-disadvantaged and Non-ELL Students Proficient and Above	Economically disadvantaged and Non-ELL Students Proficient and Above	Economically disadvantaged and ELL Students Proficient and Above
ACE Leadership High School	5%	Data concealed protecting student privacy		
Robert F. Kennedy Charter	5%			
South Valley Academy	33%			
New Mexico Connections Academy	41%			
New Mexico Virtual Academy	51%			
The Masters Program	61%			
All Selected Charter Schools	**42%**	**26%**	**15%**	**1%**

Source: LFC Files

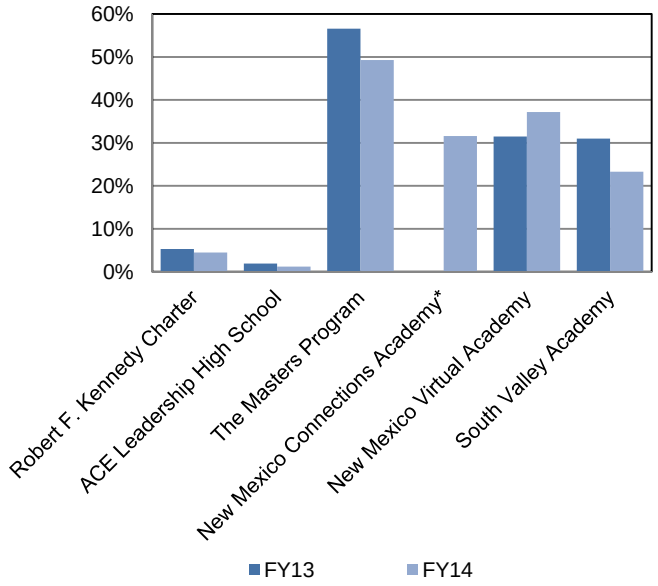
<u>Reading and math SBA scores declined at most selected charter schools between FY13 and FY14.</u> Reading scores were down across all selected charter schools (except NMCA who began operations in FY14) between FY13 and FY14, with the largest drop in student proficiency at South Valley Academy and ACE Leadership. Math scores were also down across all schools with the exception of New Mexico Virtual Academy's 5.7 percentage point increase in the number of proficient students. Reading and math scores dropped statewide for all students between FY13 and FY14 from 51 percent of students proficient and above in reading to 49 percent, and 42 percent of students proficient and above in math to 41 percent. Student populations at selected charter schools and across all schools are vastly different and the schools have unique missions and goals, however, 29, or 23 percent, of the schools in the bottom 15 percent of reading proficiency were charter schools in FY14. Of the 29 charter schools in the bottom 15 percent of reading proficiency, 15 schools, or 12 percent of all schools, were locally chartered charter schools and 14 schools, or 11 percent of all schools, were state-chartered charter schools.

Chart 6. Percentage Proficient and Above, Reading SBA FY13 and FY14



Source: PED
* NMCA began operations in FY14

Chart 7. Percentage Proficient and Above, Math SBA FY13 and FY14



Source: PED
* NMCA began operations in FY14

National evidence of the impact of charter schools on student learning is neither clear nor conclusive. A meta-analysis by the Maine Education Policy Research Institute found that some studies point to positive results while others have reported mixed or negative results. It is still unclear whether charter schools create enough competition to force traditional schools to change practices. In addition, to date there is very little reliable information on the student demographics and academic performance of students enrolled in more rural charter schools. Findings suggest that charter schools are just like traditional public schools; success depends upon a variety of factors. Consequently, the study concludes that the impacts of charter schools should not be painted with one broad brush stroke. Each should be judged on its own evidence and performance.

Administrators of selected charter schools indicated the current PED school grading system does not adequately reflect the unique missions of their schools. Charter school directors felt their schools were not getting credit for addressing the needs of their students and providing students different, stimulating curriculum, teaching approaches, or social emotional learning. For example, The Masters Program and South Valley Academy utilize the Characteristics of Successful People and Character Growth Card, respectively, rubrics for students and parents that focus on non-cognitive skills (such as, grit, social intelligence, curiosity, and academic excellence) that have been identified as essential college and career skills **(Appendix C)**.

Table 4. School Grade for Selected Charter Schools, FY14

School Name	School Mission	PED Total Points FY14	Grade FY14	PED Total Points FY15	Grade FY15
TMP	Dual Credit	82.45/100	A	87.99/100	B*
SVA	College Preparation	71.42/100	B	49.61/100	D
NMVA	Virtual Learning	49.9/68	B	54.16/100	C
RFK	Credit/Dropout Recovery	42.3/100	D	38.19/100	D
NMCA	Virtual Learning	39.42/68	D*	67.92/100	C*
ACE	Project Based Learning	27.88/68	D	28.53/100	F

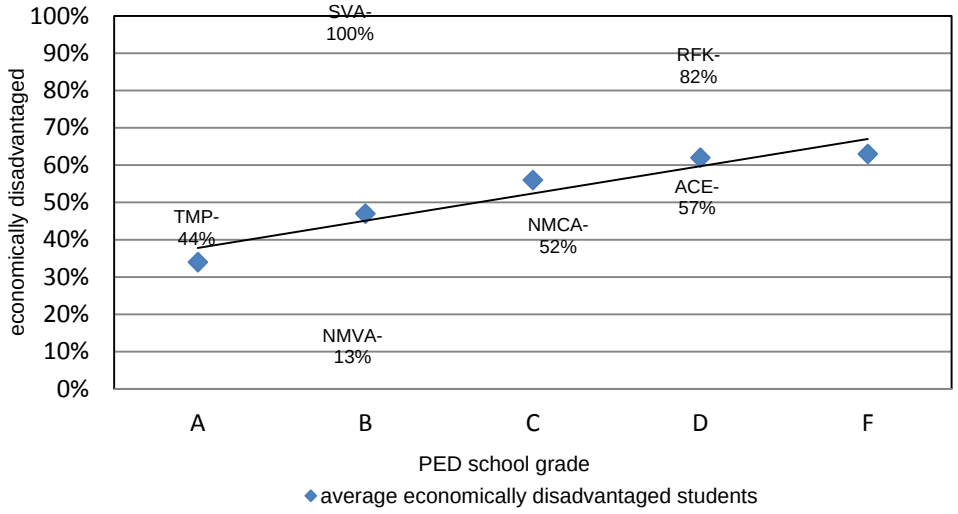
Source: LFC Files
*School's grade was reduced by one letter because it failed to test 95 percent of eligible students

California's new school grading system which integrates social emotional learning, was discussed as a viable alternative to the current New Mexico PED school grade system by several charter school directors. In FY14, the California Office to Reform Education (CORE) received a waiver from the federal No Child Left Behind Act to create a new accountability system for eight California districts, including Los Angeles Unified Schools. The waiver allows districts to implement the School Quality Improvement System, which is less dependent on a single test score. Full implementation will be in FY16. The CORE system is based 60 percent on the academic domain (40 percent of which is based academic test scores), 20 percent on the social/emotional domain, and 20 percent on the school/district culture and climate domain, which measures areas like student achievement, graduation rates, discipline and suspension rates, special education identification rates, English language learner reclassification rates, parent survey feedback rates, and more **(Appendix B)**.

Charter schools with multiple grade configurations receive a single PED school grade based on all grade level achievement making it difficult to assess performance for their equivalents of elementary, middle, and high schools. Both South Valley Academy and Robert F. Kennedy Charter shared their frustration with the current PED school grade ignoring the achievements of their middle school students and misrepresenting the schools' actual achievements. Requests for separate report cards for middle and high school were made by the charter schools to PED to address this issue, but as of the time of this report no policy or algorithm has been created to address six through 12th grade schools. There are currently 27 charter schools with kindergarten through 12th, fifth through 12th, sixth through 12th, or seventh through 12th configurations which did not have a PED school grade calculation separating the grade configurations.

The correlation between average student economic status and school grade is strong at state-chartered charter schools. Previous LFC reports have found this trend to be true for traditional schools and charter schools statewide. Looking at state-chartered charter schools and selected charter schools, schools that receive the highest PED school grades tend to have a lower percentage of economically disadvantaged students. State-chartered charter schools with 'A' grades had only 34 percent economically disadvantaged students on average. Schools with 'D' and 'F' grades had 62 percent and 63 percent economically disadvantaged students. Selected charter schools mostly fall in line with the trend as demonstrated by the chart below. Forty-four percent of students at The Masters Program are economically disadvantaged and the school has a PED grade of 'A', while Robert F. Kennedy Charter School's economically disadvantaged population totals 82 percent and the school has a 'D'. South Valley Academy is a clear outlier with 100 percent of students economically disadvantaged and a PED school grade of 'B' in FY14.

Chart 8. Impact of Economic Status on School Grade for State-chartered Charter Schools and Selected Charter Schools, FY14

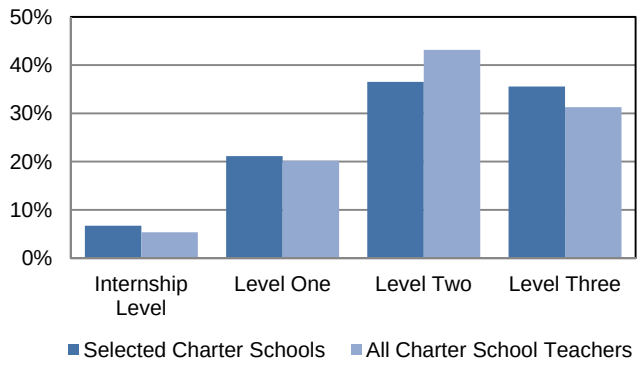


Source: LFC Files

The variety of teaching experience and teacher licensure level is well-balanced at selected charter schools. Selected charter schools have more level two and level three teachers than level one and internship level teachers. Previous LFC reports found low-performing schools have almost twice as many level one teachers as high-performing schools. Selected charter schools were able to hire more level three teachers and fewer level one teachers in FY15 than the statewide average, maintaining a well-balanced teaching staff.

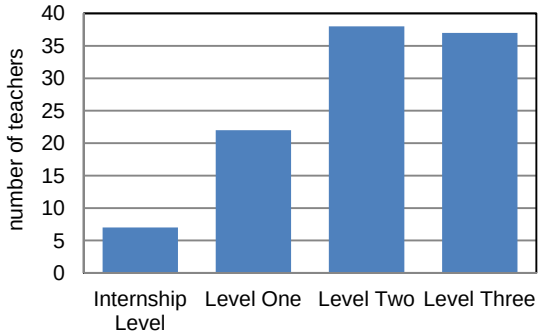
Despite an at-risk student population and the highest number of level one teachers in FY15 compared to selected charter schools, SVA students are high performing likely due to small class sizes and the overall number of teachers with varying teaching levels. In FY15, SVA had 12 level one teachers, 11 level two teachers, and nine level three teachers.

Chart 9. Teacher Certification Level, Selected Charter Schools and All Charter Schools Statewide, FY15



Source: LFC Files

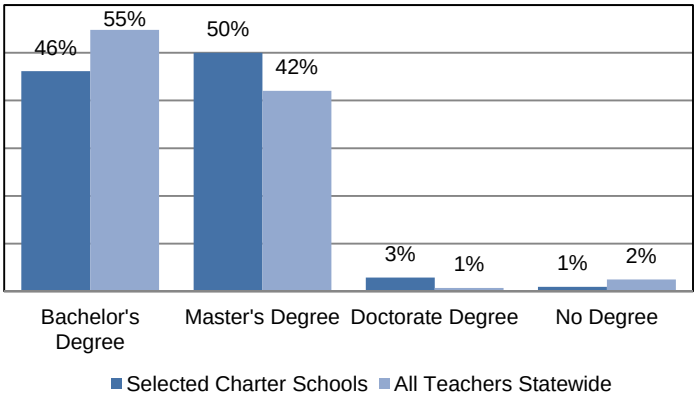
Chart 10. Teacher Certification Level, Selected Charter Schools, FY15



Source: LFC Files

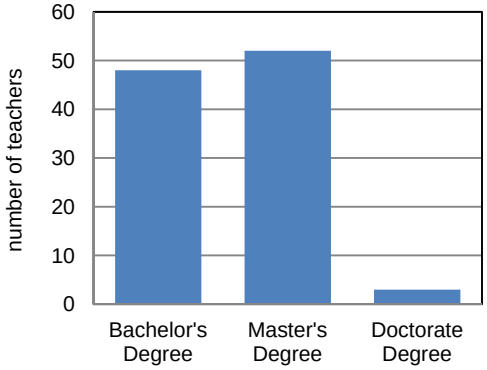
More teachers at selected charter schools have advanced degrees than bachelor's degrees. This is not the trend statewide as there are more teachers with bachelor's degrees than advanced degrees in FY15. Half of teachers had a master's degree in selected charter schools while only 42 percent of teachers statewide had a master's degree. Three percent of teachers at selected charter schools had a doctorate degree compared to just 1 percent for all teachers statewide. National studies continue to find that general advanced degrees that are not targeted have little to no measurable effect on a teacher's ability to help students learn.

Chart 11. Teacher Level of Education, Selected Charter Schools and All Teachers Statewide, FY15



Source: LFC Files

Chart 12. Teacher Level of Education, Selected Charter Schools FY15



Source: LFC Files

Teachers at selected charter schools have slightly more experience than teachers statewide. Teachers at selected schools had an average of 11 years of experience, matching the statewide average. National studies suggest teacher experience is a factor of teacher effectiveness and teachers with more than five years of experience tend to be the most effective. All selected charter schools have on average teachers with more than five years experience, and four schools have teaching experience equal to or more than the 11 year statewide average.

Table 5. Average Years of Teaching Experience, FY15

School	Highest Number of Years	Average Number of Years
Robert F. Kennedy Charter	30	14
ACE Leadership High School	38	11
The Masters Program	24	13
New Mexico Connections Academy	27	15
New Mexico Virtual Academy	12	7
South Valley Academy	25	7
All Teachers Statewide	**40***	**11***

Source: PED Teacher Licensure Levels
* To preserve data integrity teacher data showing more than 40 years of experience was removed

Compared to the statewide average, the teacher turnover rates at most selected charter schools are low. The Masters Program had no teacher turnover between FY14 and FY15 with all nine teachers returning from one year to the next. New Mexico Connections Academy and ACE Leadership had the highest turnover rates with 47 percent and 50 percent of teachers not returning from FY14 to FY15. The attrition rate is based on teachers leaving a school for any reason including moving to another school, moving to another state, or leaving the teaching profession.

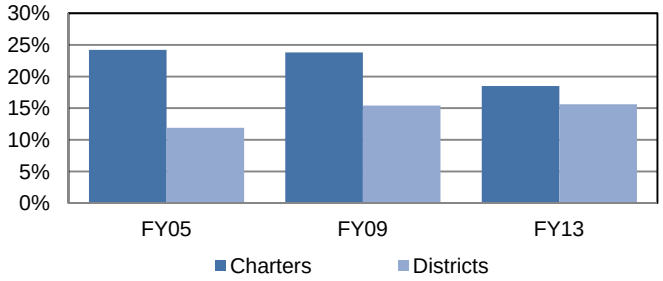
Table 6. Teacher Attrition, FY14 to FY15

School	Number of Teachers who were Teaching at Same School in FY14 and FY15	Percentage of Teachers who Returned
The Masters Program	9	100%
Robert F. Kennedy Charter	7	80%
New Mexico Virtual Academy	7	75%
South Valley Academy	21	75%
All Teachers Statewide	**8,539**	**66%**
ACE Leadership High School	7	50%
New Mexico Connections Academy	7	47%

Source: PED

The most recent federal study found that about 18.5 percent of teachers in charter schools left at the end of FY12, compared to 15.6 percent in regular public schools. This is a significant decline from FY08 to FY09 where 23.8 percent of charter school teachers left compared to 15.4 percent in regular public schools. Charter school data on teacher retention is difficult to analyze because it is often reported at the district level and most school districts and charter schools do not break out involuntary dismissals or other contributing factors. In addition, major charter-management organizations do not routinely release their data to the public.

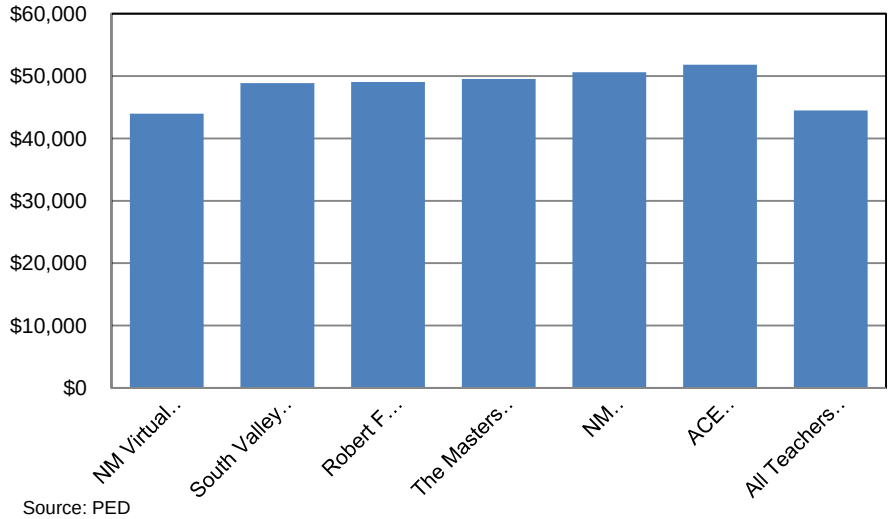
Chart 13. National Teacher Turnover Rates



Source: U.S. Department of Education

Average teacher salaries at most selected charter schools are higher than the state average in FY15. New Mexico Virtual Academy's average teacher pay is slightly lower than the statewide average of $44,491 for all teachers annually. ACE Leadership had the highest paid teachers on average at $51,825 despite the fact that ACE Leadership has below average number of level three teachers and teachers with advanced degrees. South Valley Academy starting salaries for level one Provisional Teachers started at $40,000.

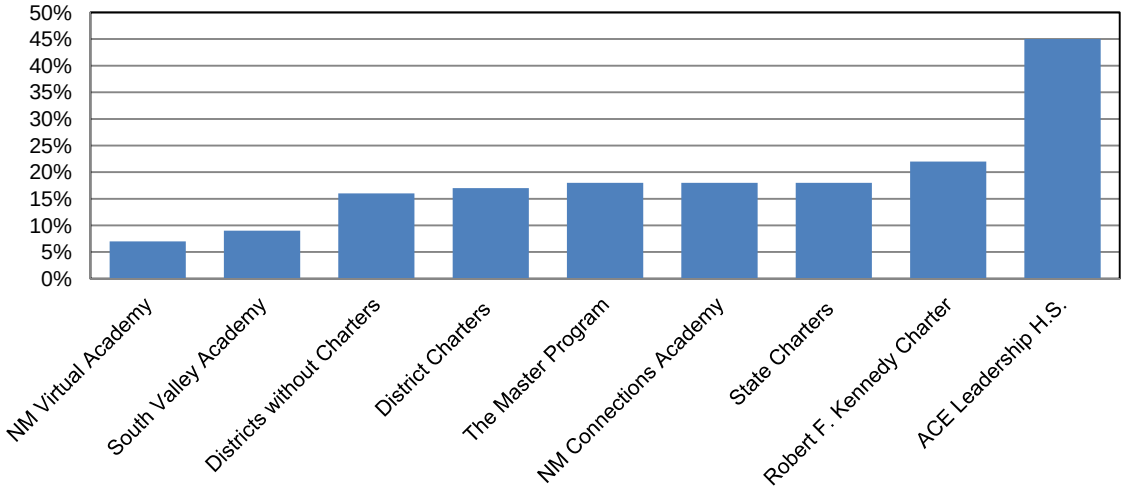
Chart 14. Average Teacher Salaries, FY15



Source: PED

Attendance and mobility impact student performance differently at selected charter schools. Sixteen percent of students at traditional schools in New Mexico were absent 10 or more days in FY15 compared with 17 percent of students in locally chartered charter schools, and 18 percent of state-chartered charter school students. Absenteeism is a strong predictor of student performance and students' likelihood of graduating from high school. ACE Leadership and Robert F. Kennedy Charter have a higher percentage of students absent 10 or more days than the state average.

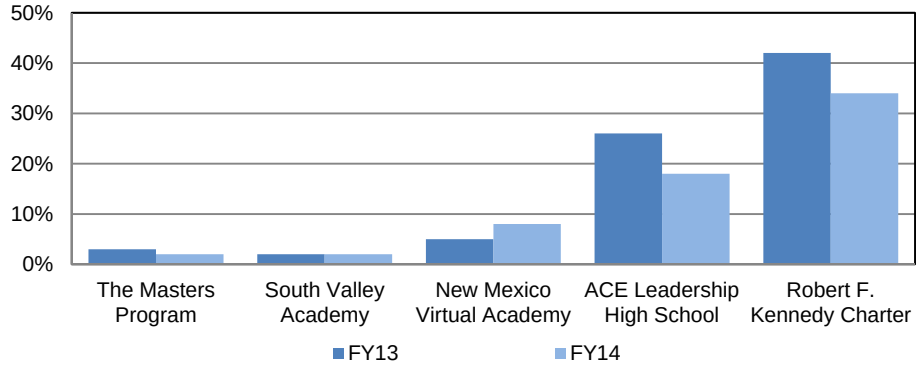
Chart 15. Percentage of Students Absent 10 or More Days for Any Reason, FY15



Source: LFC Files

Robert F. Kennedy Charter and ACE Leadership have high percentages of student dropouts, though their school missions are to offer unique alternatives to traditional high schools. Robert F. Kennedy Charter's mission is to provide an alternative to traditional secondary schools through small classes and individual attention. In FY13 and FY14, 42 percent and 34 percent of RFK's students dropped out respectively. ACE Leadership's mission is to serve young people who have limited means to have successful careers. ACE Leadership's dropout rate was 26 percent in FY13 and 18 percent in FY14. New Mexico Connections Academy had less than 1 percent of students drop out in FY14, and the charter was not authorized in FY13. Previous LFC evaluations found charter schools provide alternative school options for students but also account for a large proportion of New Mexico's dropouts and are expensive to operate.

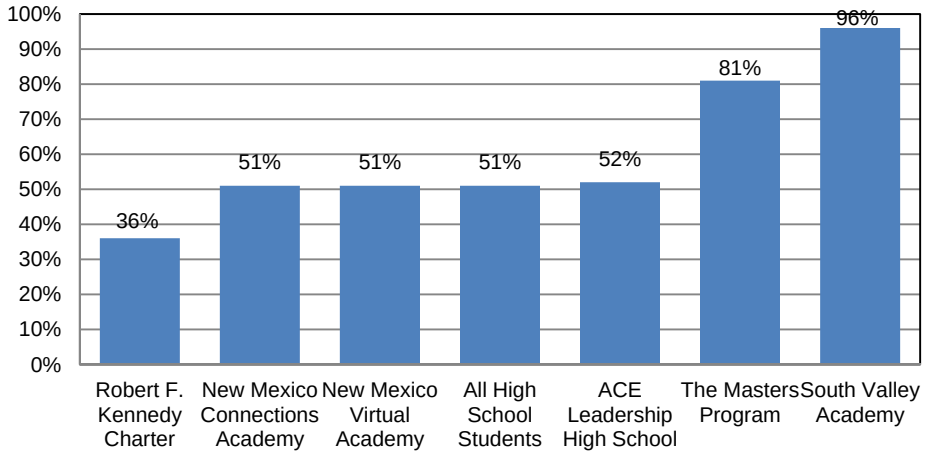
Chart 16. Percentage of Student Dropouts at Selected Schools, FY13 and FY14



Source: PED

Student mobility is high for selected charter schools. Previous LFC program evaluations concluded mobility can negatively affect student performance. Mobility describes students who transfer frequently between schools during the school year. The data analyzed does not take into account whether a student left a school because of early graduation, foreign exchange students returning to their home country, or the student moved out of state, which may lower the actual percentage of students returning to school from one year to the next. South Valley Academy had the lowest percentage of mobility of the selected charter schools with 96 percent of students returning between FY14 and FY15. The remaining schools reflect the state average of 51 percent mobility rate for high school students. Robert F. Kennedy Charter had the most mobility with only 36 percent of high school students returning from FY14 to FY15.

Chart 17. Percentage of High School Students who Attended the Same School in FY14 and FY15



Source: PED

New Mexico Virtual Academy struggles to recruit sixth graders and retain eighth graders. New Mexico Virtual Academy's enrollment is stable throughout most grades. However, cohort data shows there is significant reduction in enrollment after eighth grade, with the seventh grade cohort losing 36 percent of students by ninth grade and the eighth grade cohort losing 33 percent by ninth grade. Cohorts for ninth and 10th grade remained stable in enrollment. Sixth grade enrollment has dropped almost in half from 94 students in FY13 to 50 students in FY15.

Two out of six selected charter schools enroll adult students and adult enrollment declined at both schools from FY13 to FY14. Previous LFC evaluations found reengaging adult students over the age of 22 through the public school system is not a cost-effective recovery strategy. Robert F. Kennedy Charter and ACE Leadership enrolled adult students in FY13, FY14, and FY15. In FY14, adult enrollment at selected charter schools included students between the ages of 40 and 60 years old. In both FY13 and FY14, the adult enrollment at all charter schools statewide was 4 percent of all students. Statute currently allows public schools to enroll and claim funding for adult students, though federal special education laws only require provision of services to students age 22 or younger. Several school districts and charter schools are currently enrolling adults over the age of 22, and several other districts reported looking into the legality of enrolling adults. Adult basic education programs, which help adults earn a GED, are more cost-effective ways to help adult students over the age of 22 earn a high school credential than dropout recovery programs for adults in the public school system.

U.S. News and World Report ranks South Valley Academy (SVA) as third in New Mexico and gives it a gold rating for being "One of the Best High Schools" in FY14. Top ranked New Mexico schools in the report were Cottonwood Classical Preparatory School, Albuquerque Institute of Math and Science (AIMS), and Los Alamos High School. South Valley Academy's national rank is 410 and charter rank 94. The report highlights that students have the opportunity to take Advance Placement (AP) course work and exams and AP participation is at 65 percent. In addition, the school's minority population is 98 percent.

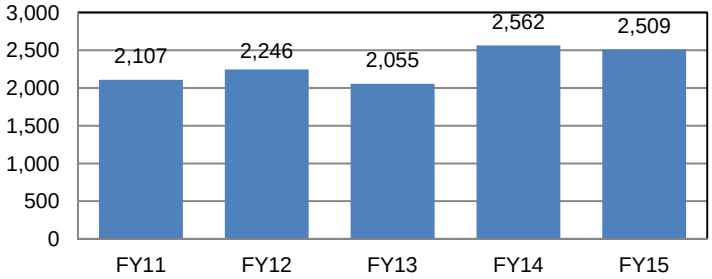
South Valley Academy achieves good student outcomes for many economically disadvantaged students, but PED does not facilitate sharing SVA's successful innovations with school districts. While SVA has won national awards and received high marks for student achievement, the school's successes have had limited exposure to schools in the state because PED does not facilitate the sharing of best practices by successful charter schools. SVA's mission is to get students to and through college by providing a personal campus environment through small class sizes for a high school population of approximately 315 students, with approximately 68 seniors. The college guidance program supports all students with entrance exams (e.g. ACT, SAT, PSAT, etc.), scholarship applications, concurrent enrollment, and career guidance. The schedule has three days of intervention time where teachers are able to support and follow student academic and social performance. An on-site organic farm and greenhouse is an integral part of the curriculum. The service learning program provides time during the week for high school students to volunteer at different sites and the senior action project for 12th grade students creates opportunities for deeper involvement with the community. SVA worked with APS Office of Innovation in 2013 as APS developed their magnet schools and has met with Amy Biehl on ELL teaching strategies. SVA also presented at national conferences and the LESC, but has not been asked to present at PED sponsored workshops or conferences.

SVA and TMP highlight the need to run a value added model on charter schools in the future to determine student progress over time despite student demographics and other student characteristics.

While The Masters Program (TMP) performs well, the school's policies effectively result in choosing high performing students or students who have demonstrated the ability to earn high school credits. TMP requires all incoming 10th graders to have successfully completed six high school credits in order to enroll as a sophomore. High school grade completion is determined by credit completion and New Mexico ninth grade students must earn six credits to be classified as a 10th grader. Previous LFC reports have found that ninth grade success and credit completion are also strongly associated with graduation. In addition, over half of New Mexico's dropouts leave in ninth or 10th grade. In FY10, 8 percent of ninth grade students were also enrolled in ninth grade in FY09. Twelve percent of New Mexico students who repeated ninth grade in FY10 graduated on time and 37 percent dropped out.

Over the past five years, 11,478 credit hours were accumulated by TMP students through dual credit enrollment and 41 distinct TMP students have completed a certificate or associate degree. The Masters Program, a 10th through 12th grade public high school, located on the campus of Santa Fe Community College (SFCC), helps incoming sophomores gain the academic skills necessary to transition to a culture of academic rigor in the high school courses and prepares all students for success in the many dual-credit courses they may take at SFCC. Students graduate from TMP with an average of 50 college credits, some earning certificates in special disciplines and others receiving Associate of Arts degrees from SFCC as they receive high school diplomas from TMP. In the past five years, 41 TMP students completed a certificate or associate degree (21 percent), of which 27 certificates (14 percent) and 19 associate degrees (10 percent) were awarded. Some students graduated with more than one certification or degree because 41 students generated 46 certificates or degrees.

Chart 18. College Credit Hours Generated by The Masters Program Students



Source: SFCC

In FY15, The Masters Program received a successful external review from AdvanceED Performance Accreditation. Institutions seeking to gain or retain accreditation must meet AdvancED standards specific to their institution type, demonstrate acceptable levels of student performance, and the continuous improvement of student performance, and provide evidence of stakeholder engagement and satisfaction. The results of the evaluation are based on critical observations, namely, powerful practices, opportunities for improvement, and improvement priorities. Stakeholders interviewed at The Masters Program were: the principal, three board members, one administrator, nine instructional staff, one support staff, 34 students, and a group of five parents, community leaders, and business leaders.

Recommendations

The Legislature should consider:

- Limiting the age which students may be counted in the state's public school funding formula to age 22.

Public Education Department should:

- Create a school report card that addresses elementary school, middle school, and high school grade configurations;
- Facilitate the opportunity for high achieving districts and charter schools to share innovative best practices; and
- Provide advice and support to districts and state-chartered charter schools to implement best practices developed by successful charter schools in New Mexico.

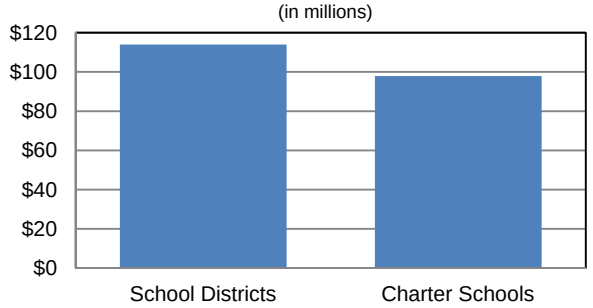
Charter schools should:

- Report annually to PED on successful best practices implemented at their school, specifically including:
    - Data showing evidence for success; and
    - Directions for successful implementation.

FUNDING CHARTER SCHOOLS CONTINUES TO CREATE SIGNIFICANT CHALLENGES TO ENSURE COST-EFFECTIVE EDUCATIONAL SERVICES

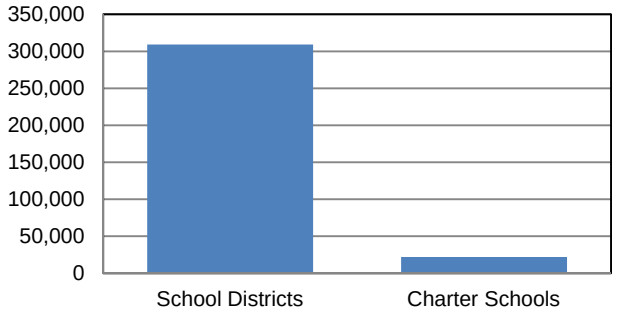
From FY08 to FY15 charter schools received 46 percent of the change in funding while educating only 7 percent of all students. Over the last seven years there has been a steady increase in funding for public education. School districts received about $114 million in additional funding while charter schools received about $98 million.

Chart 19. Change in Funding from FY08 to FY15
(in millions)



Source: PED

Chart 20. Student Enrollment, FY15



Source: PED

Table 7. Change in Funding from FY08 to FY15 for Charter Schools and School Districts

	FY08 Funding	FY15 Funding	Number of Students, FY08	Number of Students, FY15	Change in Funding
Charter Schools	$92,723,831	$190,656,486	10,454	22,008	$97,932,655
School Districts	$2,234,708,899	$2,348,700,663	313,305	309,178	$113,991,764
Statewide	$2,327,432,730	$2,539,357,150	323,760	331,187	$211,924,420

Source: PED

Charter school authorization occurs independently of the state's budget process and such expansion should take into account the overall availability of state funds for public education and the financial implications of expanding enrollment. Charter school enrollment more than doubled from FY08 to FY15 contributing to the change in funding, however, funding is not requested by PED for new charter school enrollment and enrollment cap increases. The Legislature appropriated funding specifically in support of new charter schools only once, in FY13. The general fund appropriation to the SEG in FY13 included $8.2 million to account for 50 percent of the units estimated for the 12 new charter schools opening that year.

In aggregate, if classified as a district, all charter schools in New Mexico would rank as the third largest school district (based on enrollment and SEG funding) in the state in FY15. Charter schools received $8,663 per student while school districts received $7,597 per student in FY15. If Las Cruces Public Schools, the closest in total student population to all charter schools, received the same per student funding, it would receive an additional $30 million.

Table 8. Total Program Cost and Student Population for Largest School Districts and All Charter Schools, FY15

	Albuquerque	Las Cruces	All Charter Schools	Santa Fe
Total Program Cost	$638,746,302	$177,969,201	$190,656,487	$95,359,638
Student Population	85,981	24,025	22,009	12,812

Source: LFC Files

In FY15, 79 of the 97 charter schools in operation received size adjustment program units through the funding formula. Additionally, in FY15, 28 of New Mexico's 97 charter schools depended on school size program units for more than 30 percent of their formula funding. The size adjustment program units in the public education funding formula were originally intended to steer resources to small, rural communities with small schools that do not benefit from economies of scale; however, charter schools offering special programs and limited enrollment receive additional funding from size adjustment program units.

Charter schools account for approximately 35 percent of all statewide size adjustment program units for FY13, FY14, and FY15, a total of 7,404 of the 21,171 total statewide size adjustment program units. The $29.6 million generated represents 15.5 percent of the total $190.6 million in total charter school program costs. While charter schools generated almost 35 percent of the total size adjustment program units in FY15, they serve 7 percent of the total student population. Fifty-three charter schools located in Albuquerque generated 4,290 size adjustment program units while APS generated 301 size adjustment program units in FY15. The size adjustment program units that APS charters generated amounts to $17.1 million while, APS size adjustment program units amount to $1.2 million.

Charter size adjustment program units vary from approximately 2 percent to 45 percent for FY13 through FY15. Selected charter schools differ in size adjustment program units and percent program cost, with The Masters Program receiving the largest adjustments. The total program costs for all charter schools include an average total size adjustment of roughly 20 percent. The percent of size adjustments are roughly 3 percent of the statewide total program costs. These total size adjustment program units mostly come from the senior size adjustment, but include a combination of elementary/junior and senior size adjustments. Put into perspective, the total size adjustment program unit dollar amount for all charter schools is $27.3 million for FY13 and $29.6 million for FY15, an increase of over 8 percent. Typically the senior size adjustment is roughly 85 percent of those size adjustment program unit dollars.

Table 9. Size Adjustment Program Funding as Percent of Total Program Cost, FY15

School	Total MEM	Size Units	Size Funding	Program Cost	Percent of Program cost
Robert F. Kennedy Charter	258.0	159.9	$641,175	$3,582,611	18%
South Valley Academy	429.0	0	$0	$3,964,205	0%
New Mexico Virtual Academy	468.0	0	$0	$2,882,582	0%
ACE Leadership High School	331.0	116.7	$467,848	$3,123,363	15%
The Masters Program	178.5	157.7	$632,006	$1,934,729	33%
New Mexico Connections Academy	449.0	0	$0	$4,956,496	0%

Source: LFC Files

District magnet and alternative schools are prohibited from receiving size adjustments program funding by statute. Albuquerque Public Schools (APS) indicated that statute (Section 22-8-23 NMSA 1978) does not promote innovation by school districts because schools providing special programs, like magnet or alternative schools, are unable to generate size adjustment program units. Districts are creating magnet and alternative schools in response to competition from charter schools in an effort to reclaim students and improve enrollment. Districts assert they are not on the same playing field as charter schools, which are able to receive the small size adjustments funding. Research by the Chicago Teachers Union and the Los Angeles Times concluded that magnet schools often outperform traditional public and charter schools in test scores, increasing student achievement and motivation. Los Angeles Unified School District had 191 magnet schools in FY14, many of which were their highest performing schools, with approximately 53,500 students enrolled.

South Valley Academy has grown its enrollment to successfully reduce the need for small size adjustment program units. The addition of a middle school at South Valley Academy (SVA) forced the school to re-evaluate their mission of small class sizes and teacher-student ratios. School leadership is concerned these changes will put additional challenges on student retention and proficiency. SVA expanded to include middle school in FY13 with nearly 95 percent of sixth grade students remaining for seventh grade and 96 percent retention for high school. SVA opted to grow the current school as opposed to creating an entirely new charter to accommodate middle school students ultimately cutting costs associated with opening a new school. SVA had a 74 percent graduation rate in FY14. In FY16, SVA will have its largest potential graduating class of 68 students. Many SVA students are students of siblings, who are first on the list for the lottery, and SVA has a waiting list of over 300 students. SVA will request an enrollment cap increase from 600 students to 650 students.

Enrollment growth funding ranges widely across selected charter schools. Growth funding for charter schools is typically a relatively small portion of overall formula funding but can be higher when a charter school is first established and enrollment is rising. Growth units can also be generated when a school expands their enrollment cap or adds additional grade levels. In FY15, all six selected charter schools received enrollment growth funding which ranged from $130 thousand at The Masters Program to $2.4 million at New Mexico Connections Academy. Enrollment growth funding as a percent of total program costs varied from 6.5 percent at ACE Leadership to 49.3 percent at New Mexico Connections Academy in FY15. Enrollment growth units are triggered only when a school district or charter school experiences an increase in student membership equal to or greater than 1 percent compared with the immediately preceding year on the first reporting date. Through statutory formulas, growth units are generated at 1.5 units for each student above the 1 percent growth threshold and an additional 0.5 units for each student above the prior year base **(Appendix D)**.

Table 10. Enrollment Growth Funding as Percent of Total Program Cost, FY15

School	First Reporting Date MEM	Growth Funding 1.50	Growth Funding 0.50	Growth Funding Total	Program Cost	Percent of Program Cost
New Mexico Connections Academy	792.0	$1,822,003	$623,205	$2,445,208	$4,956,496	49%
South Valley Academy	460.0	$705,764	$244,472	$950,237	$3,964,205	24%
Robert F. Kennedy Charter	268.0	$494,876	$170,329	$665,206	$3,582,611	19%
New Mexico Virtual Academy	529.0	$166,582	$66,127	$232,710	$2,882,582	8%
The Masters Program	199.0	$96,246	$36,069	$132,315	$1,934,729	7%
ACE Leadership High School	336.0	$148,126	$56,108	$204,234	$3,123,363	6%

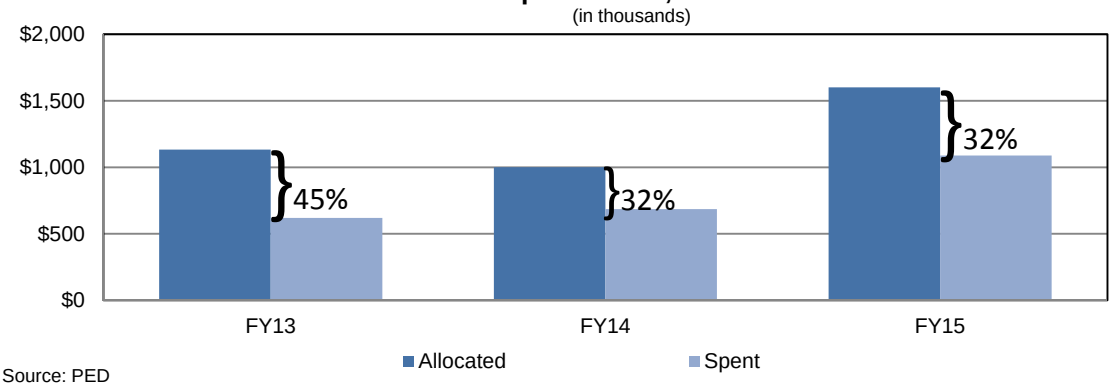
Source: LFC Files

Language in the General Appropriation Act of 2015 intended to eliminate the double-funding of students in new formula-based programs is not being implemented by the Public Education Department. State statute establishes funding based on prior year enrollment; however, statute allows the generation of enrollment growth units if current year enrollment grows more than 1 percent. The enrollment growth factor is intended to provide additional compensation to school districts and charter schools for students not funded in basic membership units. Previously, a loophole allowed charter schools phasing in new programs to count current year enrollment in new programs – a divergence from the required prior-year reporting. Additionally, schools are able to count those same students in calculations of enrollment growth units, resulting in the double-funding of students participating in new programs.

This double-funding results in dilution of the unit value, which has a particularly negative effect on the state's smallest school districts, many of which are experiencing declining enrollment. Charter schools serve 7 percent of the total public student population and generate 54 percent of funding for enrollment growth. As a result, the Legislature included language to eliminate this double-funding and reduced the SEG by $2.9 million in FY16. However, the language only provides a temporary solution to the issue of double-funding because it must be included in the General Appropriation Act annually and is subject to veto. During a meeting with LFC and LESC in fall 2015, PED indicated they did not intend to implement the provision as the Legislature intended.

Transportation funding for state-chartered charter schools is another example of dilution of monies. Previous LFC and LESC reports found many state-chartered charter schools receive more funding than is needed to transport students, resulting in large transportation fund balances. LESC interim subcommittees on public school transportation during the 2012 and 2013 interims heard testimony from PED that state-chartered charter schools were receiving more school transportation funding formula allocations than they needed to provide to-and-from transportation services for students. As seen in the chart below, school transportation revenues for state-chartered charter schools exceed expenditures at the end of each fiscal year for the past three years. For example, in FY15, 32 percent of state-chartered charter school transportation revenues were unspent.

Chart 21. State-Chartered Charter School Transportation Allocations and Unspent Funds, FY13 to FY15
(in thousands)



Source: PED
Note: Charter schools that did not submit a budget adjustment request (BAR) are not included in the unspent funds percentages.

Previous LFC and LESC reports highlight the concern that state-chartered charter school transportation is not limited to certain geographic areas, allowing them to claim miles traveled "to and from" school far in excess of what school districts schools are allowed to claim. The need for funding "to and from" transportation for charter school students is questionable since parents have chosen to go to a different school than in their own district zone. If parents choose to transfer within regular district schools they are not able to access additional transportation funding from the state raising concerns over equity. Should it choose to continue to provide funding for state charter schools transportation programs, the legislature may wish to consider separate appropriations and consider developing a separate funding formula suitable for state-chartered charter schools as recommended by LFC and LESC. An alternative would be to prohibit charter schools from accessing transportation funding to ensure equity and efficiency compared with student transfers in school districts. Currently, transportation funding is diluted, with spending for the same resources spread across more public school entities serving the same total number of students.

The transportation allocation method is not designed for schools without boundaries and there is currently potential for duplication of services in some areas and overfunding of some charter schools. Funding charter school transportation programs can promote inefficiency. For example, the South Valley Academy is down the street from a competing APS school, both of which run buses to many of the same areas. To the extent that charter schools transport students from across town, further inefficiencies crop up as the cost per student rises significantly. State statute requires 50 percent of any excess transportation allocation distributions to revert to the transportation emergency fund with the remaining 50 percent staying with the school. Of the 50 percent that stays with the school, 25 percent can be used for "to and from" transportation, excluding salaries and benefits, and the remaining 25 percent can be used for any other transportation services, excluding salary and benefits. Overall charter schools have large unspent balances, 32 percent in FY15. Additionally, data from PED shows that some charter schools carry over balances from previous years, another indicator that state charter schools are overfunded for transportation. Unspent funds are likely higher than reported here due to state-chartered charter schools not reporting unspent funds. Specifically, PED provided LFC staff with multiple examples in which state-chartered charter schools did not submit a budget adjustment request for unspent funds, therefore the unspent funds were not reverted into the emergency fund and the school carried over fund balances into the following year.

Over half of expenditures were used for classroom instruction at all but one selected charter school and all schools statewide including charter schools in FY15. Statewide, 62 percent of all expenditures went to instruction, meaning 38 percent was spent on non-instruction and overhead. Out of the selected charter schools ACE Leadership spent the least on instruction at 39 percent. The two virtual schools, with much less need for overhead spending, appear to have spent the most on instruction; however, contractual services with their contracting companies are included in instructional expenditures which inflates the perceived amount spent on instruction (See page 47 for further discussion on virtual charter school instructional expenditures).

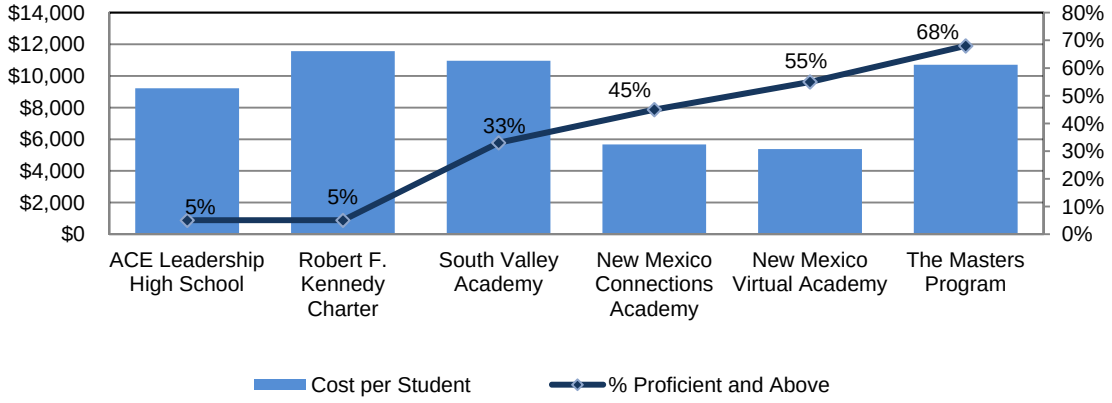
Table 11. Direct Instructional Expenditures, FY15**

School	Instructional Expenditures	Total Operational Expenditures	Percentage Instructional Expenditures
All Schools	**$1,588,533,652**	**$2,568,126,281**	**62%**
Average Local Charter Schools	**$1,141,921**	**$1,930,026**	**59%**
South Valley Academy	$2,228,445	$3,790,125	59%
Average State Charter Schools	**$1,038,212**	**$1,876,238**	**55%**
Robert F. Kennedy Charter	$1,704,068	$3,193,588	53%
The Masters Program	$855,348	$1,807,236	47%
ACE Leadership High School	$1,167,848	$3,018,634	39%
New Mexico Connections Academy	$3,959,545	$4,722,579	*
New Mexico Virtual Academy	$2,241,939	$2,680,336	*

Source: LFC Files
* Percentages include non-instruction related contractual expenses
** These direct instructional expenditures do not include support services

The program cost per student and student proficiency rates vary amongst selected charter schools and the state. Student demographics significantly differ amongst selected charter schools which may explain the variance in cost versus performance. For example, at over $11 thousand per student, Robert F. Kennedy Charter spent the most per student in FY14 and had the second lowest number of students proficient and above in reading at 5 percent. New Mexico Virtual Academy's cost per student was the lowest and over half of their students were proficient and above in reading as indicated by the chart below.

Chart 22. Total Program Cost per Student vs. Student SBA Reading Proficiency, FY14



Source: LFC Files

In most cases, locally chartered charter schools receive more funding per student than their district counterparts. Data from every school district with a locally chartered charter school shows 71 percent of the local charter schools received more funding per student than the district received on average in FY15. For example, the locally chartered charter school in Gallup-McKinley County Schools received 72 percent more funding per student than the district. Charters in Deming Public Schools received almost 50 percent more funding per student and charters in Roswell Independent School district received 40 percent more funding per student. Five of the 17 districts with locally chartered charter schools receive more funding per student than the locally chartered charter school in that district but the amount received is significantly less than the charters in other districts. The districts generating more per student funding than the locally chartered charter schools only generate up to 11 percent more per student while charters generate up to 72 percent more funding than districts.

Table 12. Difference in Funding between District Students and Locally Chartered Charter School Students, FY15

District	District Funding per Student	Local Charter School Funding per Student	Percentage Difference
Gallup-McKinley County Schools	$7,513	$12,909	72%
Deming Public Schools	$7,249	$10,675	47%
Roswell Independent School District	$7,122	$9,940	40%
Taos Municipal Schools	$7,883	$10,001	27%
Albuquerque Public Schools	$7,429	$9,373	26%
Las Cruces Public Schools	$7,408	$9,093	23%
Carlsbad Municipal Schools	$8,225	$10,037	22%
Espanola Public Schools	$8,055	$9,502	18%
Aztec Municipal School District	$6,866	$7,606	11%
Santa Fe Public Schools	$7,443	$8,265	11%
Cimarron Municipal Schools	$10,972	$11,421	4%
West Las Vegas Public Schools	$9,026	$9,317	3%
Socorro Consolidated Schools	$7,843	$7,738	-1%
Jemez Valley Public Schools	$9,917	$9,415	-5%
Jemez Mountain Public Schools	$11,939	$10,966	-8%
Questa Independent School District	$10,724	$9,726	-9%
Farmington Municipal Schools	$6,921	$6,159	-11%

Source: LFC Files and Final Funded Membership Run

The Masters Program (TMP) leases five classrooms, two administrative offices, and a conference room for $113,728 per year from the Santa Fe Community College (SFCC). TMP receives approximately $90 thousand from the Public School Capital Outlay fund for this purpose, and must pay the remaining approximately $23 thousand from its operational budget. TMP has paid SFCC approximately $30 thousand for the renovation of the office space and estimates $250 thousand to $300 thousand for the renovation of a large meeting space to accommodate all students and faculty for assemblies and group meetings.

Santa Fe Community College estimates over $220 thousand in revenue from The Masters Program student dual credit enrollment in FY15. The calculation is based on enrollment, tuition reimbursement, and certificates and degrees completed. TMP's SEG funding is never used for dual enrollment tuition costs and SFCC receives funding from the state through the higher education funding formula. TMP sees significant savings as it does not offer elective classes and students take their electives as dual enrollment courses at SFCC. Previous LFC reports indicate high schools and postsecondary institutions are receiving full instructional funding regardless of the physical location and responsibility for instruction of the dual credit course. The state funding is the same as if the student took two courses: one at the high school and one at the postsecondary institution. However, only one entity is responsible for the salary of the instructor and maintaining a seat in the classroom for a student.

Recommendations

The Legislature should consider:

- Phasing out or reducing size adjustment program units for charter schools and creating a categorical funding program to fund first-year charter school and charter growth units*;
- Requiring 100 percent of unspent transportation funds be reverted to the emergency transportation fund;
- Making a separate transportation appropriation with a separate distribution formula for state-chartered charter schools*; and
- Amending the school finance act to eliminate the double-funding of students participating in charter schools and receiving growth units*.

*At its December 2015 meeting LESC endorsed these recommendations and LFC is considering endorsement of the same bills.

The Public Education Department and Public Education Commission should:

- Analyze the impact of increasing charter school enrollment through new charter school approvals and enrollment cap increases and the impact increased enrollment has on the State's budget.

Charter schools should:

- Link financial and education planning to ensure spending decisions support educational goals.

The Legislative Education Study Committee should:

- Work with LFC and PED to examine a new method for allocating transportation dollars during the interim.

AUTHORIZATION, OVERSIGHT, AND GOVERNANCE ARE ESSENTIAL TO CHARTER SCHOOL EFFECTIVENESS

The National Association of Charter School Authorizers (NACSA) gives New Mexico a score of 14 out of 30 for the states' policies on charter schools. The score is based on a number of factors such as performance management and replication, alternative authorizers, renewal standards, default closure, authorizer evaluations and others. NACSA has grouped New Mexico with 21 other states according to charter law similarities and New Mexico is ranked 12th in that group behind Washington, Texas, and Mississippi.

NACSA highlights that departments of education as charter school authorizers often fail to have great visions; tending to focus on compliance and adherence to protocol rather than innovation and performance. As authorizers, departments of education possess a mix of vision, capacity, and political support that is similar, but not identical to that of school districts. However, departments of education often provide the most rigorous oversight and assistance to the schools they charter, because they have knowledge of state laws. Departments of education also have credibility with the public and generally possess enough political support to make necessary decisions regarding charter school governance.

Charter school authorization can impact student academic growth. A 2009 study by the Center for Research on Education Outcomes (CREDO) at Stanford University examined the relationship between student achievement and multiple charter school authorizers, including but not limited to higher education institutions. The authors found that in states with multiple authorizers, "there is a significant negative impact on student academic growth." The authors suggest that, given a choice, charter school applicants "are strategic in their choice of authorizer and look for the option that is 'easiest' on charters." State education departments may have the most difficulty as authorizers because their purpose is to enforce regulations, not to offer autonomy in exchange for performance.

Charter school authorizers and PED cannot account for the 2 percent of the charter school program cost withheld by districts and PED. Both APS and PED provide broad categories for the 2 percent fee withheld from charter schools. Categories for APS include: staffing and maintenance of the Charter/Magnet School Department, any dedicated staff that are needed for the authorizer to fulfill its obligation, training provided to the charter schools, and any other purpose that may be negotiated as an amendment to the contract. Categories for PED include: Charter School Division staff salaries and benefits, supporting the Public Education Commission's work (including travel and expenses), resources needed to accomplish the oversight necessary (such as, pens, paper, software, and other supply costs), and all other bureaus in the PED that spend time on issues related to charter schools. PED categories do not refer to any training or professional development. Farmington Municipal Schools' contract with New Mexico Virtual Academy does not identify categories or an agreement for the 2 percent fee. In FY15, districts received approximately $1.6 million from the 2 percent administrative fees and approximately $2.2 million was withheld by PED from state-chartered charter schools.

In 2013, 89 percent of the 1,045 charter school authorizers in the nation were locally chartered; however, in New Mexico 41 percent were locally chartered and 59 percent state chartered in FY15. According to NACSA, 5 percent of charter school authorizers were higher education institutions, 2 percent not-for-profit organizations, 2 percent state education agencies, and 1.5 percent independent charter boards. Among all authorizers, charter application approval rates have remained around 33 percent yearly. Closure rates have risen and fallen over the past four years, with the most recent closure rates during renewal in FY13 at 11.6 percent. In New Mexico there are 37 locally chartered charter schools of which 19 percent are chartered by the APS Board of Education.

Table 13. State-Chartered Schools vs. Locally Chartered Schools, FY15

	State-chartered Schools	Locally Chartered Schools
Number of Schools	57	40
Enrollment	13,615	9,001
White	35%	28%
Black	2%	2%
Hispanic	56%	59%
Native American	3%	9%
Disabilities	17%	20%
Economically disadvantaged	56%	60%
English Language Learners	14%	13%

Source: LFC Files

Nationally, there has been a steady increase in complaints about or regarding charter schools due to lack of oversight. The U.S. Department of Education's Office of the Inspector General's *Semiannual Report to Congress, No. 60.1 (FY10)*, references a memorandum, with stated purpose to "alert you of our concern about vulnerabilities in the oversight of charter schools." The report indicates that the OIG had experienced, "a steady increase in the number of charter school complaints" and that state level agencies were failing "to provide adequate oversight needed to ensure that Federal funds [were] properly used and accounted for." A joint study by the non-profit organizations Center for Popular Democracy and Integrity in Education, which focused on 15 large charter markets, found fraud, waste, and abuse cases totaling over $100 million in losses to taxpayers. They concluded that despite rapid growth in the charter school industry, no federal or state agency has been given the resources to properly oversee it.

The Center for Popular Democracy's research found fraud and mismanagement in charter schools falls into six basic categories:

- Charter operators using public funds illegally for personal gain;
- School revenue used to illegally support other charter operator businesses;
- Mismanagement that puts children in actual or potential danger;
- Charters illegally requesting public dollars for services not provided;
- Charter operators illegally inflating enrollment to boost revenues; and
- Charter operators mismanaging public funds and schools.

The Center for Popular Democracy's analysis of New York charter school audits found $28 million in questionable expenses between FY01 and FY12. Investigators found probable financial mismanagement and internal control deficiency in 95 percent of the New York charter schools audited, estimating wasteful spending could cost taxpayers more than $54 million per year. In FY15, New York charter schools received $1.5 billion in public funds. The audit focused on 62 of New York's 248 charter schools. Findings included issues such as paying excessive fees to management companies holding a school's building lease, overpaying contractors, and failure to account for expenses (in one school $102,857 in expenses). The majority of this fraud will go undetected because New York depends heavily on self-reporting by charter schools and general auditing techniques alone do not uncover fraud. In response to the audit, the Northeast Charter School Network highlighted that schools get oversight through regular audits and through the renewal process every five years.

PED's audits note a lack of oversight of charters for the past three or four years. In 2012, the Legislature passed a law requiring performance contracts and mandating new accountability guidelines for charter schools, including annual site visits by the Public Education Commission (Section 22-8B-9.1 NMSA 1978). The law defines the authorizers' authority and responsibilities, requires a legally binding charter contract negotiated with 30 days of charter approval, and an academic performance framework as part of the contract, includes closing protocols, and requires charter schools make annual reports to their authorizer.

Charter schools were responsible for 87 percent of the financial statement audit findings for PED in FY13 (the last audit available) and a significant number of findings for school districts. PED's audit report includes findings for all state-chartered charter schools in FY13. Of the 56 repeat findings for the PED, 47 were from state-chartered charter schools. Albuquerque Public Schools had 50 audit findings, of which 46 were for locally chartered charter schools. Twenty-nine of the 33 audit findings in Santa Fe Public Schools were for locally chartered charter schools. Of the 60 audit findings for Taos Municipal Schools, 43 audit findings were for the locally chartered charter schools, including 16 considered significant deficiencies. Of the 13 findings in Las Cruces, 12 were for the locally chartered charter schools. Robert F. Kennedy Charter (RFK) had five audit findings in FY13, two repeated and three new, including receipts that were not deposited on time, exceeding budgetary authority at the legal level, and lacking approved purchase order or purchase requisitions. RFK has now contracted with APS for its financial management.

According to the U.S. Department of Education, Southwest Secondary Learning Centers, a state-chartered charter school in Albuquerque, is one of the 18 cases nationwide of charter schools that the U.S. Department of Education, FBI, Securities and Exchange Commission, and IRS are investigating. In 2014, Southwest Secondary Learning Centers was being investigated for financial mismanagement and conflicts of interest. The school's director oversaw slightly fewer than 500 students and got paid $204,000 per year, excluding other benefits. He resigned shortly after an FBI raid in 2014. A recent audit found the charter school paid $1.1 million in leases to an aircraft company owned by the director and leased buildings from a company where the director was also co-owner. The State Auditor has warned the Public Education Department over its charter school oversight, highlighting that in a 2012 audit of the department there were 185 findings — including 16 related to financial oversight and compliance failures regarding state-chartered charter schools.

Not all charter schools have a performance contract with their governing body. Law requires all new charter schools and any charter school renewing their charter to enter into a contract with the governing body after the enactment date of July 2012 (Section 22-8B-9.1 NMSA 1978). The performance contract framework put in place clearly requires academic and performance indicators, measures, and metrics to guide the chartering authority's evaluation of the charter schools effectiveness. Eleven new charter schools, one locally chartered charter school and 10 state-chartered charter schools, approved to begin classes in FY13 were not placed on the performance contract. New Mexico Virtual Academy is one of the schools not currently on the performance contract. This means that these 11 schools are not held to the same accountability standards as every other charter school until they reach their renewal date of FY17.

The Public Education Commission, PED, and district authorizers lack consistency. In FY12, the Secretary of Education overturned a Taos charter school application denied by the Public Education Commission. In September of 2012, the Public Education Commission (PEC) denied the charter application for Taos International School, a kindergarten through eighth grade school providing the International Baccalaureate Program and a dual language program, both Spanish immersion and Mandarin Chinese. PEC argued that the five charters schools in Taos were already enough, comprising 27 percent of total district enrollment. In addition they argued that the abundance of charters created a "de-facto segregation among students in the district" because families choosing charter schools were predominantly of Anglo descent. The charter school appealed the decision and the Secretary of Education overturned the commission's denial. The PEC appealed the reversal and the case went to district court where the Secretary's decision was upheld.

New Mexico charter schools are rarely revoked before the end of their terms. Four charter schools have been revoked by the Public Education Commission (PEC) since enactment of the Charter School Act but three revocations were overturned by the Secretary of Education. In 2010, the three worst performing charter schools in the state, Ralph J. Bunche Academy, La Resolana Leadership Academy, and the Learning Community Charter School, were not renewed by the PEC. At the time, their state standardized test scores were up to 33 percent below the state average. Ralph J. Bunche Academy had 23 audit findings. The three schools appealed to the Secretary of Education who then overturned the PEC's decision. In June of 2015, the Health Science Academy's (HSA) charter was revoked in a five to four decision by the PEC. The HSA lost its accreditation after the discovery of fraudulent student enrollment, misuse of funds, and the turnover of four principals in one year. The school submitted a new charter application which was rejected and there is currently no pending application.

Three districts with less than 1,300 students have charters with over 10 percent of the district population. Section 22-8B-6(G) states: **"**An initial application for a charter school shall not be made after June 30, 2007 if the proposed charter school's proposed enrollment for all grades or the proposed charter school's proposed enrollment for all grades in combination with any other charter school's enrollment for all grades would equal or exceed 10 percent of the total MEM of the school district in which the charter school will be geographically located and that school district has a total enrollment of not more than one thousand three hundred students." Fifty-six out of 89 school districts have a population lower than 1,300 students, and five of the 56 districts have charter schools. While the charter schools' initial enrollment in the table below did not exceed the 10 percent requirement, three charters currently exceed the 10 percent enrollment limitation.

Table 14. Percentage of District Population for Charter Schools Located in Districts with less than 1,300 Students

District	Overall District MEM	Charter School	MEM	Percentage of District Population
Jemez Valley	502.25	San Diego Riverside Walatowa Charter High	94.5 64.5	31.7%
Questa	492.75	Roots and Wings Red River Valley	44 78	24.8%
Cimarron	432.5	Moreno Valley High	73.5	17%
Jemez Mountain	272	Lindrith Area Heritage	26	9.6%
Penasco	397.5	La Jicarita	36	9.1%

Source: PED

Despite low performance, the Charter School Division (CSD) recommended a three year term of renewal with conditions for ACE Leadership. CSD stated that ACE Leadership demonstrates compliance with applicable laws, rules, and regulations relating to financial management and oversight expectations, even though they did not meet six out the seven goals listed on their 2015 renewal application have consistently low reading and math proficiency. The PEC determined the school's growth and overall average final grade of a 'C' at the time of application in FY14 warranted a three year term renewal.

ACE Leadership's charter was renewed despite the following:

- 5 percent FY14 SBA reading proficiency, 1.2 percent FY14 SBA math proficiency in FY14;
- 18 percent dropout rate in FY14;
- 45 percent of students absent 10 or more days in FY15;
- Missed six out of seven goals listed on renewal application; and
- ACE Leadership received an 'F' for FY15 school grade report card, receiving a grade of 'F' for every category except Opportunity to Learn ('B') and Student Growth for Highest Performing Students ('D'). Its three year average grade is a 'D', with significant decline in overall points over the past three years.

Closing 1,000 of the worst performing charter schools nationwide would significantly increase the average learning taking place in the rest of the charter sector. CREDO found that nearly 700 charter schools are still performing below traditional public schools in reading, and more than 1,000 are performing below traditional schools in math. Those numbers are strikingly similar to NACSA's finding last fall that 900 to 1,300 charter schools were performing in the bottom 15 percent of their states' accountability systems. CREDO found that these low-performing charter schools do serious damage to the sector's performance. Nine charter schools in New Mexico are performing in the bottom 15 percent (120 schools) of the state's accountability system (PED's A-F school grading system) in FY15. Of those nine schools, one is a locally chartered charter school and eight are state-chartered charter schools. All schools in the bottom 15 percent have a PED grade of 'F' and ACE Leadership is the only selected charter school on that list.

Farmington Municipal Schools expressed concern over their role as authorizers for New Mexico Virtual Academy. Currently, NMVA provides monthly budget reports and an annual presentation on enrolment and student achievement. The district approves the annual budget that is presented by the school and an employee of the Vigil Group. However, Farmington Municipal Schools leadership expressed concern over their role in reauthorizing and oversight in relation to the approved charter application in FY11. The application was sponsored by the New Mexico Mission of the League of United Latin American Citizens (NM LULAC), an organization with the mission is to advance the economic condition, educational attainment, political influence, and civil rights of the Hispanic population of the United States. Currently, NMVA has no economically disadvantaged or ELL student enrollment and only 34 percent of the student population was Hispanic in FY15.

In addition, the initial application states that NMVA will be a blended model, providing "distance learning combined with traditional face-to-face classroom instruction according to the student's academic and social needs" at the learning center located in Farmington. However, the learning site only receives 10 to 15 students, or 2 percent to 3 percent of all students per week and it is unclear how students residing outside Farmington are receiving face-to-face instruction. Farmington Municipal Schools was also unclear how a student's attainment of 80 percent or less on unit tests in order to move to the next level translated into student performance or grading as per state regulations.

PEC provides oversight for state-chartered charter schools and districts provide oversight for locally chartered charter schools, leaving districts struggling with how to provide support while maintaining accountability. In addition, neither the New Mexico Coalition of School Leaders nor the New Mexico School Board Association train or address issues around locally chartered charter school authorization and accountability. However, APS, the largest authorizer in the state with 19 charter schools, has adopted performance based contracts and an application process similar to the PEC. The performance based contracts allow the district to assist or monitor district charter schools according to the individual uniqueness of each charter. In addition, APS works closely with their charters, providing support, professional development, financial oversight, and site visits as part of their annual audit.

In FY15, the North Carolina Department of Public Instruction established a new performance framework for all charter schools in key areas of academics, finance, and operations. The current North Carolina School Report Card includes information on both charter schools and traditional public schools, but the new charter school performance framework includes information on academic, financial, and operational details specific to charter schools. The initial results will not be used for any high-stakes decisions, such as charter renewals or revocations, but is meant to be used as a tool to track growth and improvement. In addition to the school report card, the financial performance framework gauges the near-term financial health, the longer-term financial sustainability, and administration's ability to adequately manage finances for each school. The operational performance framework gauges a range of areas including educational programs, equity, school culture, governance, safety, and reporting for each school.

In general, governing councils at selected charter schools operate appropriately but could improve in key areas. Despite the importance of charter school governing councils or boards, national anecdotal evidence indicates many boards and board members are not effective and are actually sources of instability and disruption. Research from Tulane University on Louisiana charter schools found this can be due to the difficulty in finding board members with needed expertise, board member inexperience, and the prevalence of boards staffed with friends of the school's founder who may bring no particular skill to the board. Boards generally suffer from similar dysfunctions including: managing and not governing, failing to outline the responsibilities of the school leader in advance, acting as individuals and not as a group, spending time on administrative trivia, and failing to engage in board professional development. Other studies indicate public charter school boards can become insular and act in their own self-interests, placing the goals of the school's program over providing a quality education to students when oversight lacks.

Essential Governing Council Member Areas of Expertise:

- Financial—both accounting and bigger picture financial management skills
- Real estate—facility identification, negotiation, financing and property management
- Fundraising—especially cultivating individual donors, building a donor base
- Public relations/marketing—especially as it relates to fundraising and community building
- Human resources—personnel policies, salaries, benefits
- Legal expertise—general law as opposed to educational law
- Education—especially accountability, systems, and big-picture administration of educational institutions
- Previous governance experience (non profit or corporate) and strong connections to the community where the school will be located

Source: Meetinghouse Solutions

Selected schools' governing councils were clear on their oversight roles vis-à-vis the director and school financial oversight. Governing council (GC) members highlighted training received from the New Mexico Coalition of Charter Schools (NMCCS) on the GC's role in charter school oversight as effective. Robert F. Kennedy Charter's GC indicated training provided by APS was more productive as it focused on specific needs and challenges of the school rather than general information previously received through other forums.

Selected charter school governing councils actively sought members with essential backgrounds and skills. Governing council members in select schools recruited members to fill priority areas that provide talent and expertise in essential areas. Governing council make-up generally at selected charter schools consisted mainly of a member with a background in education, a member with financial background, a member with legal expertise, and a parent.

Selected charter schools lack nominating committees and instead rely on word of mouth and personal relationships. The majority of the governing council members were recruited by active members who were friends or business acquaintances. National studies have shown that many governing councils lack an effective nominating committee. Nominating committees should be well organized and have recruiting priorities that meet the schools' long term strategic plans. Without defined governing council expectations and roles, governing councils are poorly organized and lack the necessary understanding of the school. All selected charter school governing council members highlighted the difficulty in finding people to become members of the GC and expressed the desire for more council members, including RFK whose goal is to have a 12 member committee. Community, parent, and student engagement took place through public comment during meetings.

Table 15. Selected Charter Schools' Governing Council Practices

	ACE	NMVA	NMCA	RFK	SVA	TMP
Number of GC members	6	5	5	9	5	5
GC Member profile posted on website	✔	✔	✔			
GC Member recruited for expertise	✔	✔	✔	✔	✔	✔
GC Meeting dates posted on website	✔	✔	✔	✔	✔	✔
Past GC meeting minutes available on website			✔	✔	✔	
GC Members recruited by friends on board.		✔		✔	✔	✔
Removal of unproductive members	✔					
Approve annual budget	✔	✔	✔	✔	✔	✔
Review financial and business dealings	✔	✔	✔	✔	✔	✔
Develop and establish policies	✔	✔	✔	✔	✔	✔
Director performance evaluation includes student performance data	✔	✔	✔	✔	✔	✔
Provide one year contract for director	✔	✔	✔	✔	✔	✔

Source: LFC Files

Only one of the selected charter school governing councils has ever removed an unproductive member. ACE Leadership's governing council has elected to remove a member who was excessively absent from council meetings. Poor performing governing councils are often the result of unproductive council members. Members who do not carry out their commitments create obstacles to effectiveness. Most selected school governing council members stated that the need to remove an unproductive member had never occurred and there was no process for evaluating board members performance.

The majority of governing councils at selected schools did not have clear long-term strategic plans or goals, or have a mechanism for self-evaluation as a governing council. Strategic plans and benchmarks for governing board self-evaluation provide for clear directions and effective leadership. Strategic plans should focus on long-range goals for program delivery, fiscal responsibility, student enrollment and achievement, and community relations.

Recommendations

The Public Education Department should:

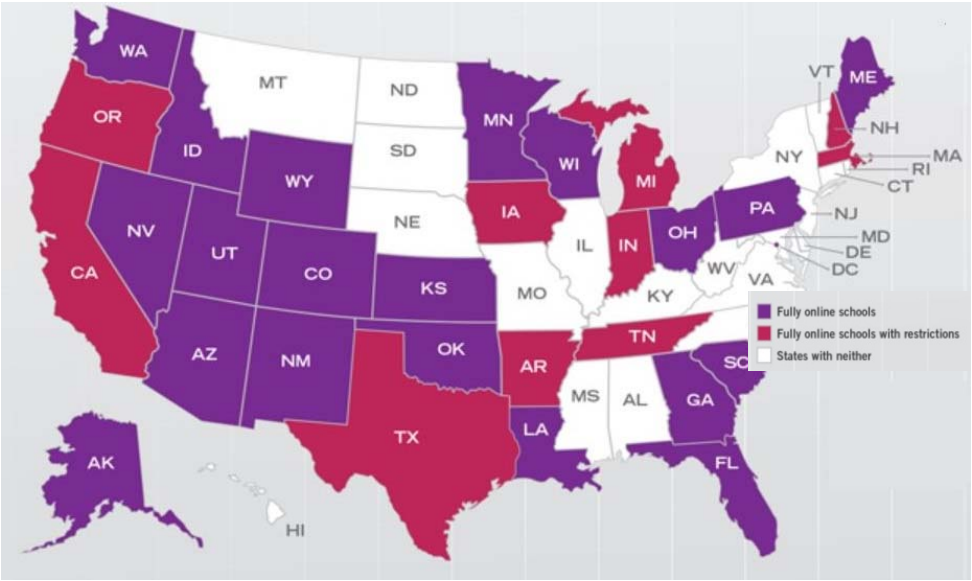
- Create a strategic plan to address PEC authorizations; including decreasing state-chartered charter schools' audit findings, addressing state-chartered charter school growth, and addressing governing council best practices;
- Provide guidance for districts and school boards on the best practices for authorization and accountability of locally chartered charter schools;
- Create a pool of qualified potential governing council members to assist charter schools in filling vacancies; and
- Provide opportunities for governing councils, charter schools, and district non-charters to share best practices and innovative approaches.

NEW MEXICO NEEDS TO DEVELOP NEW FUNDING FORMULA AND ACCOUNTABILITY STRUCTURES TO ADDRESS VIRTUAL SCHOOLS

Virtual education takes many forms and serves many purposes. Formats in virtual education include full-time online kindergarten through 12th grade schools as well as single courses that allow students to explore a subject not available in their brick-and-mortar schools. Virtual education is also used by students to make up credits for a required course they earlier failed. Some virtual education programs require students and teachers to be online at the same time (synchronous education); others allow students and teachers to visit online courses at their own convenience (asynchronous education); others combine online work with traditional, in-person classroom instruction (blended instruction). Providers include public entities, non-profit organizations, and for-profit organizations.

Online virtual schools operated in 30 states and served over 315 thousand students in FY14 according to Evergreen Educational Group. Twenty-four of the 30 states define or permit online charter schools in state law. Academic performance on state writing and math assessments in virtual schools is lower than state averages in traditional brick-and-mortar schools. A number of states fund online schools 30 percent to 50 percent less than brick-and-mortar schools.

Figure 1. States with Fully Online Schools, FY14



Source: Evergreen Educational Group

There are two virtual charter schools operating in New Mexico: New Mexico Connections Academy (NMCA) (fourth grade through 12th grade), a state-chartered charter school in Santa Fe, and New Mexico Virtual Academy (sixth grade through 12th grade), a locally chartered charter school in Farmington. New Mexico administrative code allows for the creation of fully online schools and multi-district online schools, but maintain that asynchronous distance learning "shall not be used as a substitute for all direct, face-to-face student and teacher interactions unless approved by the local board of education" (Section 6.30.8.8 NMAC). New Mexico state law does not address virtual charter schools.

The Connections Academy, a for-profit organization, is a division of Connections Education, LLC, which is owned by Pearson PLC. Connection Academy contracts with schools to provide an online school platform for students in kindergarten through 12th grade in 26 states. Under New Mexico law, charter schools can contract with providers for services, but cannot contract away management duties. In 2013, the initial NMCA application was denied by the Public Education Commission as "contrary to the best interests of the charter school's projected

students, the community, or the school district in whose geographic boundaries the charter school applies to operate," but after a series of appeals it was authorized and opened in FY13. The NMCA governing council contracted with Connections Academy of New Mexico, LLC to provide curriculum and services for NMCA. Currently, NMCA offers enrollment to students residing throughout the state of New Mexico in fourth through 12th grades. NMCA is currently capped at 2,000 students, with an enrollment of 792 in FY15 and 1,063 students at the time of LFC's visit to the school. NMCA has 26 teachers. Students work with a "learning coach," a parent or guardian that works closely with the teacher to ensure assignments are completed and students stay engaged and motivated.

Research has found serious deficiencies with K12 Inc., which New Mexico Virtual Academy utilizes. New Mexico Virtual Academy is a locally chartered charter school, authorized by Farmington Municipal Schools in FY12, with enrollment capped at 500 students. The school uses the K12 Inc. curriculum. K12 Inc. is a for-profit company that provides an alternative to the traditional brick-and-mortar education by selling online schooling and curriculum for kindergarten to 12th grade students in public or private schools. Students enrolled at NMVA complete all coursework online with instruction facilitated by a mentor (usually a parent or guardian) with the assistance of a state-certified teacher assigned by the school. The curriculum is mastery-based, with students required to score 80 percent or higher. According to The New York Times, K12 Inc. uses significant funds for advertising and lobbying state officials. Two lawsuits have been filed by shareholders alleging K12 Inc. misled investors about prospects for enrollment growth and regulatory issues. One of these lawsuits was settled.

Three recent reports identify virtual schools as negatively impacting learning. Mathematica Policy Research found 60 percent of virtual school courses are self-paced and allow students to earn course credits regardless of seat time, significant responsibilities have been placed on virtual parents, and student engagement is one of the largest challenges. The Center on Reinventing Public Education (CRPE) reports two-thirds of virtual schools contract with for-profit management firms who have strong lobbying to fight regulation. CRPE also notes that 27 percent of K12 Inc. students met annually yearly progress standards, as compared to 52 percent in traditional schools, and that the National Collegiate Athletic Association (NCAA) no longer accepts course credit in 24 K12 Inc. schools because NCAA determined these schools did not meet required NCAA core course legislation. The Center for Research on Education Outcomes (CREDO) at Stanford University found that 22 percent of virtual students eventually returned to public schools and that parent involvement in online instruction has a negative impact on learning.

Many states have established criteria to address quality control in virtual schools. A comprehensive review of 311 virtual schools found serious and systematic problems, including students falling behind and dropping out at higher rates. A National Education Policy Center (NEPC) report in FY15 concluded that continued rapid expansion of full-time cyber schools is unwise because more research is needed. The report found that in FY14, two-thirds of the virtual schools were rated academically unacceptable and graduation rates were less than half the average of public schools. NEPC recommends state agencies collect refined data and establish financial controls unique to virtual schools.

Several states have addressed virtual schools in the past several years:

- New Jersey: although granting conditional approval two years ago, the state has denied final permission for two virtual charters to open. The rationale was "legal and practical implications" since the state's charter school laws never anticipated this type of charter school.
- Oklahoma: legislation created the totally separate Statewide Virtual Charter School Board, whose sole purpose is to oversee statewide virtual charter schools. This body is the authorizer and sponsor of virtual charter applications with final approval from the State Board of Education.
- Pennsylvania: the Auditor General of the Commonwealth requested changes in the funding structure for its virtual charter schools. This action could potentially save the state $365 million a year through smaller allotments better aligned with lower operating costs.
- Tennessee: the state has initiated efforts to ensure quality of the virtual schools, which are not charter schools, including restricting expansion unless performance requirements are met and closure for prolonged substandard results.

- Texas: the Texas Legislature recently passed a law requiring virtual schools to develop a plan for how they will provide additional services for at-risk students. The statutory changes are related to the eligibility of students to generate state compensatory education funding (at-risk funding). It requires virtual schools to collect income eligibility forms from students' households and include a plan detailing the enhanced services that will be delivered to at-risk students.

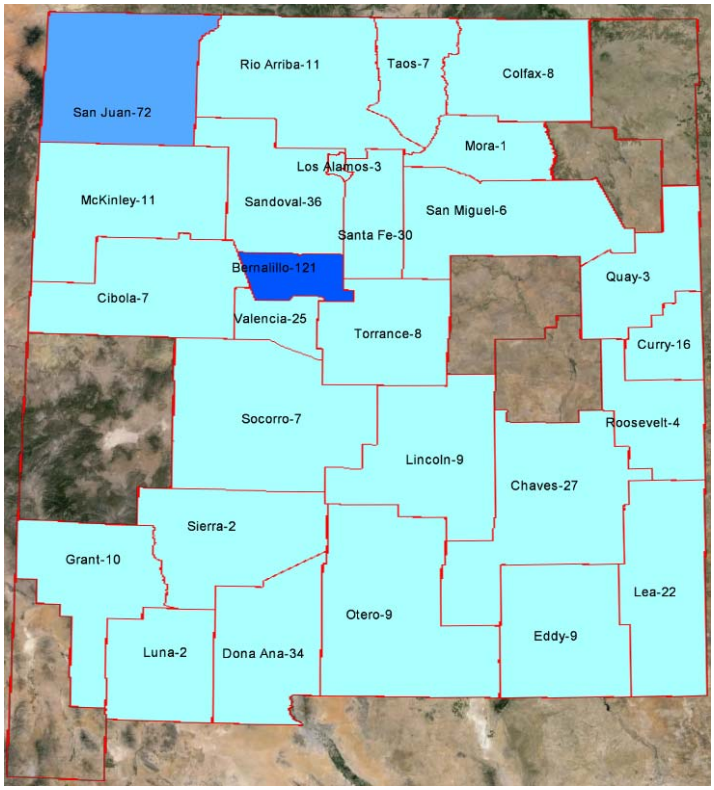
Differing legal views exist as to whether New Mexico Virtual Academy's (NMVA) contract with K12 Inc. violates state law. An FY14 Attorney General opinion concludes the contract between NMVA and K12 Inc. violated state law as K12 Inc. is an integral part of the school's administration and operation, including budget preparation and financial planning. In addition, the opinion states that K12 Inc. is involved in the maintenance of school records, business administration, student discipline, advertising, hiring practices, and making recommendations to the school board.

NMVA's legal counsel responded to the Attorney General's 2014 general opinion highlighting ambiguity of statutory language. The letter, dated September 2014, argues that if a word or phrase is not defined in statute, its meaning is determined by context, the rules of grammar, and common usage (Section 12-2A-2 NMSA 1978). At issue is the lack of definition for the term "management" by the Legislature in both the Charter Schools Act and the Public School Code. The response argues K12 Inc. does not manage NMVA, but only provides essential technical and curricular services that support the program and mission of the school, as do curriculum providers, consultants, vendors, bus companies, and business managers. As a result, the letter states the contract between NMVA and K12 Inc. is legal and enforceable.

Enacted in 2015, Senate Bill 148, Charter School Responsibilities, endorsed by LESC, included the following definition of "management": "management means authority over the hiring, termination and day-to-day direction of a school's employees or contractors, whether they are licensed or not." The law can be interpreted to allow K12 Inc. to continue its contractual relationship with NMVA (Section 22-1-2 NMSA 1978).

Approximately half of New Mexico Virtual Academy's 500 students transferred from locally and state-chartered charter schools statewide between FY14 and FY15. Students transferred from 41 New Mexico school districts with 7 percent transferring from APS, 3 percent from Las Cruces Public Schools and 2 percent from Rio Rancho Public Schools. Eleven students also transferred to NMVA from seven different state-chartered charter schools including New Mexico Connections Academy. Student enrollment for the current school year includes students from 27 New Mexico counties, excluding Hidalgo, Union, Harding, Guadalupe, De Baca, and Catron counties. Fourteen percent of students are from San Juan County but not necessarily from Farmington Municipal Schools. The largest percentage of students, 24 percent, live in Bernalillo County.

Figure 2. New Mexico Virtual Academy Student Residence by County, FY16
N=500



Number of Students by County- 50 or Fewer 50-100 100 or More
Source: LFC Files

New Mexico Connections Academy's enrollment is increasing significantly and from FY14 to FY15 its per member program cost almost doubled. Enrollment at NMCA increased 65 percent, from 481 students in FY14 to 792 students in FY15, and another 34 percent in FY16 with current enrollment at 1,063 students. This generated a total of $2.4 million in growth funding through the funding formula. That growth funding accounted for 49 percent of their overall program cost for FY15. By increasing enrollment by a little over 300 students, NMCA was able to increase their program cost from $2.7 million in FY14 to $4.9 million in FY15. This contributed to their per student funding increase from $5,672 to $11,039. The large increase in funding and the potential future increases as a result of NMCA's maximum student enrollment cap of 2,000, indicates the enrollment growth program units are over allocated through the funding formula. The school plans to reach their enrollment cap of 2,000 in the next few years.

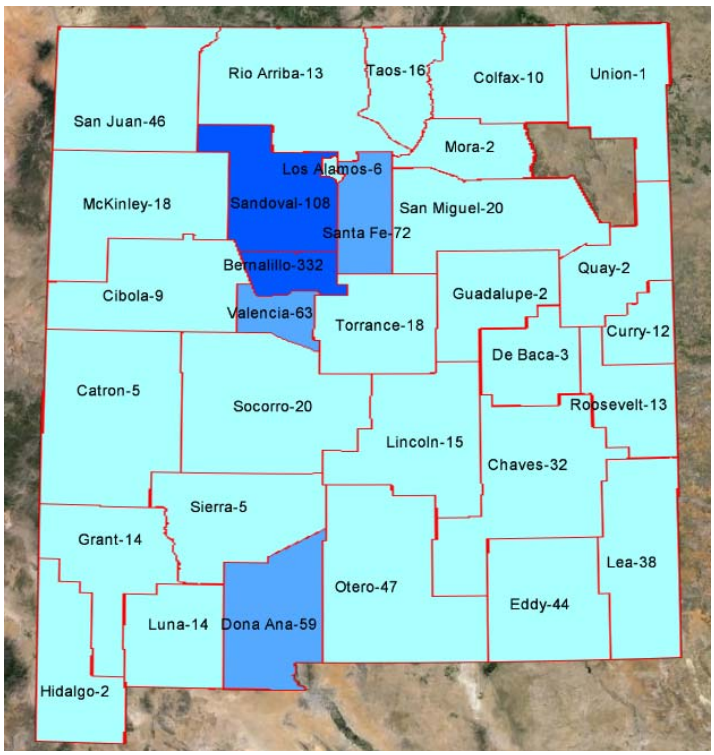
Table 16. Total Program Cost per Student

School	FY13	FY14	FY15
New Mexico Virtual Academy	$5,467	$5,381	$6,159
South Valley Academy	$9,890	$10,957	$9,241
ACE Leadership High School	$12,216	$9,222	$9,436
The Masters Program	$9,958	$10,710	$10,839
New Mexico Connections Academy	-	$5,672	$11,039
Robert F. Kennedy Charter	$9,534	$11,564	$13,886
Average All Charter Schools	**$8,104**	**$8,284**	**$8,663**

Source: LFC Files

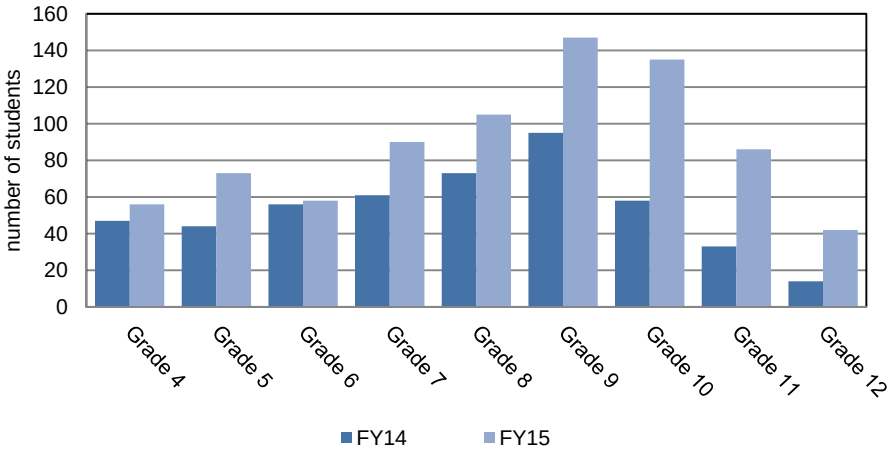
Between FY14 and FY15, students transferred from 46 different school districts to NMCA. Eleven percent of the students transferred from Albuquerque Public Schools, 3 percent from Rio Rancho Public Schools, and 2 percent from Santa Fe Public Schools. Farmington Municipal Schools had 25 students enroll at NMCA despite the district having its own online charter school, New Mexico Virtual Academy. Twenty-six students from 14 state-chartered charter schools also transferred to NMCA. In FY16, NMCA had students living in every county except for Harding County.

Figure 3. New Mexico Connections Academy Student Residence by County, FY16
N=1,063



Number of Students by County- 50 or Fewer 50-100 100 or More
Source: LFC Files

Chart 23. New Mexico Connections Academy Grade Level Enrollment , First Reporting Period, for FY14 and FY15



Source: PED

New Mexico Virtual Academy follows student enrollment trends with other K12 Inc. virtual schools nationwide. A report by the National Education Policy Center on virtual charters found on average 39 percent of K12 Inc. virtual school students qualify for free or reduced-price lunch, compared with 47.2 percent for the same-state comparison group. Students classified as English language learners (ELL) were significantly under-represented; on average 0.2 percent ELL student enrollment at NMVA compared with 13.8 percent in the same-state comparison group and 9.6 percent nationwide. NMVA follows the national trend with no economically disadvantaged students in FY15. Farmington Municipal Schools' economically disadvantaged student population is 53 percent and ELL population is 12 percent, while the state's average is 72 percent economically disadvantaged and 15 percent ELL. Fifty-six percent of the school's students were white and 34 percent were Hispanic.

Table 17. Student Demographics, FY15

School	Number/Percentage of Economically Disadvantaged Students		Number/Percentage of English Language Learners (ELL)	
New Mexico Virtual Academy	0*	0%	-	<1%
The Masters Program	90	45%	-	3%
New Mexico Connections Academy	437	53%	21	3%
ACE Leadership High School	303	88%	31	9%
Robert F. Kennedy Charter	231	97%	138	58%
South Valley Academy	456	100%	141	31%
State Average	242,613	72%	50,059	15%

Source: LFC Files
* Data as reported by PED. NMVA does not collect free and reduced lunch data and may enroll economically disadvantaged students

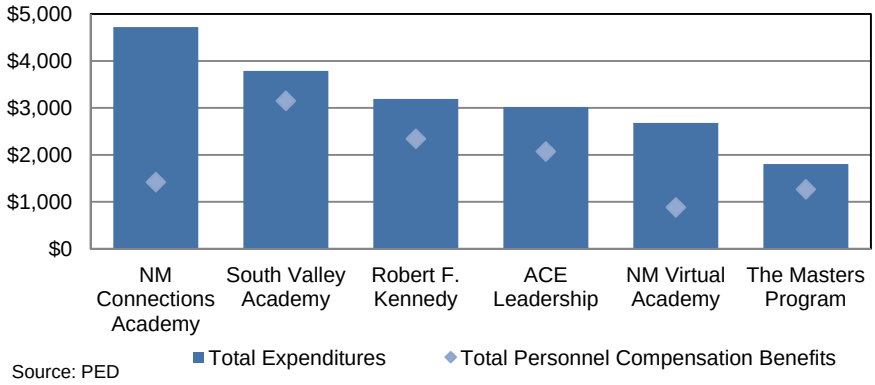
New Mexico Connections Academy provides a rigorous curriculum and student accountability system according to administrative claims. Students are required to show 30 hours of online learning per week, though the hours may vary according to student needs. Students are monitored through the Connexus management system where teachers conduct live lessons, track student progress, review and grade online assignments and assessments, communicate with students, parents, and learning coaches, keep track of student and family interactions, and modify students' needs. This management system provides a wealth of information and data for school administration, staff, student support, parents and learning coaches to ensure student progress.

New Mexico Connections Academy received two instructional audit findings in FY15. The first audit finding found research-based strategies, interventions, and programs to meet needs of ELL students were not evident. The second finding found no evidence of employing effective teaching strategies including differentiated instruction to meet the learning needs of all students. New Mexico Connections Academy received a 'C' for FY15.

Students at New Mexico Connections Academy and New Mexico Virtual Academy are able to earn physical education credits for doing outdoor chores, bicycling riding, or other home based activities. Physical education in New Mexico is a required, instructional program for all students (Sections 22-13-1 and 22-13-1.1 NMSA 1978). However, NMAC 6.29.1.11 requires instruction in the area of physical education, but does not specify the amount of time, the type of program, or the qualifications of the instructor. The online programs provide weekly exercises and lessons including instruction in injury prevention, nutrition and diet, and stress management. Students are also offered the opportunity to select and track their own personal fitness activities, recording the time they spent involved in traditional sports or outdoor chores. At NMCA, students may practice yoga with a DVD that is provided. Students at The Masters Program are not able to receive dual credit for physical education classes, and, as a result, receive physical education credit through online courses or through summer programs.

Virtual schools in New Mexico spent less than half the amount spent by other charter schools and school districts on compensation and benefits expenditures in FY14. New Mexico Connections Academy and New Mexico Virtual Academy spent 30 percent and 33 percent, respectively, on compensation and benefits in FY15. Statewide, all schools spent 86 percent of all operational expenditures on compensation and benefits, and district charters spend 78 percent on compensation and benefits, 10 percent more than state-chartered charter school.

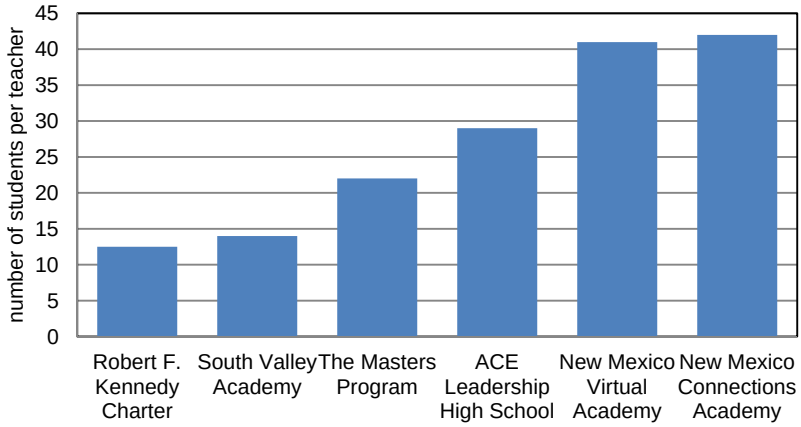
Chart 24. Selected Charter School Total Operational Expenditures Verses Personnel Compensation and Benefits, FY15
(In thousands)



Source: PED

Student to teacher ratios for both virtual schools are significantly higher than selected charter schools. New Mexico Connections Academy and New Mexico Virtual Academy have an average student to teacher ratio of 41; however, middle and high school teachers have much higher teaching loads. For example, English teachers for 11th and 12th grades at NMCA teach around 230 students while middle school history teachers teach around 300 students in seventh, eighth, and ninth grades. Elementary teachers teach an average of 30 to 35 students. The special education teacher's caseload at NMCA is around 41 students. Robert F. Kennedy Charter and South Valley Academy had the lowest student to teacher ratios with 12.5 and 14, respectively.

Chart 25. Selected Charter School Average Student Teacher Ratio, FY15



Source: LFC Files

Table 18. Number of Students to Teachers, FY15

School	Number of Teachers	Number of Students	Number of Students to Teachers
Robert F. Kennedy Charter	19	238	12.5
ACE Leadership High School	12	346	29
The Masters Program	9	198	22
New Mexico Connections Academy	20	832	42
New Mexico Virtual Academy	12	496	41
South Valley Academy	32	456	14

Source: LFC Files

Compared to traditional schools, virtual charter schools in New Mexico have not demonstrated cost-effectiveness. Data from the National Center for Education Statistics shows that, on average, schools spend 10 percent of their budgets on facilities, 9.4 percent on maintenance and operation, and 4.4 percent on transportation. Using these numbers, we can make a general estimate that virtual schools should cost approximately 23.8 percent less to deliver a quality education than brick-and-mortar schools. Virtual schools require less overhead expenditures than brick-and-mortar schools as they do not have large buildings to maintain, heat, cool, clean, food preparation, transportation needs, the need for sport facilities and equipment, the need for certain support staff, and other common necessities needed for more traditional settings. However, virtual charter school costs are not significantly lower than brick-and-mortar school costs despite the savings that should be realized by the decreased need for overhead expenditures.

Virtual charter schools of similar size to brick-and-mortar charter schools have completely different cost structures. In FY15, South Valley Academy, a brick-and-mortar charter school, spent 82 percent of total operational expenditures on salaries and benefits while New Mexico Virtual Academy only spent 33 percent. Around half of New Mexico Virtual Academy's operational expenditures were on supplies, mainly on software and other instructional materials. These two schools serve the same grade levels (sixth through 12th) and have similar student enrollment, indicating virtual school funding should be examined in a different way than brick-and-mortar schools because cost structures differ greatly.

New Mexico Virtual Academy paid an estimated $1.5 million to K12 Inc. in FY15 for curriculum, online and paper books, computers, and training. NMVA received $2.87 million to serve 468 students in FY15. Each family is allocated one computer, with high school students receiving a laptop and middle school students a desktop computer. Computers are purchased through K12 Inc. at a flat rate, with an invoice for each computer. NMVA is liable for loss or damaged computers. Fifty computers were purchased from CDW-G, an IT product and services company, for the main facility in Farmington; however, only an average of eight to 10 students per week attend class at the main location.

Virtual charter schools appear to spend more on instruction than local charter schools, state-chartered charter schools and all schools statewide; however, instructional spending calculations include non-instruction related expenses. For example, New Mexico Connections Academy's service agreement contract, which is included in instructional spending calculations, includes an instructional program, enrollment processing, special education support service, student records support, name branding, and professional and technical support services.

More specifically, the payment structure outlined in the service agreement contract between New Mexico Connections Academy (NMCA) and Connections Academy of New Mexico, LLC (CA) states: "The charter school agrees to pay CA the sum of (i) a fee of two thousand dollars ($2,000) for each student enrolled as of November 1st and (ii) a fee of two thousand dollars ($2,000) for each student enrolled as of March 1st." NMCA may opt to enter into separate contracts, for an additional fee, with CA to provide the following additional services: technology hardware and support, facility and capital equipment and furnishings procurement, office products and supplies, inventory warehouse management, and internet subsidy support services. At an annual cost of $575 per personal computer provided to a student's household, NMCA may lease from CA its standard desktop PC, with preloaded software necessary to fully access and support the curriculum, for use by students and instructional staff. Included in the $575 annual fee is CA's standard technology logistical support services. Additionally, the school pays a flat rate for internet service for economically disadvantaged students based on the student's FRL status using SEG dollars.

New Mexico Connections Academy paid Connections Academy of New Mexico, LLC a total of $3,008,269 for services in FY15. Under the Bundled Services Agreement, Connections Academy of New Mexico, LLC (CA) charged NMCA $2,478,896 for a fully integrated and comprehensive virtual school curriculum, educational technology platform, including integrated back office support services that include human resources, training and professional development, technology, and enrollment support services. Per the agreement, charges are consistent across all grade levels ($2,000 per student per count day). In addition to the contract, NMCA paid $529,373 to CA for supplemental products and services as seen in the table below.

Table 19. NMCA Supplemental Products and Services, FY15

Supplemental Products and Services	Amount
Technology Lease and Service Agreement	$405,950
Substitute Teachers	$28,275
Speech Services Agreement	$70,725
Hardware and Software Employees	$16,800
Summer School	$7,623
Total	**$529,373**

Source: NMCA

New Mexico Connections Academy provided the principal in FY14 with additional compensation of $13 thousand, raising his or her total salary from $84 thousand to $97 thousand. Nine out the 57 state-chartered charter schools provided additional compensation for principals, five of which gave additional compensation of over $10,000. The highest in additional compensation ($18,000) was at East Mountain High School in Albuquerque followed by New Mexico Connections Academy ($13,854), and New Mexico International School ($10,271).

New Mexico Connections Academy received few bids for curriculum, technology support, and hardware requests for proposals (RFP) and New Mexico Virtual Academy did not go through an RFP process. NMCA had an RFP written by attorneys for curriculum, technology support, and hardware. NMCA received few bids and Connections Academy of New Mexico, LLC won all three bids for the online curriculum framework, laptops, and technological support for the school. New Mexico Virtual Academy's initial contract with Farmington Municipal Schools designated K12 Inc. as the sole provider of educational products and services. The lack of bids make it questionable as to whether hardware and support could have been procured at a lower cost to the schools.

The states' teacher and administrator evaluation system, NMTEACH, is particularly challenging for virtual schools in evaluating teachers. Both virtual schools identified NMTEACH, the educator effectiveness system established by the PED, as a challenge because several elements are not conducive to the online teaching environment, specifically, elements within Domain 2, Creating an Environment for Learning. For example, NMTEACH 2A evaluates how the interactions in the classroom are positive and productive and to what level student groups are respected and valued in the classroom. This is currently evaluated by the NMVA director reviewing transcripts of online discussions during online classes. NMTEACH 2B asks to what levels the classroom environment supports the day's lesson and NMTEACH 2E asks to what level are student behavior expectations consistently monitored and reinforced.

Recommendations

The Legislature should consider:

- Creating an advisory group to review online education issues and create statutory requirements for virtual school funding, and student achievement expectations.

The Public Education Department should:

- Closely monitor special education services offered at virtual charter schools;
- Analyze and monitor the academic performance of virtual charter school students and annually report the results of its analysis to the Legislative Finance Committee and Legislative Education Study Committee;
- Create a clearer accountability path for online learning; and
- In collaboration with the Office of the State Auditor, investigate NMVA's and NMCA's RFP procedures.

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SUSANA MARTINEZ
GOVERNOR

January 18, 2016

David Abbey, Director
Legislative Finance Committee
325 Don Gaspar, Suite 101
Santa Fe, NM 87501

Dear Director Abbey:

Thank you for the opportunity to respond to the draft report: *Performance, Cost and Governance of Selected Charter Schools*. Please accept our compliments to your staff for their professionalism and collaborative approach throughout the evaluation process. As always, the Public Education Department (PED) is committed to continuous quality improvement, best practices, and improving outcomes for all New Mexico students.

To that end, we appreciate committee staff evaluating components of charter schools in New Mexico. Charter schools represent an opportunity to better engage students and provide new, specialized educational opportunities. Charter schools should also represent a high-quality educational opportunity available to all students. Much like our traditional public schools, this is not consistently the case across the state. We agree with the LFC's finding that charter school performance is similar to public school performance. The Charter Schools Division's (CSD) strategic plan aims to ensure that charters provide better, more consistent quality for New Mexico students. Through the strategic plan the CSD has begun to:

- Create systems to implement *targeted*, high-quality evaluation of academic, organizational, and financial performance to increase the effectiveness and quality of existing charter schools, including focused site visits
- Provide site-specific support for charters including trainings and other resources to enable schools to become more successful.
- Assist with the continued development and implementation of effective and high quality charter school authorizing practices.

These and other items in CSD's strategic plan are in line with the report's recommendation that the PED create a strategic plan to address PEC authorizations; including decreasing state-

There are, however, some findings in the report that the PED disagrees with, and would like to provide information to provide clarity to these issues. The report makes findings and recommendations about size adjustments in charter schools. For schools that qualify, small school size adjustments make up a significant amount of the budget for those schools; this is true for both charter schools and traditional district schools. A PED analysis found that districts receiving small school size adjustments receive more per student than charters receiving small school size adjustments. After factoring in the micro district size adjustment and emergency supplemental support, the amount of size-based subsidy received by certain districts is significantly higher than charters, on average.

Further, the draft report provided to the PED purports that charter schools are responsible for expansion of enrollment across the state. This is untrue, as the state's enrollment has not increased significantly in recent years. Charter schools are partially responsible for shifts in enrollment from traditional district schools; however out-migration from our rural districts is also a significant contributor to enrollment growth as students move among schools and districts. Per state statute, funding is provided to compensate charters for this student population growth with funding and the PED annually requests funds to compensate districts and charters for this growth.

The report makes assertions about inadequate accountability for charter schools, particularly related to school grades. Charter schools, like all public schools, are responsible for increasing the academic achievement of all students. As a result, they are subject to the same school grades measures as traditional district schools. As part of A-F School Grades, PED has developed and implemented a Supplemental Accountability Model, or SAM. SAM schools are a subset of graded schools that serve high-risk populations. Schools qualify by having a high proportion of returning adults or a high proportion of students with disabilities, and by publically declaring the school mission and goals for these students. School grading rules are moderated slightly for SAM schools, and mission-specific measurements are incorporated into the determination of the school's letter grade. It is important to note that it is incumbent on each school to petition for SAM status and provide additional details for supplemental, mission-specific measures. Should this not occur, those measures are not included in a final school grade. None of this was noted in the final evaluation, which is of concern as the discussion of accountability for evaluated schools was not truly reflected. Further, since 2012, charter school authorizers have been required to utilize performance frameworks to evaluate the performance of their charter schools. These performance frameworks provided added accountability for charter schools and include accountability for mission specific goals. These additional accountability measures provide the opportunity for charters to be held publicly accountable for their unique missions.

The report also makes several findings of charters that are not presented in the context of all public schools. For example, the draft report presented for response to the PED states that from "FY08 to FY15, charter schools received 46 percent of the change in funding while educating only 7 percent of all students. This ignores the fact that charter school enrollment increased by 111% (compared to district enrollment increasing by 1.4%) during the same time period. The PED would like to bring other examples forward as the Committee considers this report:

- Findings regarding size adjustments at charter schools compare charters with all public schools. A more fair comparison would be comparing charter schools that qualify for size adjustment with district schools that qualify for the same subsidy because of their shared lack of administrative capacity. A comparison of these two groups will show that district schools receive more in per student allocations in small school size adjustments.
- The draft report makes the finding that reading and math SBA scores declined at most selected charter schools between FY13 and FY14 without immediately mentioning that statewide proficiency rates for math and reading made a similar decrease. PED feels that delaying the release of the statewide contextual data allows this finding to be misinterpreted.
- The report makes several findings related to the distribution of level I, II and III licensed teachers and the average experience of teachers in charter schools versus traditional district schools and does not connect with previous findings LFC reports have made stating that licensure level and experience do not have significant impact on student performance. This important context from previous LFC studies would illuminate these findings as being descriptive and not holding much value regarding student performance.

Finally, the PED agrees with several findings of the report that are also addressed in the strategic plan of the Charter Schools Division, including the charge for the department to provide opportunities for charter schools to share with non-charter schools their best practices. We look forward to facilitating these conversations, but believe that districts are able to engage in these conversations on their own in meaningful ways prior to any PED intervention.

Thank you for the opportunity to respond to the draft report. We look forward to working with the LFC to improve the educational outcomes for New Mexico's more than 330,000 students.

Warm regards,

Paul Aguilar and Leighann Lenti
Deputy Secretaries of Finance and Operations and Policy and Program

HS/mp

APPENDIX A: Evaluation Objectives, Scope, and Methodology

Evaluation Objectives.

- Governance: Assess oversight of governing council and management best practices;
- Resource allocation: Review the use of funding and cost-effectiveness of financial and human resource allocations; and
- Student Outcomes: Review student achievement and the extent to which policy, spending and personnel reforms have affected student performance.

Scope and Methodology.

- Review of laws, rules and regulations;
- Review Legislative Education Study Committee files and meet with staff;
- Review statewide policies and procedures regarding information technology consolidation;
- Site visits at six selected charter schools;
- Interview charter authorizers (including Charter Schools Division) staff, charter administration staff, charter school governing body members and other stakeholders; and
- Analyze charter school expenditure and student performance data.

Charter School Selection.

- Two virtual charter schools (New Mexico Connections Academy and New Mexico Virtual Academy);
- Criteria for charter school random selection: Authorized since 2010, located in Albuquerque, Taos, Santa Fe or Las Cruces, includes high school grades, 150+ students;
- Two locally chartered charter schools: South Valley Academy (APS), Robert F. Kennedy Charter middle/high school (APS); and
- Two state-chartered charter schools: ACE Leadership High School (Albuquerque), The Masters Program (Santa Fe).

Evaluation Team.

Dr. Yann Lussiez, Lead, Program Evaluator
Cody Cravens, Program Evaluator
Nathan Eckberg, Program Evaluator

Authority for Evaluation. LFC is authorized under the provisions of Section 2-5-3 NMSA 1978 to examine laws governing the finances and operations of departments, agencies, and institutions of New Mexico and all of its political subdivisions; the effects of laws on the proper functioning of these governmental units; and the policies and costs. LFC is also authorized to make recommendations for change to the Legislature. In furtherance of its statutory responsibility, LFC may conduct inquiries into specific transactions affecting the operating policies and cost of governmental units and their compliance with state laws.

Exit Conferences. The contents of this report were discussed with the Public Education Department on January 8, 2016. In addition, exit conferences were conducted via phone with South Valley Academy, ACE Leadership, The Masters Program, Robert F. Kennedy Charter, and New Mexico Connections Academy. New Mexico Virtual Academy did not respond to exit conference invitations.

Report Distribution. This report is intended for the information of the Office of the Governor; Public Education Department; Office of the State Auditor; and the Legislative Finance Committee. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Charles Sallee
Deputy Director for Program Evaluation

FY14 Student Reading Proficient and Above for PED Indentified State- and District-Chartered Schools Identified for Replication

School	State- or District-Chartered	Location	Number of Students with Test Data	Number/ Percent of Students Proficient and Above
ABQ School of Excellence	State	Albuquerque	223	64%
ABQ Institute of Math and Science	State	Albuquerque	250	94%
Public Academy for Performing Arts	District	Albuquerque	271	61%
The Masters Program	State	Santa Fe	136	68%
Amy Biehl Charter High School	State	Albuquerque	128	66%
Cottonwood Classical Prep	State	Albuquerque	459	84%
South Valley Academy	District	Albuquerque	216	33%
Middle College High School	District	Gallup-McKinley	34	59%
NM School for the Arts	State	Santa Fe	100	80%
Turquoise Trail Charter School	State	Santa Fe	273	56%
Taos Academy	State	Taos	142	65%
The ASK Academy	State	Rio Rancho	136	56%

Source: LFC Files

The Masters Program Characteristics of Successful People Rubric

CHARACTERISTICS OF SUCCESSFUL* PEOPLE							
Name:			TEACHER				
Date:							
	QUARTER 1 OVERALL SCORE						
	Zest						
1	Actively participates						
2	Engaged in class daily						
3	Leads and includes others						
	Grit						
4	Finishes whatever he or she begins						
5	Tries very hard even after experiencing failure						
6	Works independently with focus and resists distraction						
7	Advocates for self when needed						
	Self Control – School Work						
8	Is prepared for class as it begins/checks Edline & website						
9	Works well in groups; contributes, encourages/includes others						
10	Revises work to improve skills						
11	Seeks support from teachers, tutors, peers; open dialogue with teachers						
	Self Control – Interpersonal (Self-Discipline)						
12	Remains calm even when criticized or provoked – temper kept in check						
13	Supports others to speak without interruption						
14	Is respectful to peers and adults, even under duress						
	Optimism						
15	Works through frustrations and setbacks and moves on						
16	Believes that effort will improve his or her future						
	Gratitude						
17	Recognizes and shows appreciation for others;						
18	Recognizes and shows appreciation for his/her opportunities						
	Social Intelligence (People Skills)						
19	Is able to find solutions during conflicts with others						
20	Demonstrates respect for feelings of others; is empathetic						
21	Reflects on self and changes behavior accordingly						
	Curiosity						
22	Is eager to explore new things						
23	Asks and answers questions to deepen understanding						
24	Actively listens to others, remaining flexible about personal positions						

Scale
5 = Outstanding
4 =Good
3 = Showing Growth, occasional guidance needed
2 = Showing Effort, needs frequent guidance
1 = Needs Improvement, not showing effort
*Success as defined by each person – profession or job, finances, self-fulfillment, personal relationships, etc.

South Valley Academy Middle School Character Growth Card

South Valley Academy Middle School 3rd **QUARTER**

Character Growth Card

*borrowed from KIPP- Houston

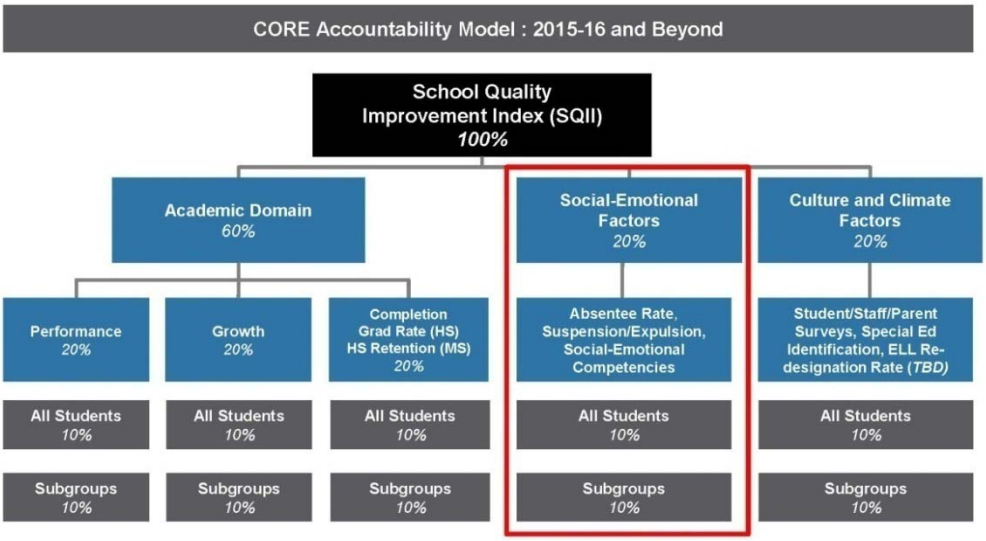
Student Name: Date:
Grade: Advisor:

		Overall ####	Teacher: Hu	Ma	Sci	Sp	Se/Dr		Student
Grit		###							
1	Finishes whatever he or she begins								
2	Tries very hard even after experiencing failure								
3	Works independently with focus								
4	Believes that effort will improve his/her future								
Academic Excellence		###							
5	Comes to class prepared: SVA 7 Items								
6	Meets deadlines and does *HW* on time								
7	Gets to work right away rather than procrastinating								
Social Intelligence		###							
8	Is able to find solutions during conflicts with others								
9	Demonstrates respect for feelings of others								
10	Knows when and how to include others								
11	Remains calm even when criticized or provoked								
Curiosity		###							
12	Is willing to try new things								
13	Asks & answers questions to deepen understanding								
14	Actively listens to others								

SCALE:

1 = Very much unlike the student	2= Unlike the student	3= Somewhat	4= Like the student	5= Very much like the student	
Never	**Rarely**	**Sometimes**	**Often**	**Always**	###

Our focus today is on the Social-Emotional Domain of the School Quality Improvement Index (SQII)



The CORE Superintendents have identified an initial set of four social-emotional (SE) competencies to be considered for inclusion in the SQII

SE Competency	Definition
Growth Mindset	The belief that one's abilities can grow with effort. Students with a growth mindset see effort as necessary for success, embrace challenges, learn from criticism, and persist in the face of setbacks.
Self-Efficacy	The belief in one's own ability to succeed in achieving an outcome or reaching a goal. Self-efficacy reflects confidence in the ability to exert control over one's own motivation, behavior, and environment.
Self-Management	The ability to regulate one's emotions, thoughts, and behaviors effectively in different situations. This includes managing stress, delaying gratification, motivating oneself, and setting and working toward personal and academic goals.
Social Awareness	The ability to take the perspective of and empathize with others from diverse backgrounds and cultures, to understand social and ethical norms for behavior, and to recognize family, school, and community resources and supports.

CORE CALIFORNIA OFFICE TO REFORM EDUCATION | Source: CASEL, Blackwell, Trzesniewski & Dweck (2007), Bandura (1997), American Psychological Association 3

Percent of Enrollment Growth Funding on Total Program Cost FY14

School	40 Day MEM	Growth Funding 1.50	Growth Funding 0.50	Growth Funding Total	Program Cost	Percent of Program Cost
Robert F. Kennedy Charter	183.0	$0.00	$0.00	$0.00	$2,468,878.30	0.00%
South Valley Academy	338.0	$467,382.65	$162,245.88	$629,628.52	$3,172,059.56	19.85%
New Mexico Virtual Academy	496.0	$11,681.70	$13,361.43	$25,043.13	$2,539,896.18	0.99%
ACE Leadership High School	308.0	$114,068.39	$43,901.83	$157,970.22	$2,632,945.15	6.00%
The Masters Program	181.0	$132,793.48	$47,719.38	$180,512.85	$1,670,712.58	10.80%
New Mexico Connections Academy	481.0	$0.00	$0.00	$0.00	$2,728,364.81	0.00%

Source: PED

Percent of Enrollment Growth Funding on Total Program Preliminary Cost FY16

School	40 Day MEM	Growth Funding 1.50	Growth Funding 0.50	Growth Funding Total	Program Cost	Percent of Program Cost
Robert F. Kennedy Charter	275.0	$25,549.41	$14,027.13	$39,576.53	$2,893,491.29	1.37%
South Valley Academy	525.0	$359,194.59	$130,251.88	$489,446.47	$4,434,331.22	11.04%
New Mexico Virtual Academy	500.0	$0.00	$0.00	$0.00	$2,940,056.11	0.00%
ACE Leadership High School	380.0	$241,667.33	$88,170.50	$329,837.83	$3,440,165.72	9.59%
The Masters Program	200.0	$0.00	$0.00	$0.00	$1,932,027.09	0.00%
New Mexico Connections Academy	1,100.0	$1,785,452.63	$617,193.50	$2,402,646.13	$7,475,495.94	32.14%

Source: PED

Percent of School Size Program Units of Total Program Cost FY13

School	Total MEM	Senior Size Adjustment	Senior Size Funding	Program Cost	Percent of Program cost
Robert F. Kennedy Charter	263.50	154.07	$565,985.98	$2,512,084.21	22.53%
South Valley Academy	238.50	154.07	$565,985.98	$2,358,871.87	23.99%
New Mexico Virtual Academy	489.00	0.00	$0.00	$2,673,404.04	0.00%
ACE Leadership High School	208.50	159.92	$587,468.84	$2,547,034.26	23.06%
The Masters Program	138.50	144.87	$532,189.41	$1,379,135.08	38.59%

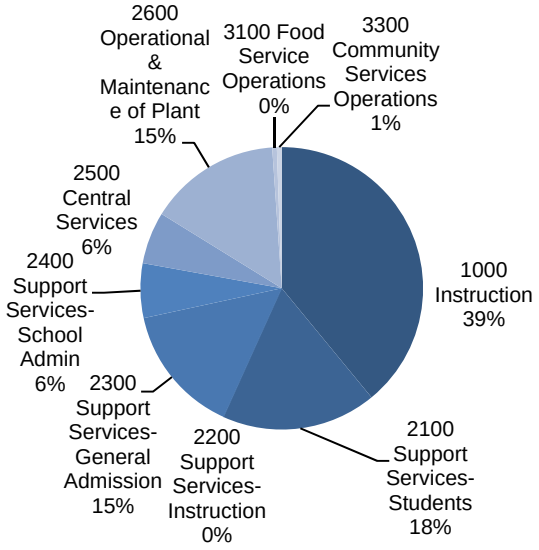
Source: LFC Files

Percent of School Size Program Units of Total Program Cost FY14

School	Total MEM	Senior Size Adjustment	Senior Size Funding	Program Cost	Percent of Program cost
Robert F. Kennedy Charter	213.50	$159.98	$610,712.56	$2,468,878.30	24.74%
South Valley Academy	289.50	$100.95	$385,385.49	$3,172,059.56	12.15%
New Mexico Virtual Academy	472.00	$0.00	$0.00	$2,539,896.18	0.00%
ACE Leadership High School	285.50	$141.50	$540,198.60	$2,632,945.15	20.52%
The Masters Program	156.00	$152.26	$538,244.89	$1,670,712.58	34.79%
New Mexico Connections Academy	481.00	$0.00	$0.00	$2,728,364.81	0.00%

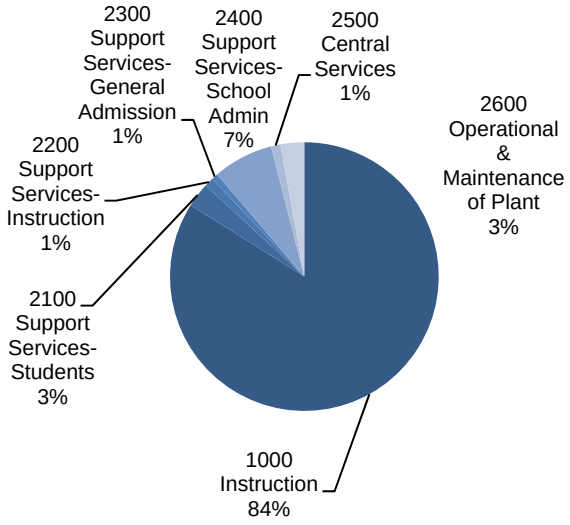
Source: LFC Files

ACE Leadership High School Total Operational Expenditures by Function Code, FY15
Total $3,015,419



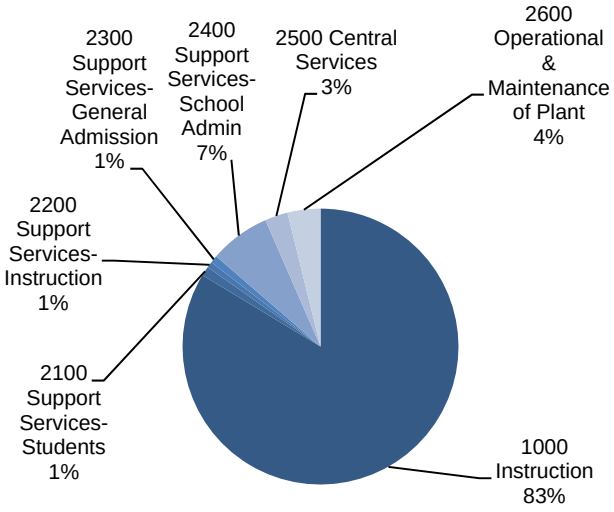
Source: ACE LEadership High School General Ledger

NM Connections Academy Total Operational Expenditures by Function Code, FY15
Total $4,717,851



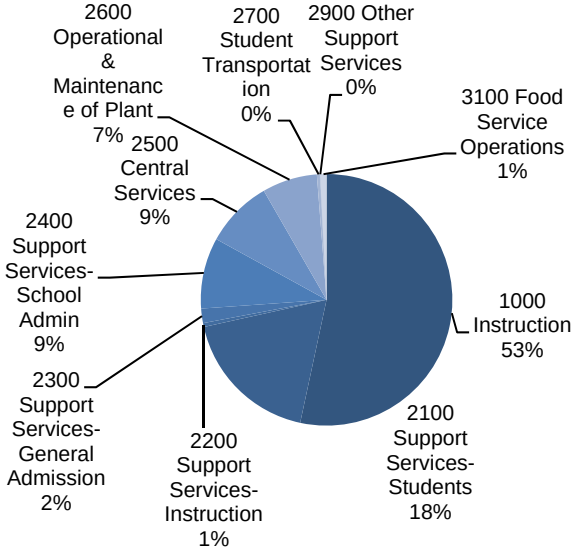
Source: NM Connections Academy General Ledger

NM Virtual Academy Total Operational Expenditures by Function Code, FY15
Total $2,680,336



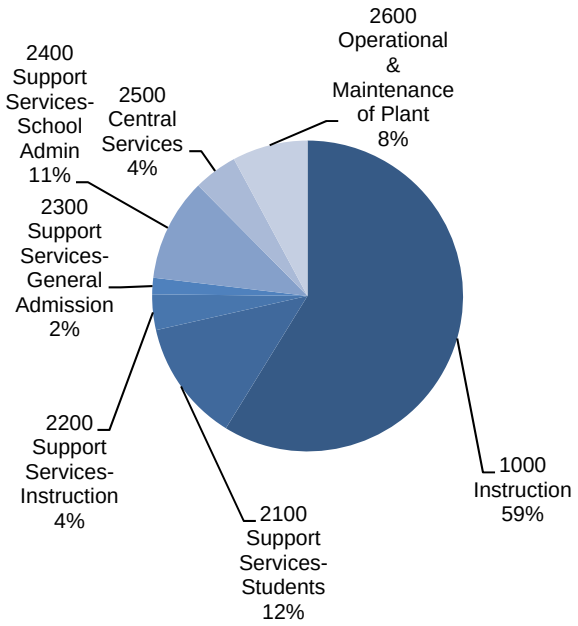
Source: NM Virtual Academy General Ledger

Robert F. Kennedy Total Operational Expenditures by Function Code, FY15
Total $3,193,588



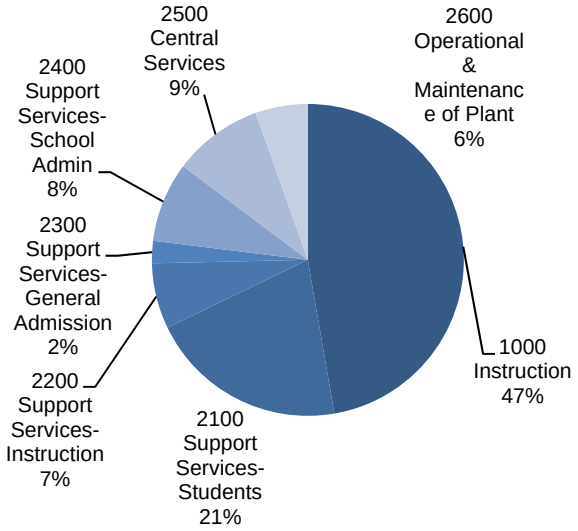
Source: Robert F. Kennedy General Ledger

South Valley Academy Total Operational Expenditures by Function Code, FY15
Total $3,790,124



Source: South Valley Academy General Ledger

The Masters Program Total Operational Expenditures by Function Code, FY15
Total $1,811,105



Source: The Masters Program General Ledger

APPENDIX F: Special Education Levels

Selected charter schools have fewer special education students than state-chartered, locally chartered or district schools' averages for. The Masters Program, the highest achieving school of the selected charters, has the least amount of D-Level or C-Level special education students. New Mexico Virtual Academy has no B-Level, C-Level or D-Level students, but 12 percent of its student population is A-Level. However, New Mexico Connections Academy has a total of 22 C-Level and D-Level students. South Valley has the largest percentage of special education students, with 28 percent of its student population.

Number of Special Education Students by Level and Percentage of Total Student Body, FY15

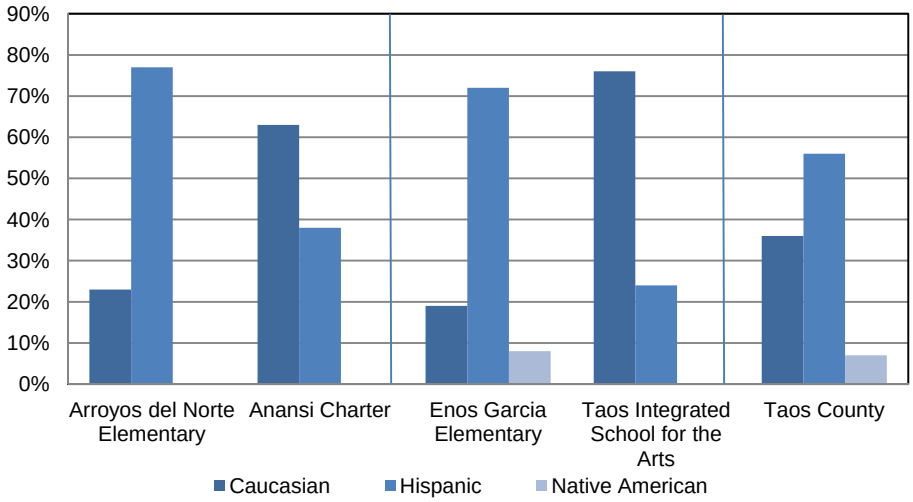
School	Minimum (A)		Moderate (B)		Extension (C)		Maximum (D)		Number of Gifted Students		Total Number of Special Ed. Students	
Robert F. Kennedy Charter	*	<1%	*	3%	13	5%	*	2%	*	1%	28	12%
ACE Leadership High School	*	1%	13	4%	15	4%	*	1%	0	0%	37	11%
The Masters Program	16	8%	*	3%	*	<1%	0	0%	12	6%	35	18%
New Mexico Connections Academy	65	8%	37	4%	13	2%	*	1%	35	4%	159	19%
New Mexico Virtual Academy	61	12%	0	0%	0	0%	0	0%	20	4%	81	16%
South Valley Academy	23	5%	42	9%	20	4%	16	3%	25	5%	126	28%
State Charters	1,226	9%	639	5%	239	2%	190	1%	969	7%	3,263	24%
District Charters	534	6%	789	9%	297	3%	190	2%	493	5%	2,303	26%
Districts without Charters	15,658	5%	23,864	8%	7,696	2%	12,627	4%	14,638	5%	74,483	24%

Source: LFC Files

The Great School Now Initiative plans on creating 260 new charter schools over the next eight years placing half of the students in Los Angele Unified School District in charter schools. Backed by the Eli and Edythe Broad Foundation, the Great School Now Initiative has laid out a plan to raise money, recruit and train teachers, provide outreach to parents, and navigate the political landscape. The plan includes $21.4 million to pay for outreach to parents living in low-performing school or with charters with waiting lists and to undo regulatory interference that hinders charter growth. Charter schools in L.A. Unified currently represent 16 percent total enrolment.

Elementary charter schools in Taos do not reflect the demographics of Taos County. In FY12, PEC commented that the abundance of charter schools in Taos was creating "de-facto segregation among students in the district." According to the US Census Bureau, Taos County's demographics are 36 percent Caucasian, 56 percent Hispanic, and 7 percent Native American; however, charter schools in Taos do not reflect these demographics. Arroyos del Norte Elementary School and Anansi Charter School are located 1.2 miles from one another in Taos Public School District. Arroyos del Norte Elementary student ethnicity is 23 percent Caucasian and 77 percent Hispanic, while Anansi Charter School is 63 percent Caucasian and 38 percent Hispanic. The same dynamic is found at Enos Garcia Elementary and Taos Integrated Schools for the Arts who are located across the street from one another. Enos Garcia Elementary student ethnicity is 19 percent Caucasian and 72 percent Hispanic, while Taos Integrated School for the Arts is 76 percent Caucasian and 24 percent Hispanic.

Comparison of Ethnicity for Elementary (Traditional and Charter) Schools in Taos within One Mile from Each Other, FY14



Source: ED and US Census Bureau

Washington Supreme Court recently ruled charter schools unconstitutional; however, New Mexico does not appear vulnerable to a similar ruling. In the ruling, Chief Justice Barbara Madsen wrote that charter schools are not "common schools" because they are governed by appointed rather than elected boards, improperly diverting public-school funds to private organizations that are not subject to local voter control. As a result, public money that is dedicated to common schools is unconstitutionally diverted to charter schools. Unless there is action by the state Legislature, charters will need to find a different funding source than the state of Washington.

The New Mexico state constitution is silent on the issue of creation of public school boards and state statute specifies only that charter schools be governed by a governing body in the manner set forth in the charter contract and the body shall have at least five members (Section 22-8B-4 NMSA 1976). The New Mexico constitution does provide a means for recalling elected school board members, but charter governing body members are not subject to the provision because they are appointed rather than elected. Additionally, charter school governing bodies do not necessarily represent their students because there is no requirement that governing body members be from the school district. New Mexico Connections Academy's governing body is made up of members exclusively from the Albuquerque area despite the fact that students live in various counties across the state.

Personnel Expenditures, FY15

School	Total Personnel Compensation and Benefits Expenditures	Total Operational Expenditures	Percentage Personnel Expenditures
ACE Leadership	$2,072,876	$3,018,634	69%
New Mexico Connections Academy	$1,421,959	$4,722,579	30%
New Mexico Virtual Academy	$884,108	$2,680,336	33%
Robert F. Kennedy Charter	$2,344,259	$3,193,588	73%
South Valley Academy	$3,152,133	$3,790,125	83%
The Masters Program	$1,268,547	$1,807,236	70%
State Charters	$74,346,166	$106,945,569	70%
District Charters	$60,045,858	$77,201,046	78%
All Charter Schools	$134,392,024	$184,146,615	73%
Districts	$2,065,746,743	$2,383,979,666	87%
Statewide-All Schools	$2,200,138,767	$2,568,126,281	86%

Source: PED

APPENDIX I: Selected Charter Schools Student Ethnicity

Selected Charter School Student Ethnicity, FY15

School	Black	White	Native-American	Hispanic	Asian	Native Hawaiian or Other Pacific Islander	Multiracial
ACE Leadership High School	1%	6%	5%	88%	0%	0%	<1%
The Masters Program	<1%	45%	2%	50%	2%	0%	0%
New Mexico Connections Academy	3%	48%	4%	42%	<1%	<1%	3%
New Mexico Virtual Academy	3%	56%	4%	34%	1%	<1%	2%
Robert F. Kennedy Charter	0%	5%	2%	93%	0%	0%	0%
South Valley Academy	<1%	3%	<1%	96%	0%	0%	0%

Source: LFC Files