



June 20, 2018

Legislative Commission on Education
Senator Moises Denis, Chair

Dear Chair Denis and members of the Committee,

Thank you for the opportunity to provide input to the Committee on potential Bill Draft Requests for the 2019 Legislative Session. Fund Our Future Nevada is a growing coalition of parents, students, educators, community members, and organizations dedicated to ensuring all students have the resources necessary to succeed in our state's public schools. We know this Committee is dedicated to seeing Nevada children succeed in school and in life, and hope it considers the recommendations of FOFNV as it looks to improve Nevada's public education system.

Lawmakers expect a lot from students, teachers, and districts - and that increased rigor is a good thing. But alongside reforms to ensure our students are college and career ready, we must also provide the essential resources necessary to meet those rigorous standards and requirements.

As other states have modernized their school funding formulas, Nevada's education system has been debilitated by a 50-year-old funding scheme, the Nevada Plan. Whereas other states have done the hard work of determining funding levels based on the actual cost of educating students, Nevada continues to rely on a wholly irrational funding model, becoming more and more irrelevant with each passing biennium. The Nevada Plan funding formula is failing our students because it **bears no relationship to the actual costs of educating students**, as evidenced by its funding level being grossly below the state's own cost studies. Its funding allocation has remained flat, aside from inadequate inflation adjustments, and despite seismic shifts in demographics and student expectations. It fails to meet the needs of our students because:

- **The Nevada Plan does not account for the needs of special student populations, such as English Language learners, low-income, and gifted and talented students.**

Currently, the Nevada Plan does not provide weighted funding to account for its English Language Learner, low-income (Free and Reduced Lunch), and GATE students. Though restricted-use funds have helped develop targeted programs for some of these students, many are still underserved. Furthermore, restrictive-use funds are unpredictable and especially difficult for rural districts to utilize. Given that Nevada students are 16% ELL and 61% FRL, schools deserve consistent and appropriate funding to serve the needs of all these

students.¹ It should also be noted that funding special populations with a weight ensures funding levels adjust with inflation;²

- **It is based on historical expenditures, meaning it does not adjust when students and schools are shouldered with new mandates and requirements.** Standards-based education requirements, Every Student Succeeds Act, Individuals with Disabilities Education Act, Equal Educational Opportunities Act, Title I, Read by Grade 3, Safe and Respectful Learning Environment, standardized testing, and so much more have changed the landscape of education. Though these are important developments, they often go under- or un-funded. This leads to a further deterioration of district budgets;
- **Actual school-type expenditure inflation greatly outpaces the generic CPI inflation adjustments that lawmakers currently use to adjust per-pupil funding.** When accounting for specific school-type expenditures and regional inflation, districts are reporting inflation levels between 3.5 to 4.5%. Rising health care costs, utilities costs, and other expenses account for higher than average inflation rates. This difference means that it is not accurate to say per-pupil funding has remained flat, which is already problematic, but that it has actually *decreased* over time when accounting for true inflation.

The Nevada Plan funding, disbursed as the per-pupil Basic Support Guarantee (“BSG”), accounts for the overwhelming majority of district budgets, and covers everything from teacher salaries, health care, staff, student services, utilities, administration, and much more. Approximately 70% of all district funds come from their Nevada Plan BSG apportionment, which is funded through the Distributive School Account (“DSA”). Additional funds outside the BSG are often highly restricted for use in limited ways or for specific programs. By ignoring the Nevada Plan problems, districts will never be able to meet the needs of all its students.

And further, promises of new revenue, such as the marijuana tax or the room tax increase, do not actually result in increased funding for schools. When new revenue is added to the DSA, the BSG per-pupil funding remains flat. Instead of increasing the K-12 funding apportionment, new revenue supplants (or replaces) other DSA funding sources, such as the state’s general fund contribution to the DSA. A report released by the Las Vegas Chamber of Commerce noted that “...Nevada’s K-12 system serves as one means by which the state budget for all purposes is balanced.”³ It states that at

¹ Nevada Report Card, Demographic Profile 2016-2017, *nevadareportcard.com*.

² Nevada’s special education funding unit illustrated the important of building inflation adjustments into special population funding mechanisms. Under the special education “unit” funding model, each district was assigned a unit of funding, based on special education enrollment, to cover the cost of a full time special education teacher. Without a built-in inflation adjustment, over time the unit funding deteriorated to where a unit only covered about half the cost of a teacher, resulting in the underfunding of special education students; American Institute For Research, *Study of a New Method of Funding for Public Schools in Nevada*, 88-89 (Sep. 2012) (hereinafter “AIR”)

³ Las Vegas Chamber of Commerce, *Education Briefing Series, Education Funding in Nevada*, 11 (2009).

the outset of the Nevada Plan in 1967, “the Legislature was then seeking to both equalize educational opportunity, *and to reduce its financial obligation to public schools.*”⁴

Nevada’s education funding woes are no secret. The Legislature has commissioned several studies and a task force to examine public school funding in recent years. Augenblick, Palaich, and Associates studies in 2006 and 2015, the American Institute of Research study in 2012, and the 2014-15 Task Force on K-12 Public Education Funding all recommended major changes to how Nevada funds public schools.⁵ We’ve seen the state commission study after study, and they all demonstrate the need for additional funding, and yet Nevada has never made a real concerted effort to reach the goals outlined by this work.

Unfortunately, these unaddressed issues have steadily deteriorated Nevada’s education system. Our state now ranks 51 out of the 50 states and the District of Columbia in the 2018 Quality Counts Report that evaluates “Chance for Success,” “School Finance,” and “K-12 Achievement.”⁶ The annual “Is School Funding Fair?” report finds Nevada has the most regressive funding formula in the country.⁷

The state’s funding shortfalls have had tangible consequences for Nevada children. Nevada has the highest class sizes in the country.⁸ Nevada teachers make the 3rd worst salaries in the nation when accounting for pupils in the classroom, making teacher retention and recruitment a persistent issue.⁹ Nevada high school students have the worst average ACT score in the country.¹⁰ The effects are felt statewide - rural and urban, North and South.

FOFNV believes it is time to move beyond the criticisms and onto a solution. We urge the Committee to begin the process of transitioning to a new funding formula, moving towards fully funding the needs of our students, ensuring those funds are used appropriately, and providing the essential resources students deserve. Please take into consideration the following recommendations:

⁴ *Id.* (referring to findings of a review of the 1967 study that led to the creation of the Nevada Plan).

⁵ See Augenblick, Palaich, and Assoc., *Estimating the Cost of an Adequate Education in Nevada* (Aug. 2006); American Institute For Research, *Study of a New Method of Funding for Public Schools in Nevada* (Sep. 2012); Augenblick, Palaich, and Assoc., *Professional Judgment Study Report* (2015) (updating the 2006 Augenblick study as a result of the K-12 Task Force on Education Funding).

⁶ Quality Counts 2018, EDUCATION WEEK, June 2018, <https://www.edweek.org/ew/collections/quality-counts-2018-state-grades/highlight-reports/2018/01/17/nevada.html?r=876259859>.

⁷ Bruce Baker, *et al.*, *Is School Funding Fair? A National Report Card*, 11, Feb 2018,

http://www.edlawcenter.org/assets/files/pdfs/publications/Is_School_Funding_Fair_7th_Edit.pdf.

⁸ Rankings & Estimates, *Ranking of the State 2016 and Estimates of School Statistics 2017*, Nev. Educ. Ass’n, § C (2017).

⁹ *Id.* (calculated using state salaries and pupils enrolled per teacher).

¹⁰ ACT, *Average ACT Scores by State Graduating Class 2017*,

https://www.act.org/content/dam/act/unsecured/documents/cccr2017/ACT_2017-Average_Scores_by_State.pdf.

1. Propose legislation that commits to transitioning to a *cost-based school funding formula*, and setting timelines for legislative action and implementation of the new funding formula.

Though states have relied on school funding systems similar to Nevada’s since the 1960s and 70s, many states have since modernized their funding formulas to account for the actual cost of educating their students.¹¹ Sometimes this is in response to litigation or court decisions forcing the legislature to develop rational funding systems pursuant to their respective state constitutions. Other times it is the result of public outcry based on poor student outcomes or poor working conditions for educators.

The state can avoid the disconnect between state funding and student needs by transitioning to a funding formula based on the cost of educating students to meet the state’s own mandates and standards. A cost-based funding formula (sometimes known also as an evidence-based formula) determines funding by costing-out resources that have a proven, evidence-based impact on student achievement - while also taking into account each district’s unique demographics and characteristics. This research assigns each district an “adequacy target,” a level of funding necessary to meet the needs of students. The legislature then incrementally increases funding to reach those targets.

Cost/Evidence-based funding formulas often look at several cost factors, including but not limited to:

- Teachers needed for appropriate class sizes
- Specialists needed for certain student populations;
- Special Education, ELL, or At-Risk students - and the services they need;
- Social workers or counselors;
- Librarians;
- School supplies and technology; and
- Extracurricular, P.E., and other class offerings.

As an example, Illinois just recently transitioned to a cost-based formula. The state incorporated 27 cost factors that were linked to student achievement into a new formula. Further, Illinois held districts harmless (assuring districts would not receive less funding under the new formula) and mandated cooperation and communication between its state department of education and districts to ensure transparency of the formula and budgeting process.¹²

Transitioning to a more thoughtful approach of funding schools has real benefits. Under a strategic funding plan that focused on resources necessary to achieve state standards, Pennsylvania saw a 55%

¹¹ This model has been used to calculate adequate spending levels in Kentucky, Arkansas, Arizona, New Jersey, North Dakota, Wyoming, Washington, and Wisconsin, among others.

¹² For more information on Illinois transition process and funding formula, please visit fundingthefuture.org.

increase in student achievement in districts that saw a significant funding increase.¹³ Not to mention, several studies have illustrated spending dollars focused on essential resources, such as lowering class sizes and improving teacher wages, have a marked benefit on student achievement, especially in regards to closing the achievement gap.¹⁴ Money, and how it's spent, matters in education.

FOFNV recommends lawmakers develop a process to transition to a new funding formula, with finite deadlines set for implementation and increase funding phase-in. Nevada lawmakers have widely accepted the use of cost-based funding models to evaluate the adequacy of Nevada's funding levels. Lawmakers have already commissioned numerous reports and studies detailing that the current formula is inadequate and poorly serving Nevada students. It is now time to put those recommendations to use in developing a rational funding model that serves Nevada students.

2) Ensure new revenue sources dedicated to education funding actually increase per pupil funding levels.

All too often, new revenue sources *dedicated* to funding education do not actually *increase* funding. Rather than use new revenue to supplement or add to the education funding pie, lawmakers supplant the state's general fund contribution - freeing up that additional revenue to spend elsewhere in the state. We urge the committee to end the practice of balancing the state budget off our K-12 education budget.

Transitioning to a cost-based funding formula will help achieve this, in that it directs new funding to meeting an "adequacy target," or the funding level deemed necessary based on actual cost. But there are steps the legislature can take now to ensure new revenue sources increase the education funding budget.

a) Allow Initiative Petition 1 (2009), otherwise known as the Room Tax initiative, to go into effect as written and submitted by Nevada voters.

In 2009, the legislature approved IP 1, an initiative specifically designed to **supplement** education funding by providing districts funding from a 3% room tax increase from a newly created State Supplemental School Support Account (hereinafter "Supplemental School Account").¹⁵ IP 1

¹³ Mitra, D., *Pennsylvania's Best Investment: Social and Economic Benefits of Public Education*, 2011, available at http://www.elc-pa.org/BestInvestment_Full_Report_6.27.11.pdf.

¹⁴ See Bruce Baker, *Revisiting the Age-Old Question: Does Money Matter in Education*, Albert Shanker Inst., 2012, <https://files.eric.ed.gov/fulltext/ED528632.pdf>

¹⁵ Initiative Petition 1 § 2-5, 9 (2009) (codifying effective date of July 1, 2009 for provisions related to taxation and transfer to State General Fund, and transfer to the State General Fund to expire June 30, 2011) (hereinafter "IP 1").

prevented the state from using the funds to supplant education funding by keeping the tax apart from the overall K-12 budget.¹⁶ As the initiative stated:

“The money in the State Supplemental School Support [Account] is hereby appropriated for the operation of the school districts and charter schools of the state, as provided in this section. The money so appropriated *is intended to supplement and not replace other money appropriated, approved or authorized for expenditure to fund the operation of public schools for Kindergarten through grade 12.*”¹⁷

Though the initiative allowed the legislature to use the funds to supplant education funding dollars for the first two years, by 2011, IP 1 mandated that the revenue supplement the K-12 budget and be distributed on a per-pupil basis to each district, based on enrollment, to support licensed teachers and student achievement.¹⁸ This delay allowed lawmakers to avoid major funding shortfalls during the Great Recession.

Unfortunately, in 2011, when IP 1 was supposed to supplement K-12 funding, the Legislature initiated a “temporary transfer” of IP 1 funds directly into the general education budget, again supplanting the dollars.¹⁹ Given Nevada was still struggling from the recession, this transfer may have been necessary.

However, the Legislature has transferred the IP 1 funds out of the Supplemental School Account every session since - in 2013, again in 2015, and again in 2017 - despite state growth and economic improvement.²⁰ IP 1 dollars have *never* supplemented K-12 education funding, and the revenue that was designed to support teachers and students is getting swallowed up in the Nevada Plan. Unfortunately, the infusion of funds did not result in increased BSG per pupil funding, as one might expect.

Since 2011, approximately \$1.2 billion has been diverted from the State Supplemental School Fund.

¹⁶ Nev. Rev. Stat. 387.030, §1 (2011) (All money derived from interest on the State Permanent School Fund, together with all money derived from other sources provided by law, must: 1. Except as otherwise provided in [NRS 387.191](#) and [387.193](#) [Room Tax enactment statutes], be placed in the State Distributive School Account which is hereby created in the State General Fund).

¹⁷ *IP 1* at § 6(2).

¹⁸ See NRS 387.191; 387.193.

¹⁹ AB 579 § 29 (2011)

²⁰ See ; SB 522 § 26 (2013); SB 515 § 40 (2015); SB 544 § 36 (2017).

BIENNIUM	Supplemental School Account Transfer to Distributive School Account
2011-2013	\$226,457,424
2013-2014	\$268,586,100
2015-2017	\$313,948,000
2017-2019	\$376,148,000
TOTAL	\$1,185,139,524

FOFNV recommends that the Legislature refrain from proactively transferring the IP 1 funds out of the Supplemental School Account, and allow the initiative to function as written. Since IP 1’s revenue and distribution mechanism are still currently in statute, the legislature should simply refrain from relying on these funds to supplant the overall K-12 funding budget. IP 1 funds should be distributed on a per-pupil basis to each district directly from the Supplemental School Account.

We understand this may require the state to make other tough budgetary decisions to avoid a shortfall in the K-12 budget, but we urge the Committee begin prioritizing education funding, as lawmakers as have borrowed and relied on it for so many years to fund other state functions.

b) Transfer funding from the 10% retail tax on recreational marijuana into the K-12 education budget as a method to *increase* the education funding.

The 10% retail tax on recreational marijuana has generated over \$30 million in new revenue for the Nevada so far this past fiscal year.²¹ Currently, the new revenue is being held in the State’s Rainy Day Fund.²² Many Nevadans approved of Ballot Question 2 because they felt revenue generated from the sale of marijuana was desperately needed for Nevada schools. Governor Sandoval recognized that a tax on retail sales would be more lucrative and beneficial to Nevada schools than just Question 2’s 15% excise tax on wholesale marijuana. During the 2017 session, Governor Sandoval proposed a bill to take advantage of this new revenue source to support Nevada’s public school students. Unfortunately, the bill failed, and the new retail tax was instead stored in the state’s Rainy Day Fund.

²¹ Nev. Dep’t of Taxation (last visited June 19, 2018), available at <https://tax.nv.gov/uploadedFiles/taxnvgov/Content/TaxLibrary/NV-Marijuana-Revenue.xlsx>

²² SB 487, § 9(2),(5) (2017).

FOFNV recommends the committee propose legislation that will transfer revenue from the 10% retail marijuana sales tax into the Distributive School Account for the purpose of increasing the BSG per-pupil amount. Marijuana revenue should support schools, and we urge the committee to ensure the funds do not simply supplant the other revenue but actually increase the BSG to districts.

c) Ensure revenue from Question 2's 15% excise tax on wholesale marijuana increases K-12 funding, rather supplanting the state's contribution to the education budget.

Ballot Question 2 (2016) has resulted in \$18.5 million dollars in new revenue from the 15% excise tax on wholesale marijuana sales so far this fiscal year. Though Question 2 mandates this revenue go into the DSA, this has not resulted in an increase in funding for districts and schools. Instead, as evidenced by the flat BSG per-pupil funding, the funds have just supplanted the state general fund contribution, less inflation and enrollment growth.

FOFNV recommends that revenue from Question 2 be used to increase the BSG, rather than to supplant funds that are used elsewhere in the state budget.

3) Implement appropriate accountability measures to ensure districts are using funds in an evidence-based way that improves student achievement.

Ultimately, state lawmakers are responsible for ensuring districts have the proper guidance, support, and oversight to use funds appropriately. With a new funding formula based on actual cost, Nevada should coordinate its accountability structure with its funding system.

Massachusetts, a successful leader in education funding reform, is an example of a state that integrates its accountability system with its funding system. Idaho lawmakers are currently working to do the same, using Massachusetts as a guide.

From a logical perspective, if a funding system's foundation is rooted in assessing the resources necessary for students to achieve, an appropriate accountability system should ensure those same resources are being provided. Are districts budgeting for those evidence-based inputs (appropriate class sizes, technology, specialists, etc.)? Are they implementing those essential resources appropriately?

The state can monitor the districts expenditures in other ways, too. It can examine whether districts are providing equitable educational opportunities and offerings. For example, Wyoming accountability measures takes steps to ensure rural districts can and do offer courses similar to course offerings in urban districts. Weighted funding can be monitored to ensure the additional

dollars are used to support specific student populations. Are special populations receiving resources to ensure they are provided the opportunity to succeed and be competitive with their peers? In sum, the accountability system should ensure districts are providing the resources and opportunities we value, and that are proven effective.

Developing accountability measures should coincide with the development of a new funding formula, and consider the input of educators, school leaders, districts, stakeholder groups, parents, and the community at large.

FOFNV recommends that the development of a new funding formula also include coordinating accountability measures that are developed transparently and with input from the public.

FOFNV greatly appreciates the opportunity to share these recommendations with the Committee. This Committee has shown time and time again their passion for improving the lives of Nevada's children. We look forward to supporting the Committee in this shared vision.

Best regards,

Fund Our Future Nevada

For questions or to contact the coalition, please contact Amanda Morgan, Legal Director, Educate Nevada Now, powered by The Rogers Foundation, at amorgan@educatenevadanow.com.