

**MINUTES OF THE
LEGISLATIVE COMMITTEE ON SCHOOL FINANCING ADEQUACY
(A.C.R. 10, 2005 LEGISLATIVE SESSION)
June 2, 2006**

A meeting of the Legislative Committee on School Financing Adequacy (A.C.R. 10, 2005 Legislative Session) was held on June 2, 2006, in Room 2135 of the Legislative Building, 401 South Carson Street, Carson City, Nevada, and through simultaneous videoconference in Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada.

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Assemblywoman Debbie Smith, Chairman
Assemblyman Brooks Holcomb

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Senator Bob Beers
Senator Warren Hardy, Vice Chairman

COMMITTEE MEMBERS ABSENT:

Senator Michael Schneider
Assemblyman Richard Perkins

STAFF MEMBERS PRESENT:

Gary Ghiggeri, Senate Fiscal Analyst, Fiscal Analysis Division
Mark Stevens, Assembly Fiscal Analyst, Fiscal Analysis Division
Kristin Roberts, Senior Deputy Legislative Counsel, Legal Division
Andrew Min, Deputy Legislative Counsel, Legal Division
Bob Atkinson, Senior Program Analyst, Fiscal Analysis Division
Melinda Martini, Program Analyst, Fiscal Analysis Division
Kelly Fisher, Secretary, Fiscal Analysis Division

EXHIBITS:

- Exhibit A Agenda and Meeting Packet
- Exhibit B *Presentation to the Legislative Committee on School Financing Adequacy, June 2, 2006*, John Augenblick, Justin Silverstein and Doug Rose, Augenblick, Palaich and Associates, Inc.
- Exhibit C *APA Comments on Public Hearings Sponsored by the ACR 10 Committee*, Augenblick, Palaich and Associates, Inc.
- Exhibit D *A presentation to the ACR 10 Committee on the Transportation Equalization in the DSA*, Douglas Thunder, Deputy Superintendent, Administrative and Fiscal Services, Department of Education
- Exhibit E *Nye County School District: Presentation to the ACR 10 Committee, Status of Transportation for Students 2005-2006*, Dr. William E.

- (Rob) Roberts, Superintendent, and Cameron McRae, Director of Transportation
- Exhibit F *White Pine County School District, Transportation Assessment, Presentation to ACR 10 Committee*, prepared by Paul Johnson, Chief Financial Officer
- Exhibit G *Clark County School District, Transportation Department, Under Direct Supervision of Ronald Despenza, Director III*, presented by Shannon Evans
- Exhibit H *Washoe County School District: Presentation to ACR 10 Committee, Status of Transportation for Students*, Gil Folk, Interim Transportation Director

I. CALL TO ORDER AND OPENING REMARKS.

Chairman Smith called the meeting to order at 9:41 a.m. and pointed out that the contractor, Augenblick, Palaich and Associates would be reporting via videoconference from offices in Denver, Colorado; the meeting was also being videoconferenced between Carson City and Las Vegas. Chairman Smith asked the secretary to call the roll. Senator Schneider and Assemblyman Perkins were absent. Senator Hardy was present in Las Vegas; Assemblyman Holcomb and Assemblywoman Smith were present in Carson City. Chairman Smith said no action would be taken until a quorum was present. Senator Beers was expected momentarily; Chairman Smith asked Senator Hardy to let her know when Senator Beers arrived at the Las Vegas location so it could be noted on the record.

Due to the lack of a quorum, Chairman Smith moved to Item III on the agenda.

II. APPROVAL OF MINUTES OF MARCH 28, 2006 MEETING.

Chairman Smith asked for any corrections or additions. There were none. The minutes were approved as presented.

III. STATUS REPORT FROM CONTRACTOR AND DISCUSSION REGARDING PROGRESS ON THE STUDY OF SCHOOL FINANCING ADEQUACY.

John Augenblick introduced Justin Silverstein, an associate at Augenblick, Palaich and Associates (APA), and Doug Rose, a former professor at Tulane University who performed work on APA's databases, statistical analyses, teacher pay issues and polling. Mr. Augenblick said they were reporting from the offices of the Education Commission of the States in Denver, Colorado, and had the use of that facility until 1:00 p.m. their time. They would then observe the remainder of the meeting over the Internet.

Mr. Augenblick gave a preview of what would be discussed:

- Mr. Silverstein would present a progress report on the status of the study (Exhibit B).
- Mr. Augenblick would review Table 6 (Exhibit A, page 69).
- Mr. Silverstein would review work performed on Successful Schools and the determination of a base cost figure (Exhibit A, pages 67 to 68) and discuss the year-to-year inflation adjustment factor (Exhibit A, page 59).
- Mr. Rose would talk about the location cost metric (Exhibit A, pages 60 to 61).
- Mr. Augenblick would discuss the size adjustment factor (Exhibit A, pages 62 through 66).

Mr. Augenblick and his associates would discuss each topic and take questions at the end of each piece if that was acceptable. Chairman Smith said at the end of APA's presentation, the committee would take public comment and input.

Justin Silverstein discussed the PowerPoint slides that listed tasks APA had proposed to complete as part of the study process (Exhibit B), which included:

- Report on progress of each task;
- Review of several analyses undertaken by APA; and
- Tasks based on Section III of the contract.

Mr. Silverstein advised the committee of what APA had completed under Task 1, which included the creation of an in-state review panel. The panel met May 18, 2006, and reviewed work performed by APA throughout the process (Professional Judgment, Successful Schools, and other areas that would be presented to the committee).

Mr. Silverstein moved on to Task 2, which was an equity review of the Nevada Plan for School Finance. APA would present an additional table that went with the five tables presented at the March meeting of the School Financing Adequacy Committee that compared Nevada to other states. Under Task 3, APA would continue to evaluate the plan and would hold off performing the equity analysis of the plan until they obtained figures from the Professional Judgment approach. The equity analysis would be presented in the future.

The focus of Tasks 4 and 5 was the Successful Schools approach. APA created the standard that had been presented to the committee at the March meeting. Mr. Silverstein said APA selected successful schools from that standard and the list of successful schools had been previously presented to the committee and approved. Since the March committee meeting, APA analyzed expenditure data from the successful schools and would be presenting that later today.

Mr. Silverstein went on to discuss Tasks 6, 7, 8 and 9, which were all related to the Professional Judgment approach. Task 6 specified hypothetical districts and schools, which was presented at the March meeting. APA completed work with all of the panels in the state, which included work by the school panel, the district panel, vocational panel and the state panel; the data from those panels was currently being analyzed. In addition, APA staff moderated two public forums which would be discussed later in the meeting.

Senator Hardy interjected and advised Chairman Smith that Senator Beers had arrived. Chairman Smith thanked Senator Hardy and had the secretary note for the record that there was a quorum. The committee would take up Item II following the presentation by APA.

Mr. Silverstein continued the discussion on the Professional Judgment analysis. He mentioned that a national group of experts reviewed the resources before anything had been presented to the panels. Task 10 worked with all of the data coming from the Professional Judgment approach and would be undertaken later.

Task 11 would be the results from the adequacy study. APA would combine the work from the Successful Schools, Professional Judgment and the Statistical Approach work.

Task 12 consisted of monthly reports. APA had turned in monthly reports on the 5th day of each month of work completed to date. Task 13 was the presentation of oral reports to the committee; the report currently being presented was APA's second report. Tasks 14, 15, 16 and 17 were tasks that would be undertaken in the future and related to writing and presenting the final report.

Mr. Silverstein concluded his update on all of the tasks included in the contract. He asked if there were any questions on APA's progress. Hearing none, Chairman Smith asked APA staff to proceed.

John Augenblick directed the committee's attention to Table 6 (Exhibit A, page 69), which had been requested at the March committee meeting; the table had not been included in the original five charts presented by APA. Table 6 was designed to look at local, state and federal revenue percentages 1992-93, 1997-98 and 2002-03. The table included figures for Nevada, the United States as a whole, nearby states and similarly-organized states; the table had the same format as the tables presented by APA at the March meeting. Mr. Augenblick reminded the committee that the similarly-organized states were selected because of APA's interest in studying places that were like Nevada in the sense that they had a relatively small number of districts and at least one large metropolitan area; APA was curious as to whether or not they would see any similarity.

The table was from the National Center for Education Statistics (NCES). According to Mr. Augenblick, the NCES did not distinguish between current operating and capital revenue; they simply combined it. When looking at those percentages, it was for all revenue; not just capital or current operations. Nevada looked different from most states on the list in the sense that it had a large local share and a higher percentage compared to other states that were listed. Oregon came close in the nearby states; Maryland came close in the similarly-organized states. The U.S. average was higher than many of the states that were listed, which meant that there were states not shown individually that had a relatively high reliance on local money.

Mr. Augenblick noted the percentages shown on Table 6 were fairly consistent over a period of time; there was not a dramatic shift in Nevada or the United States as a whole. There were states where some change had been seen (such as Oregon) where the reliance on local money went down significantly between 1992-93 and 2002-03. In most cases, the other states were consistent over that 10-year period of time. When looking at that information, some people were concerned about the high reliance on local money. If there was an option where local school districts could choose to spend what they wanted and set their tax rates at levels they wanted, that high reliance of local money might indicate that there could be major differences between the districts in terms of their revenues and expenditures.

When looking at Table 6, Mr. Augenblick said APA was not as worried as they might have been if it were another state, because in Nevada's case, the state did not give districts tax options. The districts were told what the tax rates should be, and they implemented them. Nevada's system was designed to equalize that money. APA would look at the equity of the system later, but there was no reason to think the figures would suggest there might be something wrong. Mr. Augenblick said if they were studying another state, particularly Colorado, and saw the same numbers, knowing that those local districts had the authority to set their own tax rates at any level they wanted, they would be concerned. He said a committee member had requested the information found on this table at the last meeting, and he wanted to make sure that request had been fulfilled.

Chairman Smith thought the request for information found on Table 6 had come from Senator Beers at the March meeting; she asked Senator Beers if he had anything to request of Mr. Augenblick at this time. Senator Beers responded by saying he would have to review the table further. Chairman Smith asked APA staff to continue with their presentation.

Mr. Silverstein referred to page 67 (Exhibit A) regarding the selection of successful schools, which had been provided to the committee in March. He would then discuss how APA implemented efficiency screens to those selected schools to determine efficient spending in three different spending areas. All of

the work had been done at the school level, and the figures on the spending side were from the FY 2003-04 In\$ite's data collected by the state.

Mr. Silverstein began by saying APA looked at the 2002-03, 2003-04 and 2004-05 school year performance data for every school the information was available for in order to start looking at a criterion for success. APA came up with two criteria each school would have to meet in order to be deemed successful for this approach. The first criteria was to look at the trend in performance over those three years for each school and determine if they were on target to meet the 2008-09 performance objectives (Exhibit A, page 67) that were set out for Nevada under the No Child Left Behind Act (NCLBA). If the school was trending in any direction (most schools would trend up towards those numbers, but a school could be trending down and still be at those levels), APA deemed the school to be meeting that first criteria.

According to Mr. Silverstein, APA then wanted to see how schools that met the first criteria performed with their special needs populations. They did this by looking at six test scores for each of the schools in order to determine how they were doing, and asked that two of the six test scores met the criteria laid out by APA. The six tests were for the Special Education, At-Risk and English as a Second Language (ESL) populations in both English and math. Two of those six test scores had to be at the 2004-05 objectives in order for the school to continue to be deemed successful. In doing that, APA had 118 schools across Nevada who had data available and met both of the first two criteria. The list of those schools was provided to the committee in March and had been reviewed by the committee.

Mr. Silverstein said the next step was to look at the efficiency in three different spending areas for each of those schools. Some of the schools would be excluded for each of the spending areas based on efficiency screens created by APA. The three spending areas looked at by APA were instruction, administration and building maintenance/operations.

Mr. Silverstein advised that the first efficiency screen for instruction looked at the number of teachers per 1,000 pupils. APA looked at all 118 successful schools, found the average teachers per 1,000 students, and then said that any school that was one standard deviation above that mean would be deemed as inefficient in the area of instruction, and APA would not look at the school's spending for that area. APA then followed the same procedures when reviewing the number of administrators per 1,000 pupils. For building maintenance and operations, APA was unable to obtain a reliable personnel count from the data they had been provided. Instead, APA turned to actual spending per pupil for the building maintenance and operations from the In\$ite's data; the data from In\$ite represented school-level building maintenance and operations. APA looked at the average per-pupil spending, used one standard deviation from the mean and

concluded that anyone below that would be deemed efficient and anyone above that would be looked at as inefficient for this approach.

Mr. Silverstein said APA was left with 100 schools that were efficient in instruction, 93 schools efficient in administration, and 98 schools that were efficient in building maintenance and operations. The same schools were not listed in every category; one school might be efficient in instruction and not efficient in administration or building maintenance and operations. APA kept the groups separated and looked at their actual spending from the In\$ite's data in those areas.

APA then looked at spending. Mr. Silverstein said the key point was that when APA looked at spending in the Successful Schools approach, they only looked at the basic spending, which related to spending for a regular student. It excluded any spending for special education, at-risk students, ESL students, transportation, food service or capital expenditures. That spending would not be in the numbers looked at by APA. The Successful Schools approach was only designed to look at the basic expenditures of the successful schools.

Chairman Smith asked APA to provide the committee with the list of schools that were excluded in each of the three categories. Mr. Silverstein responded that he would provide that information.

After examining the data for schools deemed efficient in each of the three categories using the In\$ite's data and excluding the spending Mr. Silverstein had discussed, the amount per pupil for instruction was \$3,277, which was a weighted average per-pupil amount. APA looked at the 101 schools that remained efficient, their per-pupil spending for instruction, and they ran a weighted average. The amount per pupil for administration was \$428. Building maintenance and operations per pupil was not the figure shown in Exhibit A; APA had done further work on that figure, and the number was actually \$556 per pupil. Those figures were the result of the initial work done by APA when they looked at basic spending for efficient districts that were also deemed successful.

Chairman Smith asked Mr. Silverstein to go back and restate for the record the clarification of the building maintenance. Mr. Silverstein said the \$835 per-pupil figure shown in Exhibit A for building maintenance and operations was incorrect; the number was actually \$556 per pupil.

Mr. Silverstein said APA continued to examine spending figures in a number of different ways. Specifically, APA studied spending by type of school. For example, APA studied whether the elementary per-pupil spending was different from the middle school or high school spending. APA was also working on what district-level expenditures per pupil should be added on to the figures. Mr. Silverstein advised that the numbers provided to the committee today were

not final; the numbers were the initial result of what a basic expenditure would be coming from the successful schools.

Assemblyman Holcomb said he had an opportunity to look at APA's proposal. Basically, the two methodologies being used were the Professional Judgment approach and the Successful Schools approach. For the larger school districts, APA chose Sparks High School for Washoe County. The two criteria used by APA in evaluating and selecting the schools was a trend in performance to meet the 2008 to 2009 NCLBA performance standards. Assemblyman Holcomb said he had an opportunity to do some research, and basically, when looking at the NCLBA, Sparks High School was listed as "does not make adequately year progress" and was "in need of improvement" for the last two years. He referred to test results found in the 2004-05 Washoe County School District Accountability Report, and it listed 12 high schools. Not including Washoe High School, which was a special school where they had problem students, Sparks High School was the second from the bottom in test performance; the bottom was Hug High School. Although Sparks High School was a fine school, compared to the other 10 schools, it was in the bottom quarter.

Assemblyman Holcomb had an opportunity to look at some of the other schools selected by APA and found that 5 of the 12 high schools were magnet schools, which he questioned. He also had an opportunity to look at some of the elementary and middle schools. Some of the elementary schools considered by APA were also "in need of improvement," which was reflected in test performance.

Assemblyman Holcomb thought there were a number of other schools that were exceptional, successful schools; according to APA's proposal, a successful school was one that met state standards. He believed Sparks High School was less proficient than the other schools. He questioned why APA selected Sparks High School as the one and only school to study in the Washoe County School District when there were 10 high schools that were very successful comparatively speaking.

Doug Rose responded that as Assemblyman Holcomb suggested, APA could have used the standard for how schools were doing right now, what their test results were and which schools had the most successful students in 2004-05. APA chose not to do that because it was more a measure of successful students than it was successful schools. APA thought the measure of successful schools should include those that were improving student academic achievement and making sure students reached their target.

Some schools were successful because they started out with successful students. If a student attended a school in a university district with a lot of professors' children, they tended to be high scorers. So APA looked less at the question of which schools had the most successful students and more at which

schools were doing the best job with the students they had. There were two criteria. The first looked at the overall student body. If a school had few subgroups or was not doing well academically with the students they had, the school would not be counted as successful even if their overall testing average in 2004-05 was very high.

The second criteria did not look at where schools were in 2004-05 but where they would be in 2008-09. For Sparks High School, the test for success was less where they were now than at current rates of progress in terms of the changes year to year in how many students would be rated successful in 2008-09. Some schools may currently be ahead of Sparks High School in terms of the proportion of students who were successful, but these schools were not on target to meet the 2008-09 NCLBA goals. APA included in their list of successful schools all of the schools that met the two criteria.

Chairman Smith said it seemed as though what Mr. Rose was saying was that if one looked at the goals of the NCLBA and student growth, the focus was on the growth rather than the current achievement levels. Mr. Rose thought that was exactly correct. The goal of the NCLBA and the Nevada Plan was to ensure students were successful within a period of time. APA selected an intermediate mark when they chose 2008-09 as their target; they focused on the goals of the Nevada Plan. The NCLBA reporting requirements focused specifically on a series of subgroups, choosing subgroups that were significantly sized and likely to be different from the average for Nevada, and looked at schools' progress with that. This definition of success was phrased in terms of Nevada's Plan under the NCLBA.

Assemblyman Holcomb referenced page 6 of APA's proposal that said, "It cannot, for instance, be used to generate estimates of the added cost of educating students with special needs, at-risk, ELL or special education to meet state standards." That was not being considered. Assemblyman Holcomb went on to say that when you take Sparks High School, which compared to the other schools was a very needy school and next year would be a Title I school, about half of the students at Sparks High School could be classified as at-risk and ELL students. He questioned whether Sparks High School was a good representative of a successful school. The more he researched it, the more he was amazed. Sparks High School was not meeting the NCLBA, which the test scores reflected. To use Sparks High School to determine what school needs were appeared skewed.

Mr. Augenblick advised that APA had laid out a set of criteria for the committee; they had to be very careful in understanding those criteria and not confuse them with other criteria that might be used. He thought the point Doug Rose made was that APA tried to find schools that appeared to be doing well for all of their students and did not look for schools that simply had students who, by their very nature, might be doing well. In so doing, those schools that were listed

happened to be the ones that turned up. The only purpose of the study was to try to understand how much money was being spent on basic education; they were not looking at how much was being spent on special education, ELL or any other special program.

Senator Beers said it sounded like an admission of bias. He did not understand how that would make sense to confine the survey to one particular sub-population repeatedly, over and over in community after community. He did not know if the criteria could be revised at this point or whether they would have to carry on with the flawed criteria. He asked the Chairman if she knew.

Chairman Smith assumed that part of the work had been completed. She noted that the committee members had the information at the March meeting. At that time, there were no questions of the contractor regarding the process, criteria or the selection. She asked the contractor whether they wanted to respond regarding whether any adjustment could be made.

Mr. Augenblick responded that at this point, they had laid out the criteria for the committee that they had used and shared the list they had produced. He said it was important to understand how it was being used. The only bias was that APA had looked for particular places that met particular criteria. The schools that met the criteria were included; the schools that did not meet the criteria were not included. Mr. Augenblick said the analysis was not complete. APA was looking at other pieces of information, but it was based on those schools. APA had to take the InSite's data and use it for the schools already selected. At this point, APA did not have the capacity to redo the work for another set of schools.

Senator Beers advised that at the last meeting he was focused on the secret nature of the information-gathering sessions that the consultant was going to be conducting. If the study had to be carried on with the built-in bias, then he guessed they would have to carry on; it seemed like it was going to lead to a biased result.

Assemblyman Holcomb referred to four pages of schools and said he had spent several days going through that list. The committee received that list at a meeting on March 28. Assemblyman Holcomb had not yet gone over a number of the schools on the list. He said he selected the large school districts and went through the elementary schools, middle schools and the high schools and did not even research Clark County, except for the high schools, which he briefly looked at. There was a lot of research to determine whether the list was a good representative sample of successful schools. Personally, if Sparks High School was indicative of the schools, he said it was not a good representative sample. Assemblyman Holcomb said the members could not be handed a list and say, "Here are the schools." They had to do research. He spent a considerable amount of time researching the schools, and he still had quite a bit to review to cover all the schools.

Chairman Smith commented the committee had the criteria presented to them previously about how those schools were selected. The department reviewed those lists as well and an agreement was reached with the department that the selected schools would be appropriate. Chairman Smith asked the consultant to explain to the committee if APA were to look at another high school that did not meet the criteria that APA laid out but was currently making AYP, what type of difference would they see in spending.

Mr. Augenblick said they did not know what the difference in spending would be for those schools. APA tried to lay out a very specific criteria; there was no sampling involved. Every school that met the criteria was selected. He thought the committee members were having trouble understanding exactly what the criteria was. The criterion was not designed to pick out schools that happened to be doing well today. As Mr. Rose indicated, the criterion was not a reflection of the students in the school but rather the work the school might be doing. Mr. Augenblick said APA tried to find schools that made progress with all of their students.

Mr. Rose said APA tried to align the criteria as far as possible with the official policy of the state of Nevada in its plan for the NCLBA. It was not as though APA had flexibility; they translated those official statements into selection criteria for successful schools.

Assemblyman Holcomb said when he researched the schools, he looked at the NCLBA and the test scores. On APA's list of middle schools for Washoe County, he found that almost half did not meet the NCLBA and were in need of improvement; three of the schools had low test scores. Assemblyman Holcomb used the same criteria when he looked at the Washoe County elementary schools; he found five schools that failed the NCLBA with scores that could not be classified as successful schools.

Chairman Smith asked for further comments. There were none. It appeared to Chairman Smith that there might be a difference of opinion about the criteria. The criteria were established prior to the work being done, and the committee had moved forward based on that criteria. The goal of the NCLBA was to look at student growth and at schools that could take students who were in need of improvement and move them up. Chairman Smith saw that as what the committee had looked at, and that was the criteria that had been adopted. At this point in the process, the committee was moving forward on their timeline of trying to get the report completed in time. Hearing the comments and concerns made by Assemblyman Holcomb and Senator Beers, those comments would be taken and the committee would move forward to the next item.

Mr. Augenblick advised the committee that if they thought about the proposal and the contract, APA talked about doing the Professional Judgment work. As had

been indicated, APA had completed the data gathering, but they were in the midst of looking at that data before they would have numbers for the committee. APA used the Successful School approach and had described how they used that approach, which schools they had selected and the numbers that had been produced by that. There was an area in the proposal and contract referred to as the statistical area. There were several tasks APA proposed to undertake and had completed. One of those tasks had to do with identifying a procedure for modifying whatever figures there might be in a formula from one year to the next given changes in inflation, which Justin Silverstein would discuss. The second thing had to do with regional cost differences. APA developed a procedure that produced what APA referred to as a location cost metric, which Doug Rose would discuss. The third area had to do with the impact of size, both of school and district, in terms of cost, which Mr. Augenblick would explain.

Mr. Silverstein referred to page 59 of Exhibit A which calculated the year-to-year inflation adjustment factor for Nevada. All of the work being performed by APA involved looking at FY 2003-04 data; all of the data would need to be adjusted in order to be current, which could be done using an inflation adjustment. Page 59 outlined a proposal for creating an inflation adjustment for the state of Nevada.

Mr. Silverstein said APA was breaking out changes in cost based upon inflation into two pieces: In 1.0 (Exhibit A, page 59), the change in cost was specifically for Nevada; in 2.0 (Exhibit A, page 59), the change in cost was for the nation; both pieces would be used to arrive at an inflation adjustment for the state. APA used the national Consumer Price Index (CPI) when talking about the national figure. For 2005, inflation for the nation as a whole was 3.4 percent. Generally, prices had gone up 3.4 percent on the CPI for the past year. The adjustment for Nevada was shown in 4.0 (Exhibit A, page 59).

APA used American Chamber of Commerce Research Association (ACCRA) data which looked at the changes in cost for different areas. In Nevada, there were changes in cost reported for Las Vegas, Reno and Carson City. APA understood that national prices had increased 3.4 percent, but wanted to see if prices in Nevada had changed more or less than the national figure. If Nevada prices had changed less than the national figure, then that 3.4 percent would have to come down. If prices had gone up at a greater rate in Nevada than nationally, the 3.4 percent figure would be adjusted up.

Mr. Silverstein said that in 2005, the Nevada ACCRA figures, weighted by population, were as follows: The figure for Las Vegas weighted 80 percent, Reno's figure weighted 17.5 percent, and Carson City's figure weighted 2.5 percent. As shown, APA did not take into account figures for other areas of the state, because ACCRA did not produce those figures. Using those ratios, Nevada was 12.7 percent higher than the national average in 2005, whereas they were only 8.1 percent higher than the national figure in 2004. In looking at those, APA found that the Nevada portion of the inflation adjustment was actually

a 4.26 percent increase. APA put the 4.26 percent figure into the calculation shown in 3.0 (Exhibit A, page 59) and added the national figure of 3.4 percent, which resulted in a 7.8 percent adjustment for 2005 from 2004 for Nevada.

Mr. Silverstein said APA tried to capture both the national figure and the specific Nevada figure. Inflation figures could be used in two different ways. One would be to simply come up with what inflation was from year to year and make an adjustment to the formula in that year. The other way would be to set up a base or reference year and make sure the formula was caught up to the relative terms from that base year. If in one year there was 5 percent inflation, but the formula was only adjusted 3 percent, and the next year there was additional inflation, the state would need to catch up both the 2 percent that was left off and the new inflation adjustment in order to make sure the formula was fully adjusted.

Chairman Smith asked Senator Beers to help the committee. He noted that the tortured calculation of an interest rate was something he would not expect many to follow, and he thought it was pretty ridiculous. It was designed to inflate the inflation rate. Just looking at the fact that Las Vegas was weighted more than 10 percent higher than Las Vegas' population, for example, should give the committee some clue that this was clearly designed to inflate the inflation rate. Senator Beers thought it looked like they were going in a very biased direction with this study.

Senator Beers said if he understood it correctly, APA allocated the rural population to Las Vegas. Mr. Rose replied that was incorrect. The problem was that APA did not have accurate data for rural areas. They only had it for metropolitan areas. Over time, this was not too much of a problem; places tended to be consistent over time. It would be more convenient if ACCRA collected data on non-metropolitan areas, but it did not. APA was putting together an index for the entire state from the three metropolitan areas that it did collect data on.

Senator Beers said, "So you are allocating rural Nevada to Las Vegas." Mr. Rose responded no, they were just taking rural out. Everything was allocated proportionately to whatever was left over, because the rural areas were not included. Senator Beers said, "So you are allocating rural Nevada to Las Vegas." Mr. Rose said, "No, not now." Mr. Silverstein advised that at some level there were pieces allocated to all three, but APA was excluding them. Senator Beers said he would restate it: "So you are allocating 70 percent of rural Nevada to Las Vegas." Mr. Rose replied that was true.

Mr. Rose advised Senator Beers that there was a second set of cost of living data that included rural areas collected by the Economic Policy Institute (EPI) which, just as ACCRA started out to be a chamber, started out small as a labor institute. EPI collected information on cost of living in Las Vegas, Reno, Sparks and the rural areas. The problem was that EPI's cost of living was phrased in

terms of a basic family budget rather than an average, so APA thought it would be best to go with the ACCRA. If the omission of the rural areas bothered the committee a great deal, one possibility would be to use the EPI data in instead of the ACCRA data.

Chairman Smith said one of the challenges that Nevada had with education issues was the extreme differences in sizes of districts and populations in the counties. She thought they needed to make every effort to make sure the rural data was included, because the inflation rate was different in the small counties. She asked how they could work to improve it.

Mr. Rose advised one possibility would be to combine the ACCRA and EPI data and average the two, which would provide a stable estimate over time and would be more broadly based than either one singly. It was, however, more complicated to do it that way.

Mr. Augenblick said a second approach APA could do would be to assume that one of the three places for which they had data represented the rural areas. For example, if the Carson City figure was thought of as representative of not only Carson City but all of the rural areas, then APA could re-weight it.

Chairman Smith did not think they could consider Carson City to be representative of all the rural areas. She asked Senator Beers if he would be willing to work with the contractor to work on a solution to the inflation factor. Senator Beers replied that he did not have the resources to keep up with APA given the bias. Chairman Smith said they had an opportunity to change Senator Beers' perception of the bias with this regard; she knew he had a background and interest in this area. She just wanted to make that offer. Chairman Smith said they needed to resolve the issue and would work with the contractor to do that. She just hoped it was something Senator Beers would be willing to help on.

Mr. Augenblick said APA had tried to avoid something that was overly complex, but they did have information about the rural areas and could add it in. It would make it complicated, but they would do it and share the results with the committee.

Chairman Smith thanked Mr. Augenblick. She thought the complex nature of how APA arrived at their figures was one thing, but the most critical thing the committee needed to see was where the information was derived from with each of the areas of the state and the bottom line inflation factor. If the committee could look at that again, it would be a good thing. Mr. Augenblick agreed.

Chairman Smith asked for additional questions. There were none.

Mr. Augenblick said the next thing he wanted to discuss was also complicated. However, APA believed they had come up with a relatively simple procedure to

try to look at the regional cost differences in the state, which was something the committee had requested the contractor look at.

Mr. Rose had spent a considerable amount of time looking at similar types of information, using it only on a given year and trying to understand how one part of the state was different from another part of the state. The idea was to equalize what a district could get for its money. If one district had higher costs and could buy less for the same amount of money, what would it take to equalize it? APA called that a location cost metric (LCM). From a district's point of view, 20 percent of the money a district spent was pretty much the same no matter what. It did not go for personnel; personnel costs tended to be the link to salary and compensation. The cost to do that varied from one place to another and was usually driven by the cost of living. APA used a cost of living indicator, which usually did not vary from one place to another; housing and other costs did not vary in a systematic way from one place to another.

Based on the input APA had from ACCRA and EPI, those costs were equal across the different areas and left the housing costs to vary in terms of the cost of living. In a high cost area (Mr. Rose talked about Carson City, Clark, Douglas, Lyon, Nye, Storey and Washoe), housing costs averaged about 29 percent of the total cost of living. In the other ten counties, housing costs were approximately 25 percent. When the cost of living indicator was used, 29 or 25 percent was for housing and the rest remained the same. For an indicator of housing costs, APA looked at the ratio of the median sales price per home to determine what the state average was. The statewide average was weighted by population.

Mr. Rose pointed out an error on page 60 (Exhibit A). Under 3.0, the statewide average was shown as \$323,649; the actual figure was \$304,890. Chairman Smith asked Mr. Rose clarify that figure. Mr. Rose responded by saying that the statewide average sales price for a median home in 2005 was \$304,890. For three counties – Esmeralda, Eureka and White Pine – there were not enough sales in 2005 to calculate a meaningful average. Therefore, APA went through a more complicated statistical procedure, which used actual home sales in the last five years.

Mr. Rose focused on the median prices of those home sales as of June 30, 2005, divided by the state average. APA had an index number for each county. In Carson City, which was close to the statewide average, the index number was 100.0. The index for Clark County was 100.8. Churchill County was significantly below that figure at 63.0. Mr. Rose advised that if you took the housing prices and the index and plugged it into what he had mentioned, for a high-cost county with a 29 percent cost of living, then take the cost of living as 80 percent of the location cost metric, you would come up with what was shown under 4.0, which was for each of the counties the estimated location cost metric (LCM). There were some wide differences in home prices; the home price index collapsed as the housing share of the variation decreased. In some counties the large

differences in home prices were translated into relatively smaller LCM differences. The lowest metric of 82.7 was in Mineral County. There were a number of other counties in the mid-80s. As expected, Clark County's average was close to the state average. Washoe and Douglas had indexes over 100. There was a range of variation from one place to another in terms of LCMs.

Mr. Rose said the formula could be updated every year with home sales prices. As an example, if Elko started having a large price increase in home prices in comparison to the rest of the state, its index number would go up, and the LCM cost of living in Elko would be adjusted. Mr. Rose then described a number of ways this formula could be used.

Mr. Rose said the LCM was a cost of living index. The LCM did not look at the cost of attracting people, which involved a number of other considerations. There was no agreed upon way in other states of hiring adjustments; only a few states made regional cost adjustments, and they all had their own distinctive ways of doing it. Colorado, Texas, Virginia, Ohio and Florida were all different. Whatever Nevada did would probably be different from what another state did.

Chairman Smith asked if there were any questions. There were none.

Mr. Augenblick referred the committee to pages 62 and 63 (Exhibit A). APA understood there were enormous differences in the sizes of schools and districts, which needed to be taken into consideration when allocating money. These differences would be picked up in the Professional Judgment work when different sized schools were set up and the differences in costs between large and small schools and districts were studied.

Mr. Augenblick advised that pages 62 and 63 represented a different kind of work; it looked at actual spending of all of the schools in the state. APA used the In\$ite's data, which was the only source of information that made it possible to look at individual schools. The data was separated into two parts: school level data and district level data.

According to Mr. Augenblick, APA developed formulas that identified the costs of operating elementary, middle and high schools separately, which was based on the theory that there was a fixed cost of simply having a school, an added cost per student, and an adjustment as enrollment grew. The general procedure for that formula was shown on line 3.0 (Exhibit A, page 62); APA studied the data and tried to come up with a formula. Mr. Augenblick gave an example of what the data looked like on a graph (Exhibit A, page 64), which showed the actual spending per student for all elementary schools ranked by size. A curve in the graph suggested that the cost per student was much higher in very small schools and that the costs came down and flattened out for larger schools. Similar patterns for middle and high schools were found on pages 65 and 66 (Exhibit A). The pattern suggested a relationship between size and spending per student; the

question was whether or not the model could capture the relationship. APA thought they did in that they could predict spending using the formulas shown on line 4.0 (Exhibit A, page 62).

Mr. Augenblick then pointed out an error with the sentence, "The school formulas are as follows (we set the middle school at \$5,000)." He said they did not. The formulas were set up so they could be adjusted to whatever level happened to be the case. At one point, APA had set it at \$5,000 to see what happened, but that was not what was going on here, and that last part of the sentence should not have been there. Mr. Augenblick advised the committee members that they should cross out the portion that said in parenthesis, "we set the middle school at \$5,000" because that was not true.

Mr. Augenblick continued by saying that 4.0 listed the level of school (elementary, middle or high school), the fixed cost, the per-student added cost, and the amount taken off per student multiplied by the number of students squared in order to recognize the reduced cost of having more and more students in the school. Those figures could be over-interpreted; it was not as if the cost of opening up a school and having enough students was \$73,000; it was an average of some of the very small schools, very large schools, schools that had a principal and schools that had a part-time principal. It did not reflect the exact cost of opening up a school, but it did work its way in the formula to predict the actual spending of many schools fairly well. Additional resources were added in elementary schools for every student added on to the relatively low starting position, and then \$1.88 was taken off, multiplied by the number of students squared, to get the actual expenditure for schools of different sizes.

Mr. Augenblick moved on to 5.0 (Exhibit A, page 62), which showed what would happen if the formulas were applied to schools that had different sizes. APA selected school sizes for elementary, middle and high schools. Elementary schools ranged in size from 50 to 700; middle schools ranged in size from 100 to 1200; and high schools ranged in size from 100 to 2,400. Any number could be used in the formula. If those numbers were placed into the formula, the cost per student would be as shown under that column; this was based on actual spending in FY 2003-04 In\$ite's data.

When looking at the elementary schools, the figures dropped down as the school size increased. The same was true of middle schools, although the slope was different. High schools had a much steeper slope, because the high school costs per student of a very small school was much higher compared to a much larger school. The cost-per-student ratio was relative to the largest school on the list. In the case of elementary schools, where the largest school was 700, the ratio was 1.00; a school with 50 students would have a cost-per-student ratio 63 percent higher than the largest school.

Chairman Smith asked if she compared the information on page 62 to the chart on page 64 on the elementary school size, it looked as though there were several schools on the higher population end, but she did not see that on the list. The list topped out at 700 students, but the enrollment on the other chart did not correlate to that. Mr. Augenblick said any number could be placed under the size column. Chairman Smith asked if 700 was where APA topped out. Mr. Augenblick said it was what he wanted to share and was just an example of how it worked. When applying the actual figures for every school in the state, APA would apply a formula based on the precise figures in each school; so if there was an elementary school with 63 students, APA would apply 63 into the formula shown on line 3.0 (Exhibit A, page 62) and use the figures shown on line 4.0 (Exhibit A, page 62), which would result in an adjusted cost.

In addition, line 6.0 (Exhibit A, page 62) identified a district cost, which also varied, because the sizes of the districts in Nevada were dramatically different. In this case, there were only 17 points. In looking at the spending at the district level according to the In\$ite's data, the formula that APA came up with was: total cost = \$338,204 + (\$387 x number of students) – (\$.00014 x students²).

Mr. Augenblick explained that there was a cost to having a school district, a cost for each additional student served in the district and a very small savings on a per-student basis. If a district had 200,000 students, multiplied that number by itself and then multiplied by \$.00014, it would have a large impact. That impact was shown on item 7.0 (Exhibit A, page 63).

Chairman Smith asked if that information was the actual information taken from In\$ite. Mr. Augenblick replied that it was based on In\$ite's spending data and trying to fit the curve to that information. He said it may be that either of the two procedures used by APA, the Professional Judgment or the Successful Schools, would have a different base number with which to work, which would change the way the cost might look. Certain things were excluded, such as transportation, food service, debt service, capital and a variety of other functions. Nevada had a range similar to that shown under item 7.0. When selecting a small district with 100 students, or picking a large district with 280,000, the cost per student of operating the district changed dramatically. In a 100-student district, the district cost would be \$3,769 per student; in a district with 280,000 students, the cost per student would be \$349.

One of the notes APA added to 8.0 (Exhibit A, page 63) stated that when these formulas were applied to schools, they typically did not apply to all schools. The problem of doing that, particularly if there was an incentive for being very small, was that the incentive might drive school districts to reorganize themselves into very small schools, which then might be eligible for an awful lot of money from the state. A few states that typically did that identified what they called "necessarily" small schools. Mr. Augenblick said that "necessarily" small often had to do with distance to another school; it was not unusual. APA would have

to find a way to figure out how they would apply this to the schools and to be sure that they did not apply it to two schools that happened to be 27 students which were next door to one another. That would be overstating what the real cost is of operating in that situation.

Mr. Augenblick advised that what APA tried to do was to put together those factors that needed to be in place in order to create a formula to recognize the cost differences between one district and another and between one school and another. This month, APA would be finishing up the work on the Professional Judgment approach, working on additional analysis on the Successful Schools approach, and then applying adjustments to the base cost numbers that came out of each of those approaches. Some of the adjustments had to do with the kind of students that were being served, which came out of the Professional Judgment work, and other adjustments applied to the district or school as a whole. Both the LCM and the cost per student based on size would apply to whatever APA came up with after doing that work. Ultimately, when applied, there would be a cost per student at every school, which would add up and compare to what was actually being spent at a district level with some schools being compared. APA was getting close based on all of the information being shared with the committee.

Chairman Smith referred to information that had been presented to the committee members. Once committee members had an opportunity to digest the information, she wanted to know if there was time for committee members to get back to APA and comment on certain parts of that information before the final calculations were started. Mr. Augenblick answered yes. APA's objective by the end of the month was to have at least one run through of all of the data. If the committee members had questions about how the work was being done, APA had until the middle of August to make some adjustments. They would like any comments the committee might have to come earlier rather than later, because it was a lot of work to run the calculations. Mr. Augenblick said if the committee wanted to discuss changes, he hoped they could do that during June; it may not affect what was calculated this month, but they could do another set of calculations in July. It might not be ready for the July 13 meeting, because APA's plan for the July meeting was to share with the committee the results of all of their work, having applied it to all of the schools and districts and making a comparison. APA might not be able to incorporate any changes by July 13, but they had another month beyond that if necessary.

Chairman Smith asked committee members to bring up any comments or ideas for change they may have for the contractor within the next week or 10 days, either through staff or APA.

Chairman Smith asked if there were any questions. There were none. The connection with Denver was lost; Chairman Smith called for a break at 11:13 a.m. to allow for a reconnection to be made.

Chairman Smith reconvened the meeting at 11:23 a.m. She noted for the record that the connection to Denver was only available until noon. Chairman Smith asked the contractor why they had squared the numbers on the per-pupil level under 4.0.

Mr. Rose responded that the idea was to make an adjustment for the size of the school assuming there were costs that effected the school; the economy of scale basically did the same thing. It was more economical and efficient to have a large school. With small schools and fewer students, there would be problems hiring new teachers and splitting classes. It was easier to make those types of adjustments with larger schools. Mr. Rose said APA saw a decrease in cost as schools became larger, which was an economy of scale both at the school and district levels. In Clark County, what was spent in terms of staff time to process benefits per pupil was much smaller than it was in smaller schools, because Clark County did not have a per-student cost; they had a single cost for the whole district, which was what APA adjusted for. Using the student squared was one way to put in a size adjustment over and above a per-student amount; it was a mathematical adjustment.

Mr. Augenblick discussed the mathematical adjustment. He referred to the curves shown on pages 64, 65 and 66 (Exhibit A). In order to get a line to make a curve, there had to be a second-order equation which involved a square term. APA tried to fit a line in there, which was the way to do it. Chairman Smith asked if that was some type of standard methodology in accounting. Mr. Rose said it was a multiple regression equation; an exponential curve could be used to do the same thing. APA thought the per-student squared was simple, straightforward and not too hard to explain; it fit the data well.

Senator Beers stated, "Simple, capricious and arbitrary." "Because it fit the data" was the lousiest reason to manipulate a raw number that he had ever heard.

Chairman Smith asked for any comments from APA. Mr. Augenblick said APA tried to figure out the shape of the curve as represented by all of the dots on the pictures on pages 64, 65 and 66 (Exhibit A). As Mr. Rose indicated, there were different forms of equations that could be used, but some would be difficult to interpret. APA chose a form of an equation that would be relatively easy to interpret and would mimic that line; all it was designed to do was to say, "This is what districts and schools are spending now, and this is the curve that best fits the differences in spending that we see." Mr. Augenblick said it was based on In\$ite's data, which was an extraordinary database to use. The In\$ite's data gave Nevada the ability to do what most people could not do in other states, because Nevada had the ability to get school-by-school information, which was typically not available.

Chairman Smith asked for further questions or comments. There were none. She advised that if committee members had additional comments or questions on any of the information provided by APA thus far, now was the time to raise those questions. There were no questions or comments from the committee members.

IV. PRESENTATION AND DISCUSSION OF ISSUES PRESENTED DURING THE PUBLIC FORUMS HELD ON MARCH 28, 2006 AND APRIL 24, 2006.

Mr. Augenblick referred to APA's comments on the two public hearings sponsored by the A.C.R. 10 Committee (Exhibit C). The document was a quick summary of the comments received during the two hearings. One hearing was held in March in Las Vegas and the second was held in April in Reno. These were evening meetings that ran from approximately 5:00 p.m. to 7:00 p.m. Chairman Smith attended each meeting and made a brief introduction. Mr. Augenblick and Mr. Silverstein attended each meeting, along with other APA staff. At the hearings, participants made statements about what they thought about education in the state of Nevada and what they thought APA should study. Some of the questions focused on specific programs and services people wondered about. A number of people who had just moved to Nevada reported on services they received in other states and asked if APA was looking at those services being provided in Nevada.

Mr. Augenblick said he made it clear to the participants at the meetings that there were certain areas that APA was looking at, such as technology, but there were other areas they were not looking at, such as transportation or capital outlay. Many people thought transportation and buildings were extremely important and were disappointed when they found out that APA would not be studying those areas as part of their contract. The participants were glad to hear that the committee would be studying the areas on their own. The participants were also glad to hear that some of the things they were interested in, such as professional development or technology, would be covered by the study.

Mr. Augenblick advised that one person expressed concern about the study process; he questioned the openness, timing and what the results might be. In this case, APA invited the person to observe the professional judgment panels held in Carson City. That individual spent a full day with APA and was back the following day for a short period of time.

A number of people spoke about levels of funding. At the public hearing held in Las Vegas, people talked about how northern Nevada received more money; at the public hearing held in Reno, people talked about how southern Nevada received more money. There was a sense that people living in other places received more money. Mr. Augenblick said he found the hearings to be useful. He hoped that the people who attended learned about what was being done with

the study. There was some confusion as to how many approaches APA had been using. Mr. Augenblick said they were able to explain to those people attending the meetings who they were, what they were doing and how it fit into the committee's work. People were concerned about education and funding and hoped a system would be developed that was fair and adequate to meet their needs.

Chairman Smith asked if there were any questions regarding the public forums. There were none.

When the Professional Judgment panel discussions came to a close, Chairman Smith asked Fiscal staff to report on the results of a customer satisfaction survey for panel members. Chairman Smith noted this request was unknown to the contractor or panel members prior to the survey being distributed.

Mindy Martini, Program Analyst, Fiscal Analysis Division, stated that as Chairman Smith indicated, staff did develop a satisfaction survey to be sent to all members of the Professional Judgment panels (Exhibit A, pages 74 through 77). There were 36 members on the panels; surveys from 29 members were returned, which was 81 percent of the surveys.

Ms. Martini referred to the top of page 75, which showed the number of respondents broken out by the type of panel that they had actually participated in. The bottom of page 75 listed six questions asked of panel members, all of which were to be rated on a scale of 1 to 5, with 1 indicating strongly do not agree and 5 indicating strongly agree.

Ms. Martini said that overall the responses were positive to the survey questions, with nearly all of the respondents rating the questions with agree to strongly agree. For question 6, "this activity met or exceeded my expectations," one respondent indicated strongly disagreed with this statement. The respondent did note that he did not expect to be crunching numbers and focusing on student/teacher ratios and formulas and felt it would be more of a policy discussion.

Ms. Martini found it interesting that nearly all of the respondents provided additional comments on the survey. The exact comments were listed on pages 76 and 77 (Exhibit A).

Chairman Smith thanked Ms. Martini for her presentation and asked if there were any questions. There were none. Chairman Smith thought it was valuable to see how the panel members felt about the experience.

Chairman Smith opened the meeting to comment from the public before losing the connection to Colorado. There were no comments. She closed the agenda item and thanked the presenters from the Colorado location. Chairman Smith

said the scenario of having three locations went smoothly; she appreciated everyone's patience and input.

Chairman Smith moved to Agenda Item II, which was the approval of the minutes of the March meeting. Following approval of the minutes, Chairman Smith called for a 30-minute lunch break.

(Lunch break)

Chairman Smith reconvened the meeting at 12:21 p.m.

V. PRESENTATION ON THE CALCULATION AND DISTRIBUTION OF TRANSPORTATION FUNDING THROUGH THE DISTRIBUTIVE SCHOOL ACCOUNT.

Douglas Thunder, Deputy Superintendent, Administrative and Fiscal Services, Department of Education, said he had been asked to discuss how the transportation factor was calculated in the Distributive School Account (DSA). He read from a prepared statement (Exhibit D).

Over the past 35 years or so, since the Nevada Plan had been used to provide a reasonably equitable distribution of public education dollars among the 17 school districts, there had been a consideration of the variation in transportation costs borne by the districts.

Nevada has not had a statewide transportation fund from which districts or schools were reimbursed for a major portion of their costs for transporting students. Instead, the approach had been to create an adjustment to provide districts with higher per-student transportation costs, a greater portion of the state per-student funding than districts that had a lower per-student cost.

In order to determine the appropriate amounts, several pieces of data were needed. First, the enrollments of the districts must be known. For this purpose, the "weighted apportionment enrollment" was used – the numbers of students attending our schools, with the numbers of preschool and kindergarten students reduced to 60 percent. These enrollment numbers were those reported to the Department of Education as of the end of the first school month.

Mr. Thunder said the cost the districts had incurred for the transportation of their students also needed to be known; he advised that they had a reliable source for that information. All school districts were required to undergo annual audits by outside accounting firms. In those audits, the major cost centers were reported, including student transportation. Those costs were tracked in the school districts' accounting records as function 2700 and were reported that way in those audits.

Mr. Thunder continued by saying that they also needed to know what had been established by the State Legislature as the annual statewide basic support per-student amount. Those numbers were normally approved by the Legislature in its biennial sessions. For example, the basic support per-student amount for the 2005-06 school year was \$4,486 and for the 2006-07 school year it would be \$4,696.

With those three pieces of data, the total transportation cost for each district was divided by the enrollment to calculate an amount per student. This was done for each district and for the state as a whole. This calculation was done for each of the last four years, resulting in four amounts per student for each district. The four amounts per student were then averaged. The resulting average was then increased by a “cost of living” factor, which was currently 2.5 percent a year. Mr. Thunder added that up until a couple of biennia ago, information from the last two years was used. In doing that, they would pull out the capital expenditures from both years and take an average of those two and put it back in. The reason for doing so was to average out extraordinary costs that might be incurred in one year and not the next, thereby treating some of the districts unfairly. The four amounts, which were generated an amount per student, were then averaged. The resulting average was then increased by a cost of living factor, which was currently 2.5 percent a year, for two years, because the average produced was assumed to be a midline point.

Continuing, Mr. Thunder advised that because it was assumed that the state basic support program was intended to cover approximately 85 percent of the school districts’ operating costs, the average per student transportation cost was reduced to 85 percent.

Finally, to get to the first year of the coming biennium, that average cost was increased two additional times by the same cost-of-living factor.

The statewide basic support number was reduced by the statewide average, which was calculated by each of the districts and then for the state as a whole. The amount that was calculated for the state as a whole was subtracted from the amount that the Legislature provided as the statewide aggregate basic support amount. For FY 2006, the \$4,486 amount was reduced by \$261 (the statewide average transportation per student cost), leaving \$4,225 to be run through the rest of the DSA formula. After other calculations in the formula were made, each district’s average transportation cost was added back in.

For example, if the statewide average transportation cost per student was \$261 and Carson City School District’s average was \$215 per student, then in Carson City, the basic support would be \$46 less than the state average. On the other hand, if Lyon County School District’s average was \$446 per student, it would receive \$185 per student more than the state average and \$231 more than Carson City School District.

Mr. Thunder went on to say that this adjustment was made before other calculations in basic support were made and was not influenced by the wealth factor or the basic support ratios, which could result in an adjustment that could overshadow the transportation factor.

There were several points that should be stressed:

- The treatment of costs of student transportation did not result in a reimbursement program. Instead, the DSA formula was intended to equalize the costs for student transportation on a per-student basis among the 17 districts. If every school district ended up with the same cost per student, there would be no adjustment.
- The funding provided to the school districts through the DSA formula was “unrestricted,” meaning that it could be used by the districts for the staffing and operational costs of the districts. Each board of school trustees of each district was given the responsibility of developing the district’s budget to best fulfill the requirements and obligations of providing a reasonably equal educational opportunity for its students.
- Although the transportation costs were calculated on a per-student basis, this did not mean that each student was entitled to that amount, whatever it turned out to be. If the per-student average cost was \$250 in a district, that did not mean that each student should be able to claim that \$250. The per-student amount was only a calculation that was needed to determine the variation among the districts. Obviously, some students, especially those that traveled many miles each, were receiving more in transportation services than the district average.

Mr. Thunder referred the committee to pages 81 through 84 (Exhibit A) for a more detailed explanation and for two flow charts that described where the transportation factor fit in to the whole formula and described graphically the various steps in the transportation equalization factor.

Chairman Smith asked Mr. Thunder how, in relation to the conversation in the previous agenda item regarding cost of living and inflation, his 2.5 percent was arrived at. Mr. Thunder said it was a general observation and not based on the Consumer Price Index. He believed they used 4.7 percent for many years. The overall effect after it was applied to each district’s amount and to the state amount tended to diminish the effect of that factor.

Chairman Smith thanked Mr. Thunder for his presentation.

VI. PRESENTATION AND DISCUSSION OF STUDENT TRANSPORTATION ISSUES IN NEVADA'S SCHOOL DISTRICTS.

Rob Roberts, Superintendent, Nye County School District (NCSD), introduced himself and said it was a pleasure to address the committee concerning transportation issues for Nye County.

Cameron McRae, Director of Transportation, Nye County School District, thanked the committee for the opportunity to present Nye County's position and some issues and figures concerning what they believed to be, in some cases, unique situations among the other counties. Nye County had an aged fleet of buses that NCSD had to contend with. Mr. McRae said he had provided that information (Exhibit E), which indicated the status of where NCSD currently stood with the fleet used to transport students to and from various schools. Information had been included on the replacement costs for those types of vehicles based upon history and some projections of what they had been told by vendors of what a school bus would cost in the upcoming year.

Mr. McRae said the NCSD transported approximately 3,300 students per day. One million miles were put on the school buses on an annual basis from the school to home and home to school activity. Due to budget constraints, they did not have a before or after school program using buses. Students who participated in those programs had to find their own transportation.

One of the things the NCSD did that was good economically was the fact that they had not taken just one position on how they bused their students to and from school. Recognizing that they bused a handful of students in the most remote areas of Nye County, such as Duckwater and Current, to their most populated community of Pahrump, they did it in all fashions. Buses shared students from pre-K to 12th grade on the same bus, and there were buses that were segregated by the various ages based upon the locations. Nye County's most populated community, Pahrump, at 375 square miles, had only one high school and one middle school and created some rather long daily bus trips.

Mr. McRae advised that at this point, 75 percent of NCSD's buses were either near or at the occupancy of the bus on peak ridership days, which meant that they were busting at the seams. The NCSD budget for the entire county was approximately \$3.3 million.

Because of the size of the district, Mr. McRae had two offices; the main office was in Pahrump; he also had a shop 175 miles away in Tonopah to maintain and service buses in the northern end of the community. In the last 10 years, the school district had only been able to procure 27 new buses. Nine of those buses were funded by the Nye County Commission, not out of school funds; the funds were granted to the schools for that purpose. The NCSD had to fund the balance of the 18 buses through medium or long-term financing.

For the past five years, the NCSD had been able to procure used buses from neighboring counties, which allowed them to remove from service most buses that were older than 1989. They ran a few 1970 series buses and many buses from the early 1980s. Funding for buses procured from neighboring counties came from district DSA money.

Mr. McRae said that Nye County was the largest geographical county in Nevada with 18,400 square miles and diverse population centers. Ten students were being transported 75 miles out of the Duckwater/Current area to Eureka High School on a daily basis. Personnel traveling from Pahrump to Gabbs to visit the school or perform work had to drive approximately 300 miles each way.

There was no outside source of public transportation in Nye County that could be used to provide transportation in a more economical manner. For students living in rural areas, the NCSD provided a contract and paid the families of the students to transport the students to and from the school, as that was the most economical in lieu of a bus for one or two students.

Mr. McRae thought they had optimized the issue in Pahrump of stacking bus routes where there was an hour between the start time for the middle and high schools compared to the elementary schools; the same bus and driver could take multiple routes and do it while in the balance of the other communities. They staggered the start times by a few minutes, because the high schools and middle schools were in close proximity to the elementary school; in some cases, they were the same school.

Mr. McRae said the NCSD Trustees had developed walk zones for students who lived closer to their school sites, with specific safety requirements, and provided bus transportation to students living outside of the walk zone.

Mr. McRae then discussed funding challenges for DSA. He appreciated Mr. Thunder's explanation, as most people found it difficult to understand. According to Mr. McRae, there was insufficient funding from the DSA formula; it was inadequate. A random 2.5 percent inflation number was not appropriate other than it was even across the state. Mr. McRae did not believe the DSA used the right figures, which were always behind and went backwards with the average. He recognized the number was not supposed to be a reimbursement. The fund did not account for the capital investment to replace buses. In one essence, districts that were unable to buy new buses and add those types of costs were penalized for being frugal and for using other mechanisms for acquiring buses.

Mr. McRae said one item DSA funding ignored was the fact that in a school district that was growing at a small percentage, the system might not account for the proper funding. For some reason, although the NCSD had a small

enrollment growth, they had a huge increase in ridership this year. Instead of only 42 percent of eligible students riding the bus, 54 percent were riding the bus. He did not know whether that was due to the higher gas prices. For whatever reason, the 12 percent increase in ridership became a factor that the NCSD was unable to contend with, because the support money had never functioned with that type of increase. At this point, rural districts with stable or small growth factors were pressed harder to find the DSA money to fund those aspects of transportation.

Mr. McRae said the NCSD did not know if there was a consensus of whether they were doing the best they could on spending the taxpayers' dollar and whether or not the existing scales of wages paid to employees were adequate or not, but he knew that everybody had to compete with private enterprise for personnel and other governmental employers for people. When wages were compared, there was a gap in Nye County where they could not fund personnel at a competitive level for a cement mix driver or 10-wheeler driver. Unfortunately, if the NCSD did not have sufficient pools of people to drive, unlike classrooms, they could not just combine them; the seats were not available. It was an untenable situation when there were not enough buses or drivers to pick up the students in the morning to get them to school. Having a wage scale to keep the regular bus drivers and a sufficient number of substitute drivers to participate was imperative.

Nye County believed they had done a good job in reducing their costs in an attempt to make "more bang for the buck" from the money that was given to them. The NCSD would continue to lobby on the federal level in trying to get assistance and programs, particularly in school bus replacement, for safety issues. Mr. McRae said that 95 percent of Nye County's land mass was under governmental control (either ownership or management), so there was less money available in tax revenues in additive support. Mr. McRae requested that the committee look at additional ways and conditions to help the NCSD overcome the issues they had to deal with on a daily basis to provide the safe and efficient transportation of their students.

Chairman Smith thanked Mr. McRae for his testimony. She said she was curious about his comment regarding the percentage of increased ridership versus the percentage of student growth; the ridership was much greater. Mr. McRae had commented that it may be that more students were now riding for different reasons. Chairman Smith asked if they could determine whether this was due to the NCSD actually getting more students who were living in ridership areas or whether students and families were deciding to use the bus. Mr. McRae said they could take their ridership registrations and plot them to indicate where they were living. His first blush answer to that, at least in NCSD's case, was that he believed it was the fuel costs that were driving parents to discontinue driving their children to school, which was evident by the ridership differential they had from a.m. to p.m.

Chairman Smith thought it was important for the committee and the other districts to look at the increased ridership.

Senator Beers asked if school districts were exempt from fuel tax. Mr. McRae responded that was correct. The NCSD currently bought off the state sales program, and those taxes were not included. When the NCSD did have to buy retail, they were able to recover those taxes on diesel.

Senator Hardy asked what circumstances would require the school district to buy retail. Mr. McRae replied that if they did not have a governmental-style pump or a prepaid pump somewhere, they would have to buy retail at the local stores; they would then file for the reimbursements. Senator Hardy asked for the funding source of the reimbursements. Mr. McRae said the reimbursements came from the Department of Taxation. The money that came back would be returned to the fund and his accountant would put it back into the fuel fund.

Senator Hardy assumed the NCSD made every effort to make sure the routes accommodated filling up at the state authorized location. Mr. McRae answered that they always did that when it was available. Senator Hardy asked if it was something measurable; Mr. McRae said it was.

Chairman Smith asked Mr. McRae if they had the ability to do bulk purchasing if they were on a long trip for an activity. He responded that they could; the state utilized Western Energetix. If they traveled to Reno or other places, the driver would be given the location and they would use their card at those locations for that product. Chairman Smith thanked Mr. McRae.

Bob Dolezal, Superintendent, White Pine County School District (WPCSD) and Paul Johnson, Chief Financial Officer, WPCSD, gave a PowerPoint presentation (Exhibit F). Mr. Dolezal said like many of the smaller school districts in Nevada, one of their challenges was the change in student population. For the past few years, the WPCSD had an increase in student population after a six-year cycle of a decline in student enrollment. One of the challenges the WPCSD faced over that time period was that their transportation costs were relatively fixed over the course of time. When their student populations declined, the cost of running those buses remained the same regardless of how many students were being picked up.

Currently, the WPCSD had 29 route buses serving six school sites, 6 travel buses for extracurricular activities, 5 vans, 5 service trucks and 8 automobiles. The older vehicles were from the 1980s and 1990s, and 2 automobiles and 1 van were purchased in 2001. Mr. Dolezal said their transportation route buses ranged in age from 1978 to 2005. The WPCSD purchased 4 new buses in 2005 as a result of the Carpenter bus recall, which put a slight pinch on their budget. Approximately 2.5 percent of their general fund had to be converted into funding

for the purchase of those particular buses. One of the downsides of the Carpenter recall was that it limited the number of available used buses.

Mr. Dolezal advised that over the past 12 years, all of the buses the WPCSD purchased had been used buses from other school districts. He noted that the ages of WPCSD buses ranged from 1971 to 2005; the 1971 through 1977 buses were kept in reserve in case a bus needed replacement. The average age of the buses was 15 years; they had 19 buses exceeding 20 years in age. The average mileage per bus was 190,000.

The WPCSD was small and had one high school in the 2-A category and one school in the 1-A category, which traveled to the more remote areas in Nevada. The closest athletic competition for a conference game was approximately 120 miles, which was from White Pine to West Wendover. The furthest competition was 358 miles from White Pine High School to Needles, California. The number of hours students and drivers spent on activity buses was considerable. The 358-mile trips (716 mile round trips) were done in what was called a "looper." The bus would leave in the morning and return that same day or early the next morning, so they would not spend a lot of time or money on motel rooms. Those particular trips required two bus drivers.

Mr. Dolezal said the WPCSD had approximately 167 athletic trips and 33 co-curricular (band, vocational, career and technical education) programs that traveled. The average bus trip was 500 miles. Because of the WPCSD's isolation, they were unable to charter services for transportation to those areas.

Mr. Dolezal then discussed resources. The WPCSD utilized the debt services fund and leases and loans. These competed with other areas, primarily facilities improvements, which was a struggle in the WPCSD. Many of their facilities were old. The White Pine Middle School was built in 1913; the new addition to that facility was completed in 1955.

Another resource available for transportation purchases was the district's general fund, which competed with instructional services, student support and every other service provided in the district. Mr. Dolezal advised that the WPCSD's bonding capacity, or ability to generate a lot of revenues from other sources, was very limited. As installment agreements expired, the WPCSD may or may not have those resources available for further transportation purchases. If a facility issue came up, it might take precedence. The WPCSD had not been able to establish a concise pattern of vehicle replacement either in the bus area or the support vehicles for the district.

Staffing was an issue. When things went well in White Pine County and their mines operated as they were now, people who had a commercial driver's license (CDL) had a great opportunity to make significantly more money working for the mines or other components within the community; the school district struggled to

find certified drivers in that area. Mr. Dolezal said there was a lot of driver turnover. The WPCSD provided training for potential drivers to get their CDL; once trained, those people would find an opportunity with another entity for their economic benefit within a year.

Mr. Dolezal, who was the School District's Superintendent, was also the part-time Director of Transportation, which provided him the opportunity to look at another side of education. The Transportation Department had one supervisor, who was responsible for the day-to-day operations, one secretary that worked with the various entities, one mechanic and twenty route drivers. The route drivers also functioned as part of the maintenance department; they did routine maintenance and assisted in that area.

Like other areas, the WPCSD struggled to find a recurring source of revenue to allow for the development of a schedule for vehicle replacement. Mr. Dolezal said the district must secure other funds to purchase service vehicles and vans. The WPCSD maintenance crews traveled across the district to their most outlying school, which was approximately 75 miles away. The service vehicles driven by the maintenance crews were from the 1980s. When the district purchased new buses, maintenance crews did not have the technology to work on the vehicle themselves. The nearest service area for the buses was in Reno; the district did not have the computer technology of other service areas to work on those vehicles. Mr. Dolezal advised that the district has had to haul buses to Reno for servicing.

Recruitment of bus drivers was an ongoing process. The WPCSD had a core of bus drivers who had remained with the school district, but approximately 50 percent of their drivers had been recruited over the past two years.

Mr. Dolezal stated that legislative assistance broadened the definition of existing sources of capital funds to include purchases of equipment and vehicles, which provided the district with additional financial options.

Paul Johnson, Chief Financial Officer, White Pine County School District, said part of the legislative assistance page (Exhibit F) brainstormed ideas that might provide assistance or other options available for school districts. The WPCSD had lean capital resources for facilities and the purchase of buses and other heavy equipment (backhoe, skip loaders); there were no funds readily available for those types of things. If the laws changed so that funds available for capital improvements could be used for the purchase of either vehicles or heavy equipment, that would provide another source of revenue for school districts to tap into. It would certainly help in WPCSD's case.

Mr. Johnson then discussed legislative appropriations. One of the things that helped WPCSD that already existed in law was the purchase of governmental surplus property. Mr. Johnson said the WPCSD had been able to replace 15

school buses over the last couple of years with the cooperation of Clark County and Elko County. Another thing that helped the district was the law that allowed joinder or mutual use of other contracts. The WPCSD was able to work with the Churchill County School District to purchase some new buses to replace their Carpenter buses. If the WPCSD had gone out on their own to replace four buses, it would have cost more than if they had joined with another school district that was purchasing in a larger volume.

Senator Hardy asked Mr. Johnson if he used the joinder or mutual use of contracts in other areas as well. He replied yes. The WPCSD had purchased supplies through Clark County School District contracts and had gone through Pershing County School District for energy retrofit to contract processes. Mr. Johnson said it had been a tremendous benefit. Senator Hardy asked if he recalled when the legislature did that. Mr. Johnson did not remember the year; he was just thankful it was there, because it had helped out quite a bit. He said it saved a lot of labor time for them in having to prepare documents and go through a process that had already been done at another local government. It saved some labor efficiency administratively and through some hard dollar costs through purchases as well.

Senator Hardy said it was a peripheral issue, but he would be interested to get some sort of estimate on how much that saved as it was quite an issue when the Legislature had discussed it. It would be very interesting across the state to know what the economic benefit of that had been. Chairman Smith advised that she would put in a request for staff to look into that.

Mr. Johnson said they would be glad to provide any assistance. One of the things that had been mentioned was that the costs were measured on a per-pupil basis in the DSA formula. The costs for transportation did not expand and contract with the student population. If the WPCSD had an increase in the student population, the cost per pupil would go down and have a negative impact on their DSA factor. How that ended up would depend on the other factors that rolled into the model, but it did not change their overall costs and may have increased their overall costs. Mr. Johnson said White Pine County struggled with trying to find a unit of measurement that was universally acceptable and measurable.

Chairman Smith asked if there was an ongoing group that met with the districts to specifically discuss transportation issues and new ideas for partnering and saving money. Mr. Johnson said a Superintendent's Finance Committee met intermittently every couple of months; they discussed issues that were common to all of the school districts. Mr. Johnson said they were currently going through a process of studying the DSA formula as it existed today and seeing whether it needed to be improved.

Chairman Smith said she was curious about the age of the fleets of the WPCSD and most of the rural areas. Aside from knowing that there had to be a large amount of money for a new purchase, she wanted to know the cost comparisons with what was being spent on maintenance versus purchase. Mr. Johnson said one of the arguments for purchasing new vehicles was that they were supposed to be more efficient than older vehicles. Unfortunately, with the WPCSD's newest purchases of vehicles, they had been more costly to operate in the form of repairs than the older vehicles. On a mileage basis over the long term, they should last longer, because they were newer vehicles. As far as capital replacement, if the district had newer buses, they would not have to replace them as frequently. The WPCSD hoped to create efficiency with newer vehicles, but that had not been the case. Some of the problems had to do with the requirements for emissions that required engineering changes within the emissions and the engine that had caused problems within the industry.

Mr. Dolezal advised that the WPCSD did not take their buses off paved roads in the county. In lieu of transportation, the district paid families to transport their children, rather than taking the buses onto paved roads, as that added to maintenance costs.

Chairman Smith believed the maintenance on the bus issue was sort of the same one experienced with personal cars; no one could fix the new cars anymore. She asked for further questions. There were none.

Chairman Smith had a question for Randy Robison, Nevada Association of School Boards, regarding seatbelts. She asked if there was a survey or study being done by the Nevada Association of School Boards. Mr. Robison believed A.C.R. 11 tasked the Nevada Association of School Boards with a review of that issue with a report to be delivered to the Director of the Legislative Counsel Bureau by mid-January. He said the association had started the preliminary research and was putting the information together; they planned to meet the deadline. Chairman Smith thanked him for the update.

Shannon Evans, Bus Operations Coordinator, Clark County School District (CCSD), gave a PowerPoint presentation (Exhibit G). Ms. Evans listed the following transportation statistics:

- The CCSD encompassed over 8,000 square miles;
- There were 1,279 district-owned buses;
- Over 1,100 drivers operated the buses;
- The drivers and buses operated out of 5 bus yard facilities in several outlying areas;
- CCSD had 1,125 daily bus routes;
- The CCSD made more than 19,000 bus stops;
- Stops were provided for the districts 130,000 students;
- Buses and drivers traveled more than 17,000,000 miles annually; and

- Over 3,000,000 gallons of fuel were consumed.

Ms. Evans referred to slide 4 (Exhibit G) which was an overview of the CCSD's five facilities and bus distribution. The Transportation Department had many efficiency tools in place. First and foremost was their computerized routing technology, EDULOG, which allowed users to create bus stops, runs and routes graphically with very little effort. This software was renowned for being one of the leaders in computerized routing. Ms. Evans said the analysts could graphically display all students within a transportation zone and centrally create bus stops to accommodate the majority of the students within the areas.

Ms. Evans said terminology would change from district to district with regard to run and route. In CCSD, a run was one particular bus designated to service one particular school; a route was several of those runs tiered together.

Another technology that allowed transportation to monitor efficiency was the ZONAR System. This system tracked the drivers' time, inspections and when the buses were entering and exiting the bus yard facilities. Each driver was issued a user card; the cards were used for the driver to clock in and out and to log into a handheld device that stored and certified their inspection reports. Ms. Evans gave a demonstration with the handheld device. Drivers were required to perform pre-trip inspections prior to leaving the yard and once they returned, which could result in four to six inspections per day.

Other efficiency measures included maintaining fleet consistency and purchasing buses with maximum capacity and flexibility. In an effort to keep up with the district's growth, a few extra seats made a big difference and allowed the department to be more efficient. Maintenance efficiency measures included perpetual inventories, computerized maintenance and repair tracking. These efficiencies reduced overstocking of parts and helped reduce unexpected breakdowns, which extended the mechanical life of the school buses. With the current increases in fuel costs, fuel tracking was a vital part of ensuring efficiency.

Transportation administration realized in their efforts to be more efficient, collaboration with other departments was very important. Working with other departments such as Zoning and Special Student Services, as well as participating on different committees and providing recommendations of bell times and boundaries, allowed their efforts of efficiency to be far reaching. Transportation's participation on those committees allowed them to present the positive and negative impacts or costs to Transportation that would occur regarding zone changes and program placements.

Ms. Evans said CCSD issued approximately 200 students monthly flexi-passes to be used to ride the Citizens Area Transit (CAT) bus to and from school. These passes could be used at any time; the cost of each pass was \$16 per month,

which equated to an annual cost of \$28,000. The majority of the 200 students that currently utilized the CAT bus passes were high school age and attended behavioral sunset programs. The attendance boundaries for these particular schools had several CAT routes which accommodated the students with their schedules; therefore, the students arrived to school on time and used existing CAT stops. The ability to extend this program was somewhat limited due to stop locations, bus capacity, costs, and other concerns regarding driver qualifications, pupil management skills and other parent concerns.

School bus drivers were now required to obtain a school bus endorsement. Other commercial drivers were not required to have this endorsement. This endorsement certified that the driver received extra training in student loading and unloading, student management skills and other skills pertinent to being a school bus driver.

Ms. Evans advised the committee that OCR, McKinney-Vento, Project HOPE, Homeless, Title I and School Choice Options had an adverse effect on the efficiencies. Over the past five years, the Transportation Department had undergone approximately six separate audits. The recommendations of those audits were taken into consideration in an effort to continuously improve their efficiencies. As a result, the Transportation Department had received ISO 9001-2000 certification, which signified their continuous commitment to improvement and customer service.

Transportation had many challenges and the opportunity to make internal or external changes to resolve them. Mr. Evans said one of the biggest challenges was in the hiring and retaining of qualified school bus drivers. In a city with a very low unemployment rate, it could be very difficult to be competitive in the job market, especially when a majority of the positions were 9-month assignments.

With the collaboration of the Human Resources Department, Transportation had begun to relieve its driver shortage problems through aggressive recruitment and hire-on incentives. The training class sizes had grown from 10-12 per class to over 40 in each class. There were several contributing factors to this success: additional advertising, including neighborhood-targeted publications; utilizing television media; providing news interviews; holding job fairs at area schools within the community; providing staff to answer specific questions and concerns regarding employment as a school bus driver; and instituted procedures to pay for CDL permits and DOT physicals.

Ms. Evans went on to say that they had implemented a high school and GED program in which qualified applicants signed a contract and worked with adult education to receive their diploma or GED during his or her 6-month probationary period at no additional cost to the applicant.

A referral/referee bonus was instilled in which existing employees were encouraged to refer friends, family and neighbors. If that person was selected and successfully completed their probationary period, the existing employee would receive \$400 and the new employee would receive \$200.

The use of alternative fuels presented environmental benefits. The CCSD currently used bio-diesel in its school bus fleet. Bio-diesel was made from new or used vegetable oils and animal fats, which were non-toxic, biodegradable and renewable resources. Bio-diesel reduced carbon dioxide and sulfur dioxide emissions by 15 percent, as well as producing less particulate matter. The cost for bio-diesel was approximately \$2.48 per gallon, and fuel filters required more frequent replacement. In an effort to get the \$2.48 per gallon cost, the CCSD entered into collaborations with other local entities that used high volumes of bio-diesel. There were some concerns with bio-diesel related to fuel consistency and complications due to cold weather. According to the 2006 School Bus Pollution Report Card, the state of Nevada received a B grade and an above-average grade for their efforts in the cleanup program. This was one of the highest grades in the nation, as they did not give out any As. The CCSD received one of five Bs.

As more families moved into the CCSD, new schools were being built to accommodate them and the need for transportation had also grown. As a result, more drivers and buses were needed. The transportation facilities were currently at capacity, both in the office and in the parking lot. There was barely enough room for school buses and drivers to park in the same lot. As staff increased, space became a rare commodity and was coming at the cost of privacy and efficient communication with personnel.

Public concerns were a daily part of transportation. Transportation had personnel dedicated to documenting and processing concerns, suggestions and questions received from the public. These concerns included walk distance, stop locations, walk paths and availability of transportation. These were not the only concerns received. Concerns regarding student management, driving and other issues were also received. Each of those concerns was an opportunity for the Transportation Department to improve through increasing their awareness, retraining, onboard auditing and scheduling student safety training.

Ms. Evans discussed how the Transportation Department could improve. Aside from the seatbelt debate, innovative companies continued to keep transportation and transportation's issues in the forefront when developing new technology. Global positioning systems (GPS) were quickly becoming perfected in many ways that directly impacted student transportation. With the use of a GPS, a bus could be located and tracked accurately. In the event of a hostage or terrorist situation, the driver could simply press a button to alert dispatch of an emergency and display their immediate location. GPS technology had the capability to not only track and record the bus's location, but event times, such as bus speed,

when doors were opened, hard braking, accelerating heavily, and, most importantly, route and fuel efficiency.

New technology could be used in combination with some existing technology, which made student monitoring possible. With the use of radio frequency identification (RFID) technology, the same technology used in performing bus inspections, students could be issued a card or tag (bus pass) that was placed on a binder, backpack or in a pocket. As the students entered and exited the bus, a reader in the doorway area would record the students' information as they entered and exited the bus, along with the date, time, bus number and location. With the use of this technology in conjunction with GPS, in the event a parent reported their child missing, Transportation personnel could easily identify the time, bus, and what stop the student exited the bus. The first hour upon discovering that a student was missing was the most crucial. This technology was currently being used to monitor 28,000 elementary students in Spring, Texas.

Reduction of the elementary walk zone was another concern of parents. Being struck by a car was one of the leading causes of death and injury to children between the ages of 5 and 9; it usually occurred within their own neighborhood. On the flip side, there was not a safer way to transport a child than in a school bus. A half-mile reduction of the elementary walk zone would obviously have a cost, but there would also be a benefit. The approximate cost was \$4.5 million, which did not account for the new schools. The benefit would be an improvement in safety and alleviation of parent concerns.

Ms. Evans said those innovations would improve efficiency, reduce citizen concerns and overall ensure the safety of the students transported on a daily basis.

Chairman Smith asked Ms. Evans if the CCSD had the same experiences the smaller districts had with the percent of ridership increasing at a greater pace than the increase in students. Ms. Evans replied that they did not. Although student enrollment increased approximately 8 percent annually, their routes increased approximately 6 percent. She said students rode buses regardless of gas prices.

Keith Bradford, Assistant Superintendent of Finance, CCSD, discussed transportation expenses shown on slide 14 (Exhibit G). A recent LCB audit recommended that the district develop board policy for replacement of buses, which the district was in the process of working on. In that recommendation, they discussed a replacement policy of having no buses over 13 years of age, which was one factor being considered. That goal might help some of the smaller districts who bought surplus buses from the CCSD.

Mr. Bradford then discussed a replacement cycle for buses. In 2007, the CCSD would look at replacing 46 buses at an approximate cost of \$5 million. The costs listed on slide 16 (Exhibit G) did not include the cost of new buses as a result of growth. The CCSD was a fast-growing district that added up to 12,000 new students per year, and they needed to add new buses to meet that growth; those new buses would cost approximately \$7 million per year. If the Legislature made a decision to require seatbelts in buses, there would be an additional cost to retrofit the buses. Depending on what items were selected, if it were a lap belt, the costs would be approximately \$2 million; if a 3-point seatbelt system was required, that cost could run anywhere from \$8 million to \$11 million if the current buses could handle that type of seatbelt. Depending on how the bus was configured and the equipment it had on it, it might become necessary to actually replace buses. If the CCSD had to replace buses to handle those types of seatbelts, the costs could reach over \$70 million.

Mr. Bradford said funding for transportation was a challenge. Transportation was within the DSA allocation. When looking at increased costs, especially the costs of purchasing buses, there were one or two sources that could be looked at. One would be to use general operating money to purchase buses, which would take money from the classroom. The other source would be through capital fund money. The use of those monies would affect the number of new schools, replacement schools or rehabilitation modernization that could be done under the capital program if those funds were available and able to be used.

Mr. Bradford mentioned one alternative would be to move the transportation portion out of the DSA funding and fund it separately. As they looked at the adequacy study, knowing that the adequacy study did not look at transportation, they needed to be careful. The study would look at the adequacy of the classroom, the running of the districts of those classrooms, and the instructional side of the house. If transportation was funded separately, it needed to be adequately funded. If transportation was not adequately funded by the state, there would need to be other sources available to adequately fund it to meet the actual need or it would take money away from the educational side. He thought that was why the committee had school districts there to look at transportation. The committee had decided to look at transportation on their own to ensure there was adequacy on the transportation.

Mr. Bradford said there were different methods of funding transportation. He had worked in a school district in Utah, which used a mile and time factor in funding transportation; transportation was funded separately from per-pupil funding. All school districts in Utah turned their routes in to the state office for review and approval. Then, based upon mileage and time, they determined a calculation as to how much each school district would receive. That money was not restricted; it could be used for transportation. Like many states, it was not a fully-funded program; there was never enough money to meet all of the costs in that formula. However, if there were, Utah had built an incentive into that program that if a

school district was able to operate more efficiently, they would keep those transportation dollars and use the money on the educational side. However, if a school did not operate efficiently, they did not receive any additional money through that program; they would then have to take money from the educational side to run that operation.

There were various options to look at. It was a challenge for smaller districts to purchase buses, which became important if there was growth. Even if there was no growth, the replacement of buses was an important safety issue. As those buses got older, not only were they more expensive to operate because of the repair, but there were safety issues that became paramount and required the need to replace those buses on a regular basis.

Chairman Smith asked Mr. Bradford what the budget impact had been this year with the increased fuel costs. He believed the increased cost was approximately \$3 million beyond what was originally in the budget.

Chairman Smith then asked if the new buses being purchased by the CCSD had seatbelts. Mr. Bradford replied that they did not.

Senator Hardy said that Mr. Bradford had indicated that the plan was to replace buses when they were 13 years old. According to Mr. Bradford, 13 years was the ultimate goal. However, they were developing a policy that would look at the mileage, age and repair record. There would be occasions where a 7-year-old bus might need replacement due to extensive repairs, problems and safety issues; the district would get rid of that bus and keep a 14-year-old bus. Senator Hardy said that was his point. When the buses were diesel powered, age was not the issue. The issue was the mileage and maintenance records. He then asked what an optimum mileage to replace a bus would be. Mr. Bradford responded that it would be 250,000 miles. Senator Hardy advised that was not an engine issue at that point. There were other factors. He said the diesel engine was just getting broken in.

Senator Hardy then asked if the vehicles were traded in or if they were leased. Ronald Despenza, Transportation Director, Clark County School District, introduced himself. Senator Hardy wanted to go back and create a record. The 250,000 miles would be the optimum to replace a vehicle. That was associated with other factors with the bus, not necessarily the engine. Mr. Despenza said it could be the engine. At 250,000 miles, a diesel engine was prepared to be re-sleeved. The district would be lucky to get 300,000 to 350,000 miles on a vehicle, but that was the kind of luck the CCSD did not want to exercise with their students. Senator Hardy stated the buses were owned by the district and were not on a lease program. He asked if the vehicles were traded in or sold outright. Mr. Despenza replied that the buses were first offered to other entities within Nevada; whatever was left over was sold at public auction.

Senator Hardy referred to testimony from some of the rural districts that had buses that were 30 years old with extensive miles. He asked Mr. Despenza if there were any statistics on how many other school districts purchased those buses. Mr. Despenza advised that just about every district had, at one time or another, purchased surplus equipment from the CCSD.

Senator Hardy asked what the percentage was of buses that used biomass fuel. Mr. Despenza responded that approximately 96 to 99 percent used biomass fuel. There were a few buses in the outlying areas that the district could not avail that product to. Within the Las Vegas metropolitan area, 100 percent of all buses used biomass fuel. The bio-diesel was also mixed with low sulfur diesel, which in itself was an alternative fuel. Senator Hardy asked if the CCSD buses were 100 percent diesel. Mr. Despenza reiterated that they were.

Senator Hardy referred to additional filtering and asked if that was the only maintenance issue found with the bio fuel. Mr. Despenza advised that the CCSD had pioneered bio-diesel in Nevada. He said they had run into several problems, but had pretty much solved all of them. The main problem was that the French fry oil would grow bacteria in the fuel tanks, and that bacteria would turn to algae, which clogged the filters. There was still a small degree of that growth, and that was why the filters had to be changed more frequently; not only in the buses, but in the pumps and everywhere fuel passed.

Chairman Smith referred to slide 3 of the CCSD PowerPoint presentation (Exhibit G), which showed 3,000,000 gallons of bio-diesel fuel. The committee had been told the CCSD had a \$3 million increased cost on fuel, which would be \$1 per gallon, and she wanted clarification on the added fuel costs. She had assumed the CCSD had a lot of buses that were not using the bio-diesel, but the majority of the buses were. Mr. Despenza said the total cost of their fuel was \$11 million; the increase seen this year in fuel costs was a \$3 million increase, or 7 percent.

Chairman Smith commented that it made her uncomfortable that it was thought that buses were too old to run in Clark County, but those same buses were okay to run in worse weather in some of the rural counties. It seemed strange to her.

Chairman Smith asked if there were any questions from the committee; there were none. She thanked the presenters.

Gil Folk, Interim Transportation Director, Washoe County School District (WCSD), said they would be making a short presentation on the state of transportation in the WCSD (Exhibit H).

Mr. Folk discussed the following facts and figures:

- The WCSD currently operated 290 school buses. The cost of a school bus was \$70,000 to \$90,000, depending on how it was equipped.
- The WCSD transported approximately 19,850 students daily; last year they transported approximately 18,200. The district saw an increase in ridership and felt it was due to the rise in gasoline prices.
- Approximately 5,304,000 miles were driven annually to transport students to and from school; approximately 659,000 miles were driven annually for field trips.
- One-third of all high school students in Washoe County were involved in before and after school activities.
- The WCSD employed 207 regular bus drivers and 79 drivers for special education students.

Chairman Smith asked if all of the transportation costs were combined as far as ridership to and from school and the extracurricular activities. Mr. Folk said the costs were separate.

Mr. Folk continued with more transportation facts:

- Washoe County had 70 high school routes, 88 middle school routes and 153 elementary school routes. There were 104 routes for students with disabilities and 87 pre-school routes.
- Other transportation services were provided for the Gifted and Talented Program, Children in Transition, School Choice, the Regional Technical Institute and other programs throughout the school year.
- The Transportation Department budget for this fiscal year was \$19,400,000, of which \$13,000,000 covered salaries and benefits for department employees.
- The district employed 10 dispatchers, 32 mechanics and 1 upholsterer in the Transportation Department.

Mr. Folk advised that the district had three bus yards in Washoe County: a central yard in Sparks with 175 buses; a north yard in Stead with 87 drivers; and the south yard on the Virginia City Highway with 34 drivers.

Mr. Folk discussed complications the WCSD was faced with as a result of the geographic configuration of Washoe County with 6,551 square miles; of 1,150 of those square miles, students must be transported for long distances. The WCSD tried to work with the local RTC; however, that was to no avail as the RTC could not accommodate the extensive services needed to transport those students. The WCSD did contract with charter companies for out-of-town trips and for those trips that required extended-day services or overnight trips, because they did not have enough drivers.

According to Mr. Folk, the trustees established walk zones that guaranteed bus transportation for students enrolled specific distances from their schools as follows:

- 1 mile for elementary;
- 2 miles for middle school; and
- 3 miles for high school.

Mr. Folk stated that the walk zones were not set in stone, as safety was the first factor. If it was felt the route was not safe for a student to walk, the WCSD would transport them a half a block if that was what it took.

Chairman Smith asked if there was an appeals process on the safety issue for parents. Mr. Folk said that was correct. The parents could contact the Transportation Department, who in turn would assign a field safety supervisor to walk the route and look for crosswalks, street traffic, etc., and make a determination. If the decision was made not to transport, there was an appeal process in place for the parents. A safety committee would be formed at that point.

In 2004, there was an LCB audit of the WCSD Transportation Department. The findings were as follows:

- The District's current school start times, which had not been regulated, must allow for most buses to make only two runs each morning and afternoon.
- Adjustment of school start times to allow each bus to maximize the runs made each morning and afternoon would increase efficiency.
- Use bus routing software to design the most efficient bus routes.
- Adopt a bus replacement policy to help ensure buses were replaced in a timely and economical manner.

Mr. Folk said that in 2005, the WCSD contracted TransPar, an independent auditor, to determine findings and recommendations as to the Transportation Department. TransPar found the following:

- "Pupil transportation and safety go hand in hand."
- "In almost every case, altering or adjusting the bell times of schools can gain efficiencies. This allowed buses to consistently serve more than one school and transport more students."
- "It is our opinion that your operating system has room for improvement. Factors that normally influence efficiency results, including the time between bell schedules (especially in the afternoon), should be reviewed for this coming year to ensure that they are maximized to their fullest."

Mr. Folk then discussed the biggest challenge faced by the Transportation Department, which was the retention of experienced, qualified drivers and mechanics trained and able to work productively for the district. The goal was to retain drivers and mechanics longer than five years. Mr. Folk said the district currently competed with firms such as McDonald's, who paid the same wages bus drivers started at. However, McDonald's could guarantee a 40-hour work week, and the WCSD could not.

The Board of Trustees had designated funding in the next budget to provide salary increases to bring both groups closer to the salaries currently paid by other local governments in Washoe County. This year, the WCSD gave their bus drivers an incentive bonus as a means to entice them to stay longer.

Mechanics were sometimes a forgotten subject, but the WCSD found it challenging to recruit and retain experienced mechanics. As with drivers, other local governments paid higher salaries than the WCSD.

Mr. Folk then outlined what had been done by the WCSD. Approximately two months ago, the Board of Trustees implemented a bus replacement policy that contributed to improved safety and effective operation of the bus fleet; they established a 15-year bus replacement policy.

Additionally, to maximize resources and in response to the LCB audit and other findings, the Board of Trustees adopted a regulated school start time schedule for the 2006-07 school year. This would provide an opportunity for greater consistency in planning routes and ensure more hours for drivers, thereby contributing to efforts for retaining bus drivers. Mr. Folk said the goal was to provide a bus driver the opportunity to do the tier runs (an elementary run, a middle school run and a high school run), thus providing them additional hours and hopefully more pay.

To automate functions to further increase accuracy, operation efficiency and timeliness of routes while reducing the number of existing routes, driver allocations and bus inventory, the SMARTR routing system had been implemented. Mr. Folk concluded by saying that the WCSD was currently undergoing ISO certification. As a result of that, the Transportation Department followed those recommendations as well.

Chairman Smith asked if the WCSD used bio-diesel fuel. Don Dalton, WCSD Fleet Maintenance Coordinator, said that under Nevada law, the Clark County and Washoe County School Districts were required to use an alternative fuel (NRS 486A). The entire WCSD fleet, with the exception of Gerlach and the Natchez/Wadsworth area, were under bio-diesel 5.

Chairman Smith then asked if the replacement schedule was an LCB audit recommendation or something that had been done independently; she was

curious about using years rather than mileage for a replacement schedule. Mr. Dalton said the replacement schedule was an LCB recommendation as well as a TransPar recommendation. Like Clark County, vehicle replacement was not written in stone as 15 years; it was also dependent upon the condition of the bus and the maintenance and problems experienced with that particular bus. The 15-year policy was basically a rule of thumb.

Chairman Smith asked the committee members if they had any questions. There were none. She thanked the presenters for the information they had provided.

VII. PUBLIC COMMENT

Chairman Smith asked if there was any public comment. There was none.

Chairman Smith mentioned that the next meeting would be held on Thursday, July 13, 2006, in Las Vegas. It would be an important meeting with the first draft of the consultant's report due to the committee at that time. She hoped to have full committee attendance and anticipated a lengthy meeting.

VIII. ADJOURNMENT

There being no further business to come before the committee, the meeting was adjourned at 1:57 p.m.

Respectfully submitted:

Kelly Fisher, Committee Secretary

APPROVED:

Assemblywoman Debbie Smith, Chairman

Date: _____

Copies of the exhibits mentioned in these minutes are on file in the Research Library of the Legislative Counsel Bureau, Carson City, Nevada. The library may be contacted at (775) 684-6827.