

**MINUTES OF THE MEETING OF THE  
GOVERNOR'S TASK FORCE ON TAX POLICY IN NEVADA**  
(Assembly Concurrent Resolution 1 of the Seventeenth Special Session)

March 13, 2002

The Governor's Task Force on Tax Policy in Nevada was called to order at 9:35 a.m., on Wednesday, March 13, 2002. Chairman Guy Hobbs presided in Room 1214 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4401 of the Grant Sawyer Office Building, Las Vegas, Nevada.

**COMMITTEE MEMBERS PRESENT IN CARSON CITY:**

Mr. Guy Hobbs, Chairman  
Mr. Brian Greenspun  
Mr. Kenneth Lange  
Dr. Luther Mack  
Mr. Mike Sloan  
Ms. Nancy Wong

Mr. Russ Fields and Ms. Eva Garcia-Mendoza were excused.

**EXHIBITS:**

Exhibit A: Meeting Agenda  
Exhibit B: Attendance Records  
Exhibit C: Handout entitled *Expenditures per Student in Nevada Compared to National Averages*.  
Exhibit D: Prepared statement presented by Terry Hickman, President, Nevada State Education Association  
Exhibit E: Handout, presented by Leslie Fritz, Nevada State Education Association  
Exhibit F: PowerPoint presentation, presented by Leslie Fritz, Nevada State Education Association  
Exhibit G: Quality Schools Today and Tomorrow, Nevada State Education Association  
Exhibit H: Prepared statement, presented by Lynn Warne, President, Washoe County Teachers Association  
Exhibit I: PowerPoint presentation, presented by Walt Rulffes Ph.D., Deputy Superintendent, Clark County School District  
Exhibit J: Packet of handouts, presented by Walt Rulffes Ph.D., Deputy Superintendent, Clark County School District  
Exhibit K: PowerPoint presentation, presented by Jane Nichols Ph.D., Chancellor, University and Community College Systems of Nevada  
Exhibit L: Report, presented by Jane Nichols Ph.D., Chancellor, University and Community College Systems of Nevada

Chairman Hobbs called the meeting to order at 9:35 a.m.

***Approval of Minutes from the January 16, 2002, Meeting***

Chairman Hobbs indicated the technical working group had asked that the minutes be changed to correct numerical errors:

- On page 30, the second bullet which reads, "Sales and gross receipts per capita the minimum was \$200, maximum was \$180, with a midpoint of \$1000;" \$180 should be changed to \$1800.
- On page 35, ". . . underestimated Nevada's population by 32,000 and by 1997, that gap had jumped to 187,000," should be changed to read, "underestimated Nevada's population by 34,000 and by 1997, that gap had jumped to 183,000."

**MR. SLOAN MOVED TO APPROVE THE MINUTES OF THE GOVERNOR'S TASK FORCE ON TAX POLICY IN NEVADA MEETING OF JANUARY 16, 2002, WITH THE AFOREMENTIONED CHANGES.**

MR. LANGE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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*Report from the Technical Working Group Concerning Activities Since Previous Meeting of the Task Force*

Chairman Hobbs invited Jeremy Aguero, Chairman, Technical Working Group for the Governor's Task Force on Tax Policy in Nevada to report on recent activities of his group regarding information requested by members of the task force. Mr. Aguero stated the technical working group held its first public meeting on March 7, 2002. He said, during that meeting, the technical working group accomplished several tasks: clarified how information would be disseminated, discussed the general approach taken by the task force, discussed the timeline for addressing each of the questions presented by the task force, and reassured that the information assimilated to date was available to all members of the technical working group. Mr. Aguero stated members of the technical working group have initiated new analyses, as well as, continuing research for ongoing analyses.

Mr. Aguero disclosed the information that has been posted to the Web site to date has not been fully reviewed and approved by the technical working group, but said he hoped to have it finalized by the next meeting of the Governor's Task Force on Tax Policy in Nevada. Mr. Aguero expressed his gratitude to the staff of the Governor's office, the Legislative Counsel Bureau, the Department of Education, the State Gaming Control Board, and others that have provided information. Mr. Aguero stated the State Department of Education had provided the technical working group with the Distributive School Account, the draft for projection of expenses through the year 2009, class-size reduction projections, teachers' salaries, projections of future enrollment, and more. Mr. Aguero said the technical working group had also received information on prison populations, some information regarding higher education costs, and stated the information regarding long-term care is currently being gathered.

Mr. Aguero stated Mr. Stoeckinger is presently collecting data regarding the base and rate of a split-role property tax and the preliminary historical information should be available by the end of the week. Mr. Aguero said a sizeable amount of information has been collected and analyzed regarding education. He said the technical working group is currently working on a report summarizing baseline assumptions for general economic trends, commenting he hoped to have the summary completed by the next meeting of the technical working group. Mr. Aguero stated a draft analysis of industries that are not currently subject to a gross receipts tax is ready for review by the technical working group. He said requests by task force members to investigate the inheritance tax and a tax on commercial leased property have not been completed. Mr. Aguero stated the technical working group continues to work on the revenue side of the model. He commented the completion of the revenue assumptions will require consensus of the technical working group on considerations for factors, such as, population growth, employment growth, inflation, and wage growth.

Chairman Hobbs stated he believed the model will facilitate illustrating the effects of various combinations of assumptions and recommendations. He said he wanted to be sure the members of the task force were in agreement regarding development of the model. He commented this model is the first to thoroughly model revenues and expenditures for the time period being considered. Chairman Hobbs asserted the model would also have great value for other legislative considerations. Chairman Hobbs asked Mr. Aguero to comment on the process of inserting assumptions in the model to produce predicted outcomes for combinations of variables.

Mr. Aguero explained the model simulates outcomes using different variables. He stated the technical working group had considered the history of revenue and expenses from FY 1990 to FY 2001 for each category of revenue production and each category of expenses to establish a baseline. Mr. Aguero stated they also included the determinants of demand, such as, population growth, school enrollment, total income, and retail spending. He added, these factors contribute to generating more revenues, as well as, creating a higher public service cost. Mr. Aguero stated the first phase of the model reflects the status quo using historic figures projected into the future. He said the second phase will consider policy changes which may increase the expenditure side of the model. Mr. Aguero explained, for example, if the task force identified a need for a specific amount of funding to support or enhance a program, a model could be produced to incorporate a specific funding source to provide those additional funds. Chairman Hobbs summarized that the model would provide feedback regarding suggested revenue sources.

Chairman Hobbs declared the task force and the technical working group will agree upon a set of assumptions for determining predictions for the future.

Mr. Sloan asked if the model would develop the capacity to analyze the distribution of income of state and local governments. Mr. Aguero suggested Mr. Sloan was referring to an econometric model, but stated the concepts are similar. Mr. Sloan noted how difficult it is to forecast revenues and expenditures ten years in the future and declared the assumptions drive the results. Mr. Sloan stated he would like to attend the future meetings of the technical working group. Mr. Aguero stated the model currently under development by the technical working group was meant to be used as a tool to understand the structure of the tax system, the expenditures associated with the state government, and for testing different scenarios regarding them. Chairman Hobbs recapitulated the model would allow the task force to forecast revenues and expenditures going forward ten years. Chairman Hobbs added, the value would be the ability to test alternative mixes of outcomes and alternative mixes of assumptions. He said the model would also give the task force the ability to provide choices for policy makers. Chairman Hobbs furthered, the model would help quantify the tax burden of recommended changes.

Mr. Aguero commented, historically, state revenues have remained within a close range with an average of about \$643 per capita, expressed in 1990 dollars. Chairman Hobbs asked Mr. Aguero to make sure members of the task force are notified of future technical working group meetings. Chairman Hobbs reiterated he wanted to ensure concurrence from members of the task force regarding the development of the model.

Chairman Hobbs stated the Governor's Task Force on Tax Policy in Nevada must provide a report of the results of its review and recommendations to the Governor and the Legislature by November 15, 2002. He commented the technical working group would be compiling information for that final report as the information is discussed and reviewed by the task force. Chairman Hobbs qualified, only the information covered to date would be assembled, which does not include any recommendations or conclusions thus far.

Mr. Sloan indicated he wanted to be involved in every phase of the drafting of the report and commented he did not want to abrogate the responsibilities of the task force to the technical working group. Mr. Sloan asserted the task force should be more involved in making decisions as to how the technical working group should proceed. Mr. Aguero stated the technical working group had initiated a plan at their previous meeting where each Monday by 5:00 p.m. an updated summary table will be posted to the Web site to ensure every member of the task force and the technical working group is aware of any new information.

Chairman Hobbs clarified, he had asked the technical working group to document the data previously discussed, and assured the task force he had not asked them to make any recommendations or draw conclusions. Chairman Hobbs asked the members of the task force if they concurred with this approach. Mr. Sloan commented he wanted to be informed of any reports being drafted. Dr. Mack asked if all draft reports would be presented to the task force during the public meetings. Mr. Sloan suggested a report would differ from the minutes of the meetings as he assumed a report would take positions on the directives of A.C.R. 1. Mr. Sloan commented the remarks of Chairman Hobbs had lessened his concern. Chairman Hobbs reiterated the reports he referred to would only be a record of the data discussed to date, so the technical working group could stay current with the information compiled. He restated, all information for the report would be reviewed and approved by the task force.

### ***Presentations Regarding the Response to Solicitation of Comments by the Task Force***

#### ***K-12 Education Funding Needs***

Chairman Hobbs commented he had asked Jack McLaughlin Ph.D., Superintendent of Public Instruction, Department of Education, to return so members of the task force would have the opportunity to ask questions regarding his presentation from the previous meeting.

Dr. McLaughlin recapitulated his testimony from the previous meeting. He stated his presentation had addressed status quo of Nevada's school systems, including the children, the districts, and factors which affect the budget, in particular, growth. He declared, every year in the recent past, the education budgets have grown by \$80 million to \$100 million to accommodate growth without any other increases. He noted about \$60 million of that budget increase comes from the state. He interjected Clark County School District opened 16 new schools this year and there were no funds to compensate for the cost of overhead for those schools.

Dr. McLaughlin recalled his testimony regarding the challenges faced by budget reductions that affect the classrooms. He said he had presented examples of ratings for Nevada schools. Dr. McLaughlin listed the points from the portion of his previous presentation regarding needs for a complete K-12 system for the future: the work force, address the Bureau of Census data report that 80 percent of jobs in Nevada require an A.A. degree or less, the desired achievement for Nevada's children, and the adequacy of funding per student.

Dr. McLaughlin cited the handout entitled, "Expenditures per Student in Nevada Compared to National Averages" (Exhibit C), stating the difference between expenditures per student in Nevada and the national average is \$921. Douglas C. Thunder, Deputy Superintendent for Administrative and Fiscal Services, Department of Education, stated the chart (Exhibit C) is based upon the most recent publication from the National Center for Educational Statistics. He noted the figures beyond FY 1999 are estimates and that is why his chart only includes the published data through FY 1999. Mr. Thunder stated the chart (Exhibit C) only includes the current expenditures for K-12 education. Mr. Thunder stated debt service, capital projects, and purchases of property are not included in the expenses from the chart. He noted these inclusions and exclusions are consistent throughout the country, therefore, the figures are comparable. Mr. Thunder cited an increase in the gap between the national average and Nevada through the years since 1993. He noted the percentage of the gap has remained fairly consistent, between 16 and 17 percent for each of the last five years. Mr. Thunder pointed out the figures used in the chart (Exhibit C) were based on fall enrollment, and that the data obtained by using average daily attendance tend to be slightly higher for both Nevada and the national average.

Mr. Sloan asked Mr. Thunder for a listing for each state. Mr. Sloan commented the states which are not growing as fast as Nevada are probably underrepresented for total expenditures for education. Mr. Thunder stated Nevada ranks very high nationwide in the amount expended for construction of schools. Mr. Sloan opined, from a taxpayer's point of view, funds spent on education may not be differentiated. Dr. McLaughlin stated other states fund construction differently and Nevada funds construction with local bonds.

Dr. McLaughlin remarked, when he earlier discussed status quo conditions for Nevada schools, the task force should remember that school districts have been substantially cutting costs for several years and therefore current expenditures are significantly less than he would consider an appropriate status quo figure. Dr. McLaughlin exemplified, Clark County School District had reduced their budget by \$80 million in the past few years and a status quo, in his opinion, would include funds lost to those budget cuts.

Ms. Wong asked Mr. Thunder how Nevada ranks among the western states. Mr. Thunder replied he would provide that information. Mr. Greenspun asked Mr. Thunder if he believed the expenditure per student comparison data for the years 2000 and 2001 would be similar to the data from the chart (Exhibit C). Mr. Thunder speculated the percentages for 2000, 2001, and 2002 will probably remain similar, and there may be a slightly reduced gap for the year 2003, due to the 2 percent salary increase for teachers.

Mr. Greenspun asked Dr. McLaughlin if he believed there is a correlation between the amount of funding per student and the quality of education they receive. Dr. McLaughlin answered yes, though he stated there are those who would disagree with him. Dr. McLaughlin cited a C- adequacy rating from Education Week, January 10, 2002, (Exhibit G from the February 13, 2002, meeting of the Governor's Task Force on Tax Policy in Nevada). Dr. McLaughlin expounded Education Week magazine defines adequacy by how many districts in the state are at or above the national average. He noted Nevada's non-English speaking student population is growing, which affects achievement levels. He stated he believes Nevada is doing well with the funding provided for schools because achievement levels are just below average and the funding level comparisons are lower on the scale. Mr. Greenspun asked Dr. McLaughlin if he felt Nevada's schools should strive to be average. Dr. McLaughlin answered no, he would want Nevada's schools to be number one and for its students to have the best possible opportunity to learn. Dr. McLaughlin asserted Nevada schools cannot continue the cycle of budget reductions while growing at such a rapid pace.

Chairman Hobbs commented some of the states may spend less or more than the average due to unique economic reasons. Chairman Hobbs remarked Nevada should focus on the programs that would promote success, rather than focus on the national averages. Chairman Hobbs asked Dr. McLaughlin how increasing the level of spending in Nevada to meet the national average would achieve greater efficiency. Dr. McLaughlin commented the school districts are being held accountable to achieve at the highest level, but the support is less than average. Dr. McLaughlin stated there are infrastructure needs, especially at the early learning level, that would give students a

head start for the goal of reading by the end of third grade. He commented he would be willing to be held accountable for all students to be reading at the third-grade level if the resources were in place to support the programs.

Chairman Hobbs stated the process will have to be incremental. Chairman Hobbs mused if Nevada spent \$921 more per student, that alone would not solve the problem. He said the task force should identify objectives and recommend programs to address needs. Chairman Hobbs suggested the specific amounts would evolve as the programs are initiated and the effectiveness of programs is evaluated. He stated the reason the task force focused their work over a ten-year period was they were attempting to identify and recommend a long-term set of solutions, which may evolve over time. Chairman Hobbs commented there are national comparisons that rank Nevada's spending per student differently, but most people agree Nevada spends less than the national average. Dr. McLaughlin responded there is a meeting of the superintendents from all the school districts on March 14, 2002, to identify goals and objectives.

Mr. Lange asked Dr. McLaughlin how much an average social studies textbook costs. Dr. McLaughlin replied about \$50 for a social studies textbook and about \$80 for a calculus textbook. Mr. Lange remarked the amount needed for textbooks for the approximate 356,000 students in Nevada is a lot of money. Mr. Lange asked Dr. McLaughlin to describe and estimate the cost of the state school board's proposal regarding kindergarten programs. Dr. McLaughlin replied the state school board is considering requesting funding to expand kindergarten to full day, at 16 students per teacher, which would cost approximately \$140 million for the first year and \$128 million for the second year. He commented 26 states already provide full-day kindergarten. Dr. McLaughlin reiterated, if Nevada wants all its students to be reading by the end of third grade, instruction should begin as early as possible. Mr. Lange asked how much funding the Commission on Education Technology had asked for during the previous legislative session. Mr. Thunder answered, approximately \$108 million. Mr. Lange commented, the cost of extending the school year, extending the school day, or numerous other programs is a huge amount of money. Mr. Lange stated the national average is a relative measure but does not provide a solution to the needs of Nevada's schools, nor does it make up for the budget reductions from the past. Mr. Lange declared the challenge will be to identify a number that the public can see specifically delivers a textbook, a full day of kindergarten, language programs, a higher quality of teachers, or other things. Chairman Hobbs asked the task force if they would like the Department of Education to identify programs that would address their prioritized goals, and also quantify those programs' costs over time. Dr. McLaughlin restated his prioritized goals: "front-loading" the system, dealing with the non-English speaking situation, providing quality teachers.

Ms. Wong asked Dr. McLaughlin to comment on the accountability systems for the school districts. Dr. McLaughlin responded the Nevada Education Reform Act of 1997 contains an accountability system. Dr. McLaughlin commented additional accountability procedures will probably be part of the discussions of allocating funds. Chairman Hobbs asked Dr. McLaughlin to return at a future date to help the task force identify funding needs for programmatic changes.

### *Nevada State Education Association*

Al Bellister, Nevada State Education Association introduced Terry Hickman, State President, Nevada State Education Association. Mr. Hickman read a prepared statement (Exhibit D). In the statement Mr. Hickman asserted, according to the National Education Association, Nevada ranks 45<sup>th</sup> in per-pupil expenditures. He declared, this to be unacceptable. He expounded, teachers endure overcrowded classrooms and a lack of supplies and resources. Mr. Hickman noted instances where kindergarten classes with one teacher had 35 students and declared research has shown that early childhood education is key to a successful public education experience. He also noted some high school teachers have more than 200 students per day.

Mr. Hickman continued, in many classes students share textbooks. He stated teachers often use their own money to subsidize expenses, with a recent survey reporting teachers buying between \$500 and \$1000 worth of classroom supplies each year. Mr. Hickman stated counseling staff and support for students who speak English as a second language have been reduced due to limited resources.

Mr. Hickman listed the goals of the Nevada State Education Association: increase the level of funding to at least the national average for K-12 students; broaden the revenue structure so it will have the capacity to grow to meet the needs of education funding in the future; provide the fundamental elements for a first-rate learning environment, including textbooks, computers, supplies and lower class sizes. Chairman Hobbs asked how attaining one of these

goals would affect the other goals. Mr. Hickman replied the goals work together. Mr. Hickman noted the Nevada State Education Association agrees with Dr. McLaughlin that kindergarten-level education should be a priority. He commented he believes kindergarten is the most critical year and should command at least the same level of attention and value as first, second, and third grades.

Mr. Bellister urged the task force to include increases for inflation and labor-unit costs into the expenditure column of their model. Mr. Bellister stated he did not believe the task force had accounted for these increased costs, which, when added, would increase the gap. Chairman Hobbs replied the model, which represented different scenarios for the baseline structural deficit, included inflation adjustments. Mr. Bellister responded he was referring to the model presented by Mr. Anderson from the Budget Division of the Department of Administration. Mr. Bellister reiterated, if the cost of inflation is not included in expenditure calculations, budget cuts are inevitable.

Mr. Bellister exemplified, a recent study by the Legislative Counsel Bureau concluded there is a textbook shortage in Nevada. He expounded the state had considered growth in student population when budgeting for textbooks, but not for the increase of unit costs. Mr. Bellister added, a 1998 study commissioned by the Legislature concluded school districts have deferred \$436 million of maintenance to buildings in order to cut costs. He stated technology in schools is also under funded. Mr. Bellister cited the recent \$5 million special appropriation by the Legislature to preserve programs at risk of termination due to the lack of funding. He said gifted and talented programs, fine arts programs, computer science programs, library programs, and other programs are at risk of being eliminated in both urban and rural school districts.

Mr. Bellister stated there is a teacher shortage, including a critical shortage of special education teachers, speech pathologists, school psychologists, school nurses, librarians, bilingual instructors, and elementary school music instructors. He noted Clark County School District indicated they want to declare a critical shortage in the core areas of elementary school teachers, mathematics teachers, and science teachers, for the 2002-03 school year. He asserted the reason Nevada is having difficulty attracting teachers is that teachers' salaries in Nevada have not kept pace with competition from other states. Mr. Bellister stated the Nevada Legislature failed to provide cost-of-living adjustments for public school employees six times for the historic years 1990 through 2001, which the task force is using for reference in their expenditure predictions. He asserted the Nevada State Education Association does not want to perpetuate that kind of history of funding.

Mr. Bellister stated the National Education Association currently rates Nevada teachers' salaries twenty-third in the nation. He expounded the National Education Association estimates the average salary for Nevada teachers at \$40,443 per year, which is \$2486 below the national average. Mr. Bellister continued with a starting salary of \$26,847, Clark County School District ranks nineteenth of the twenty largest school districts in the United States, including Los Angeles, Fairfax County, Houston, Dallas, San Diego, Miami, and all the other large urban school districts. He added, the other large urban school districts have a starting salary of well over \$30,000 per year. Mr. Bellister stated California passed an initiative to raise the starting school teacher salary to over \$32,000 per year. He declared Nevada will not be able to attract new school teachers. Mr. Bellister said many school districts are offering incentives that Nevada does not, such as, tax rebates, housing allowances, and moving expenses.

Mr. Bellister urged the task force to consider that the American Federation of Teachers includes the retirement share paid by the school district, he believed, only for Nevada, when they rank teachers' salaries, which inflates the totals. He asserted the retirement is not part of a teacher's disposable income, adding, when Nevada converted to employer-paid retirement, teachers' salaries were cut. Chairman Hobbs commented, though the cost of retirement may not be disposable income, it must still be considered as part of the cost to the state. Chairman Hobbs asked Mr. Bellister if he believed some of the money spent for teachers should be redirected. Mr. Bellister responded, he only wanted the task force to understand why the American Federation of Teacher's teacher salary rankings are different from the National Education Association's rankings. Mr. Sloan commented he agreed with Chairman Hobbs the total of salary and benefits should be considered, and if the elements within the total compensation package should be shifted, it should be considered separately. Mr. Lange asked if the American Federation of Teacher's rankings include social security. Mr. Bellister restated he believed the American Federation of Teacher's rankings include the cost of retirement, only for Nevada, and the rankings do not include the cost of social security.

Mr. Lange asked Mr. Bellister to comment on how teacher salaries in Nevada compare to salaries in the private sector. Mr. Bellister responded a recent study published in Education Week indicated Nevada teachers' salaries were well below salaries that required similar education and training in the private sector. Mr. Lange asked Mr. Bellister

what the salary advancement would be for a teacher after five years of experience. Mr. Bellister replied, if the teacher pays for and earns enough additional college credits for a class increase, combined with five years experience, the salary would be about \$31,000. He noted, in Clark County School District the top salary for a teacher with 16 years of experience and a Ph.D. is about \$55,000. Mr. Sloan interjected, that would be about \$25,000 above the starting wage. Mr. Lange asked Mr. Bellister if he believed the Nevada public supports higher teachers' salaries. Mr. Bellister responded the public polls he has seen overwhelmingly support increased funding for K-12 education and higher teachers' salaries.

Mr. Lange asked Mr. Bellister to comment on the impact of the health insurance crisis in Nevada on school employees in Nevada. Mr. Bellister commented inflation on medical care is about 10 to 14 percent and there have not been sufficient adjustments in school funding. He added, there was a \$13 million, one-time appropriation by the Legislature in the last session to provide for adjustments in health insurance costs, but noted, the teachers had asked for an amount well over what was provided. Mr. Bellister expounded school districts were funded at about 60 percent of an adjusted cost of health insurance, leaving a gap of \$20-\$30 million just to pay for health insurance for public schools. Mr. Lange asked how much it would cost to raise school employees' salaries by 1 percent. Mr. Bellister replied each 1 percent increase in salaries and benefits is about \$16.9 million. Mr. Bellister said a 3 percent raise each year would cost the state over \$153 million for the biennium, without compounding.

Dr. Mack asked what the starting salary and hours per week were for a teacher. Mr. Bellister replied a starting teacher earns \$26,846 per year. Mr. Hickman stated the contractual pay for a teacher in Clark County School District is for 7 hours and 11 minutes per day. Mr. Hickman qualified those hours do not include additional hours for tasks necessary to do the job, such as, homework, lesson planning, parent teacher conferences, and other duties. Dr. Mack commented he would like to identify an estimate of a teacher's pay per hour. Mr. Hickman estimated starting teachers earn under \$20 per hour. Mr. Sloan asked if that estimate is for the contractual hours and does not include additional hours worked by the teachers. Mr. Hickman replied, yes, but qualified, there are slightly different contracts among districts.

Mr. Hobbs commented there are two different concerns, the attraction of new teachers and the retention of existing teachers. He noted, Nevada ranks lower in the starting salary category than it ranks for the median salary. Mr. Bellister offered to provide those statistics. Mr. Bellister stated there is also a problem with teacher retention, citing the turnover rate of teachers in Clark County of 7 percent per year. Mr. Lange remarked, the income a person earns demonstrates a value society places on jobs. Mr. Lange opined the responsibility of an educator who earns a starting salary of \$26,800 does not represent a high value for that position. He exemplified, at the starting salary, a teacher would have trouble qualifying to purchase a home or would have difficulty saving for college educations for their children.

Leslie Fritz, Learning and Public Policy Specialist, Nevada State Education Association, began her testimony by urging the task force to consider a broad look at program needs and priorities. Ms. Fritz listed several program reform measures adopted by state policy makers (Exhibit E). She said, in 1989, Nevada mandated reducing class sizes in the first, second, and third grades to 15 students for 1 teacher. She commented those ratios were never realized and currently first and second grades are at 16 students to 1 teacher and third grade is at 19 students to 1 teacher. She added, many school districts have received waivers for those class-size requirements. Ms. Fritz continued, the state passed the Nevada Education Reform Act, which established rigorous academic standards for all students, provided a system that identifies and addresses low performing schools, and required all schools in Nevada to adopt school improvement plans. Ms. Fritz stated, in 1999, legislators approved Assembly Bill 521 addressing student discipline and giving teachers the authority, in certain instances, to remove unmanageable students from the classroom. She declared classroom management is a top priority for teachers, claiming one troublesome student can disrupt an entire classroom. However, Ms. Fritz added, there was no funding allocated for an alternative setting for students who had been removed from the regular classroom. Ms. Fritz continued, in 2001, the Parent Teacher Association and the Nevada State Education Association successfully lobbied for a state statute requiring parental involvement policies.

Ms. Fritz continued, one of the goals of the American Diploma Project is to ensure that when a student has passed Nevada's High School Proficiency Exam, they are qualified to enter Nevada's higher education system or to work for Nevada businesses. Ms. Fritz stated the State Board of Education recently adopted a more rigorous form of the High School Proficiency Exam. She commented the aforementioned goals and priorities have accountability requirements, but the resources to support those higher standards and goals are lacking. She urged the task force to consider the

funding needed to support these higher expectations, program goals, and accountability for the education system.

Ms. Fritz began a PowerPoint presentation (Exhibit F) and provided a supporting booklet, published by the Nevada State Education Association, entitled, Quality Schools, Today and Tomorrow (Exhibit G). Ms. Fritz stated, in 1999, the Nevada State Education Association Quality Schools Plan was developed by the Nevada State Education Association to identify the structure and resources necessary to provide the best education possible. She noted the plan incorporates a layer of accountability. Ms. Fritz stated the plan first addresses providing quality teachers. She asserted the fact that such a high percentage of a school's budget pays for employee salaries is reasonable in such a people-oriented business. Ms. Fritz stated the plan ranks teachers' salaries and benefits as a high priority. She continued, another priority is professional development, citing the funding provided by the state for regional professional development programs shortly after the Nevada Education Reform Act was passed. Ms. Fritz stated much of the funded professional development focuses on student performance and on assessments of academic standards. Ms. Fritz warned professional development training must provide the time for teachers apart from the regular classroom. She noted adding days to the school year would cost between \$15 and \$17 million per day.

Ms. Fritz continued the portion of her PowerPoint presentation (Exhibit F) regarding providing quality education, mentioning another priority, mentoring and induction programs to enhance the retention of teachers. She noted, in Nevada, there are a large number of teachers near retirement age, a gap in the middle, and a large number of younger teachers. Ms. Fritz stated, in the high-risk schools, especially in Clark County, over half the teachers leave the profession within their first three to five years. She noted Washoe County School District, Clark County School District, and Carson School District have mentoring and induction programs for new teachers, but those programs are voluntary, after-school programs.

Ms. Fritz continued, The Nevada State Education Association's Quality Schools Plan recommends enhanced compensation to teachers for knowledge, skills, and responsibilities. She noted Nevada currently pays a 5 percent bonus to teachers with National Board Certification. Ms. Fritz stated teacher evaluation and tiered licensure are critical elements of accountability. Ms. Fritz concluded, the state has set high goals and standards that are backed by high accountability measures, but the funding to support those programs is not in place. Mr. Sloan commented it is unfortunate the policy makers who set those goals did not provide funding to support them.

Dr. Mack asked how many teachers have left the system and whether they had changed occupations. Mr. Bellister stated he would provide those figures. Dr. Mack asked if students' educations suffer when teachers leave. Mr. Bellister stated it is known that experience matters in the classroom and added when teachers leave the investment in training is also lost.

Mary Ella Holloway, President, Clark County Education Association, stated, for the fourth year in a row Clark County School district teachers are in arbitration in the Clark County School District. She said some teachers' children qualify for the free and reduced lunch program or qualify for the Internal Revenue Service's Earned Income Credit. Ms. Holloway stated over 3500 teachers have left the Clark County School District since 1997. She said the only salary increases the teachers have received for the past four years has been through the arbitration process. She noted the increases have not kept pace with inflation and the increased costs of health-care benefits. She expounded, starting in January 2002, Clark County School District teachers began paying \$50 per month for health care benefits, which were previously provided at no cost, and employees with three dependents had their health-care benefits premium double. Ms. Holloway said the 3 percent increase in teachers' salaries this year, after taxes, was just enough to pay for the increase in health-care premiums for a family of four for two months.

Ms. Holloway stated, this year, including the recent increase, the starting salary for a teacher in the Clark County School District is \$28,847. Ms. Holloway cited a recent Las Vegas Review Journal article, which said a single mother of two earning \$30,000 was not sufficient to live in Las Vegas. She stated a teacher with five years experience and who has earned a Masters Degree at the cost of thousands of their own dollars will earn \$36,483. She asserted many teachers have left and morale is declining.

Ms. Holloway continued, stating Nevada's poor commitment to funding education has also lead to larger class sizes, eliminated needed programs, and hampered the effectiveness of classroom teachers. She cited building deficiencies which may be attributed to deferred maintenance due to the lack of funding. She noted, in her 20 years of teaching experience, she has never had enough books for each student. Ms. Holloway said every year she spends hundreds of dollars of her own money to supplement materials. Ms. Holloway concluded, stating if Nevada wants to attract and



retain quality teachers, it must pay salaries that reflect its commitment to a provide quality education. She said the funding level for Nevada education must be increased to at least the national average.

Mr. Greenspun asked Ms. Holloway if she could speculate why teachers are leaving the system. Ms. Holloway stated she personally knows of one teacher who is considering taking a teaching position in Ohio because of the higher salary and free health insurance for retired teachers. Mr. Greenspun stated he knew of women teachers who have left to have babies. Ms. Holloway responded she did not know if that was happening, saying the comments she had received from the members of the Clark County Education Association suggested teachers were leaving the district for better salaries and benefits.

Lynn Warne, President, Washoe County Teachers Association, stated she was a fourth grade teacher with the Washoe County School District for 15 years. She read a prepared statement (Exhibit H). Ms. Warne stated the Washoe County Teachers Association is currently participating in the budget review task force for Washoe County School District in order to address an \$8 million shortage. Ms. Warne said labor costs for Washoe County School District are approximately 88 percent of the total budget. She commented this can be partly attributed to an experienced work force that earns higher-level salaries.

Ms. Warne continued, stating, next year it is estimated that the federally mandated special education program will cost the Washoe County School District an additional \$17 million. Ms. Warne said Washoe County School District is considering raising the number of students per teacher in order to save money. She commented many classrooms are already overcrowded. She gave the example of one middle school advanced placement English teacher who had 190 students. Ms. Warne stated Washoe County passed a bond to build two high schools, which opened this year. She noted the cost of running those new high schools is approximately \$4 million. In addition, she continued, Washoe County will be opening two new elementary schools in the fall, which will require \$1 million in operating costs. Ms. Warne noted rising energy costs are estimated to cost the school district an additional \$1.2 million next year. Ms. Warne stated school boards and districts have no method by which they can raise additional funds; they cannot raise taxes.

Dr. Mack asked Ms. Warne how much her income increased in the 15 years she worked for the Washoe County School District. Ms. Warne replied her current salary is about double what it was when she started; her starting salary was approximately \$20,000 and her current salary is just over \$40,000 per year. Ms. Warne explained, during those 15 years, she earned a masters degree and 32 additional credits. She noted it would take her six years of teaching at her current, increased salary to recoup the money she spent getting the masters degree. Dr. Mack asked Ms. Warne how many hours she works a week. Ms. Warne responded she is contracted to work seven and a half hours per day, however, she indicated she normally arrives at school about 7:30 a.m. and goes home at about 5:00 p.m. and that she also takes work home on weekends.

Mr. Hickman read two examples of e-mails he received from rural school teachers regarding the implications of reduced funding. The first letter from Fernley, Nevada, indicated the music program had been reduced due to budget reductions. The instrumental program had been removed from the fifth grade curriculum. The letter said elementary music teachers in Fernley now see over 1000 students for only 30 minutes per week and no longer have their own classroom.

The second letter, from Winnemucca, Mr. Hickman read, indicated teaching staff has been reduced in Humboldt County due to the decline in student enrollment from the weakening mining industry. The letter stated the services provided for the remaining student population has deteriorated. The letter declared the remaining teachers have more students and their support systems have been cut. Programs such as nursing, counseling, ESL, library, and computer training have almost disappeared. The letter said elementary teachers no longer have a preparation period. Extra curricular activities, such as, music and club sports have been eliminated. The letter stated students participating in school sports have to provide their own transportation to compete in sporting events. The letter concluded, the unstable tax base in Winnemucca is failing the education system. Mr. Hickman stated the letters he read exemplify that there is an education-funding crisis in Nevada's rural counties as well as in the urban areas.

Chairman Hobbs asked Mr. Hickman to expound on the hours a teacher works compared to other occupations. Mr. Hickman stated, when he was manager of the health club for Harrah's, he worked eight hours per day and never brought work home. He noted the contractual hours for a teacher reflect minimum standards. Mr. Hickman declared the contractual hours only include time in the classroom and do not include time spent calling parents, working on

weekends, and other work-related activities, adding teachers do not keep a record of those extra hours. Mr. Hickman asserted a teacher could not be a quality educator working only contracted hours.

Mr. Sloan exclaimed it is a great mistake to ignore the problems in the Nevada's education system and not to recognize the value of school teachers. Chairman Hobbs remarked he did not disagree with Mr. Sloan's comments. Ms. Holloway pointed out she had spent most summers taking college courses in order to earn her masters degree plus 32 credits to qualify for the higher pay scale for teachers. Ms. Holloway commented those college courses cost her a lot of money and took many hours to complete.

Chairman Hobbs asked Mr. Aguero to comment on the cost-of-living allowance on the model the technical working group was developing. Mr. Aguero stated the model includes cost-of-living increases for everything at the rate of inflation.

Walt Rulffes, Ph.D., Deputy Superintendent, Clark County School District, came forward to give a PowerPoint presentation (Exhibit I) and also handed out a packet of information (Exhibit J), including: average Clark County School District salary statistics, mix of students, comparative data for private school tuition, Clark County School District salary schedule, school nutrition program, distributive school account analysis, utility costs, Clark County School District budget reductions, Clark County School District budget adjustments, and per-pupil expenditures.

Dr. Rulffes stated thirteen Clark County School District schools identified as inadequate five years ago has been reduced to four schools, which can be attributed to special funding from the Legislature. Dr. Rulffes began his PowerPoint presentation (Exhibit I) by showing the external audits, which have been performed on the Clark County School District in the past 18 months. Next, Dr. Rulffes addressed the growth issue, noting a near 37 percent increase in student population over the past five years. He said, due to budget constraints, licensed personnel increases of 35.1 percent have not kept pace with student population growth. Dr. Rulffes expounded, if the Clark County School District were staffing teachers at the rate they were in 1997, they would currently have almost 300 more teachers. He noted percentage increases for support staff were even less than teaching staff.

Dr. Rulffes continued, 40 percent of first- through eighth-grade students in Clark County School District are below United States Department of Agriculture poverty levels and are eligible for free and reduced lunch. Dr. Rulffes referred to the federal guidelines for the free and reduced lunch program in the packet (Exhibit J), adding Clark County School District has many teachers who are below the poverty level. Mr. Sloan asked Dr. Rulffes to clarify the poverty levels for families, commenting \$43,000 per year seemed high for a family of six to be considered below poverty level. Dr. Rulffes replied the table from the handout entitled 2001-2002 Child Nutrition Program, School Meal Packet, defines the federal criteria for free and reduced lunches. Dr. Rulffes stated 11 percent of students in Clark County School District have special education needs.

Dr. Rulffes cited the growing problem of students who speak no or limited English, with 16 percent of the students in Clark County School District who receive special language services. He stated, of the about 40,000 students who receive special language services, about half come to the Clark County School District speaking no English. Dr. Rulffes referred to the handout from the packet (Exhibit J), showing the average make-up of a typical classroom of 26 students. He commented Clark County School District did not have the expertise or the funding to deal with the growing number of non-English speaking students and opined they were underserved.

Dr. Rulffes stated Clark County School District grows by approximately 14,000 to 15,000 students and opens 12 to 14 new schools each year. He noted new schools require infrastructure funding, including, staff and maintenance for cafeterias, libraries, counseling and nursing services, and gymnasiums. In addition, Dr. Rulffes stated, each year Clark County School District hires 2300 new teachers and 400 to 500 support employees who must be recruited and trained. He said they also commission 100 new buses each year, which requires hiring and training drivers. Dr. Rulffes said Clark County School District has 562 portable classrooms, which they must relocate each year to accommodate enrollment changes. He pointed out, 562 classrooms are equivalent to 20 to 25 schools.

Dr. Rulffes continued his PowerPoint presentation (Exhibit I) next addressing the different funds which make up the district's FY 2001-02 budget of \$3.2 billion. He said operating funds are \$1.2 billion. He said \$128,578,774 in special funds include programs such as class-size reduction and state categorical funds for reading. Dr. Rulffes stated there are \$69,661,422 in federal funds. Dr. Rulffes stated the bond funds and debt service funds represent capital expenditures. He commented, when the task force considers per-pupil expenditures, they should not include capital

costs. He noted Clark County School District has the highest capital cost per student in the nation at \$2800 per student. He added the cost to the taxpayer of these capital funds is spread over the life of the debt service. Dr. Rulffes emphasized different comparisons for per-pupil expenditures use different mixes of the aforementioned funds. He exemplified the Clark County School District owns and operates the public broadcasting system for Las Vegas and asserted those funds should not be included in per-pupil expenditures. He interjected the Clark County School District's bond rating is currently Aa+.

Dr. Rulffes continued, presenting a pie chart (Exhibit I) showing the proportions of revenue sources. He said the state aid is based on the projected total, and if other sources provide a greater portion of the funding, the state portion gets smaller. Chairman Hobbs clarified the local school support tax and one third of the property taxes are a direct deduction from the state's funding requirement. Chairman Hobbs commented property taxes and sales taxes used to fund schools should be included in state revenue totals because they are used to offset the state's obligation. Dr. Rulffes said property and sales taxes are collected at the local level, adding, in some states those funds would be deposited to the state's general fund and then distributed to the schools. He noted these differences in the distribution process would make it difficult to compare state and local funding in other states.

Dr. Rulffes continued stating just under 90 percent of Clark County School District's budget is used for employee salaries and benefits. He commented, without the ability to add revenue, budgets are difficult to balance. He pointed out they could not reduce salaries and benefits, commenting no one believes they should reduce the remaining small percent of the budget, which includes instructional materials, instructional services, postage, insurance, and other things.

Dr. Rulffes stated the next portion of his presentation (Exhibit I) illustrates how small the portion of school employees is that work in the central administration office, which some people have suggested could be reduced to save money. Dr. Rulffes expounded 90 percent of Clark County School District's employees are assigned to some direct school-related activity; these employees include the licensed employees, the principal's office, and the support personnel in the school. He said 5.4 percent of Clark County School District employees drive and maintain the busses. Dr. Rulffes stated 4.4 percent of the Clark County School District employees work in the central office with only a small percentage of those who are the district administrators; the rest are support staff. He noted most of the administrative staff work in the individual schools as principals, vice principals and secretaries.

Dr. Rulffes presented a slide representing a number of different per-pupil expenditure comparisons (Exhibit I). He commented though the comparisons vary slightly, they all rank Nevada between thirty-eighth and forty-first in the nation. Dr. Rulffes declared, though Nevada may rank a little higher among the western states, many of those western states sustain education levels Nevada should not emulate.

Dr. Rulffes pointed out, not including capital expenditures, Clark County School District has the lowest per-pupil expenditure of all the counties in Nevada. He stated the state average per-pupil expenditure is \$5710, with the median at \$6544, and the high end at \$14,949; Clark County School District expends \$5501 per pupil. He noted there are legitimate reasons for the highest per-pupil expenditures.

Dr. Rulffes next showed a chart (Exhibit I) representing per-pupil resources compared to inflation using 1992-93 as the base year. He pointed out, the per-pupil funding dropped below the rate of inflation, and then recovered to even with the rate of inflation for the years between 1997 and 2000. Then, Dr. Rulffes continued, per-pupil funding dropped radically below the rate of inflation in 2000-01, and currently the per-pupil funding is at about the same level as it was two years ago. Dr. Rulffes asserted this accounts for part of the reason they have been forced to make \$74 million in cuts, with another possible \$10 or \$15 million in cuts needed.

Dr. Rulffes' next slide (Exhibit I) showed the district-wide, per-pupil costs of different types of schools, with a district average of \$5145 per year. He said nine-month elementary schools cost \$5411 per pupil, while year-round schools cost \$5016 per pupil, which shows, provided the population is present to support a year-round school, year-round schools are cheaper. He continued, middle schools and high schools cost just under \$5000 per pupil. Dr. Rulffes stated funding per pupil is \$9445 for alternative schools, which serve students with special needs and that intervene to prevent drop out, emphasizing, alternative schools are much more expensive. Dr. Rulffes said rural schools cost \$7209 per pupil. He stated the self-contained special education school, serving around 3000 students, costs \$22,257 per student. Dr. Rulffes commented the cost of special education is a national problem. He noted they had hoped to get some relief from the high costs of special education from the federal Elementary and Secondary Education Act, but did not.

Dr. Rulffes stated, though the 2001 Legislature did not provide funding to offset previous cuts, they did fund a per-pupil increase. He said the 2001 Legislature also provided a 3 percent salary bonus for teachers. In addition, Dr. Rulffes stated, Clark County School District has received some assistance from the Legislature for one-shot funding for high-impact areas, such as, health care, utility costs, and endangered programs. He emphasized the \$2000 new teacher recruiting incentive provided by the 2001 Legislature is beneficial, and added, the signing bonus should increase to \$2500 next year. Dr. Rulffes said the 2001 Legislature also provided categorical funding for literacy and for remediation for schools that need improvement.

Dr. Rulffes referred to the handout from the packet (Exhibit J) entitled, "Clark County School District Summary of Budget Reduction Revisions, FY 1999-00 through FY 2001-02." He noted, Clark County School District had to use their fund balance to make the budget balance and consequently there are no longer any contingency funds remaining. Dr. Rulffes stated the Clark County School District saved the most money by increasing class sizes, asserting this was a negative step.

Dr. Rulffes stated the Legislature provided \$87 per pupil for 2002-03 which will not cover salary roll-ups and 2 percent cost-of living-allowance, noting it costs \$10 million for a 1 percent increase in salaries in the Clark County School District and the \$87 per-pupil increase will provide about \$20 million. Dr. Rulffes explained a roll-up is when a teacher's salary increases for each year of experience and for earning additional education credits, noting, it costs Clark County School District about \$23 million to fund one year of roll-ups. Besides teacher's salaries, Dr. Rulffes stated, the increased per-pupil funding will not cover projected increased utility and insurance costs, new school openings, and other inflation. Dr. Rulffes stated the Clark County School District predicts a budget shortfall for FY 2002-03 necessitating additional cuts in the fall, in addition to the \$74 million budget reductions through November 2001.

Dr. Rulffes continued the PowerPoint presentation (Exhibit I) noting funding increases associated with the growth in enrollment are used for growth and roll-ups and there are no funds left for inflation of other costs. Dr. Rulffes pointed out other areas where the costs are higher than the increased per-pupil funding: increased utility costs; increased health benefit costs; student safety, security and transportation; non-English speaking services; special-needs students; unfounded class-size reduction mandates; increased costs for business information systems and student information systems. Dr. Rulffes noted the cost of all utilities, including gas, electric, sewer, water, and trash disposal, has risen 98.4 percent since 1998, while the increased funding from student enrollment has only risen 28.2 percent. He added the cost of technology has risen 63 percent, the cost of increased security has risen 45.6 percent, and the cost of the English Language Learner program has risen 32 percent.

Dr. Rulffes continued, stating Clark County School District had to take money from other areas to balance the budget. He said local revenues were down 3.1 million but they appear to be recovering slightly. He added, the budget stabilization fund, the environmental compliance fund, and the capital replacement fund were all depleted. Dr. Rulffes stated the unrestricted fund balance has been reduced from \$19 million to \$10.5 million, an amount he said which would only run the school district for slightly over two days. He expressed concern if the unrestricted ending fund balance is allowed to get too low it would affect the bond rating and could cost the school district millions of dollars in increased debt service costs in the school construction program.

Dr. Rulffes concluded, the Clark County School District is meeting with the Superintendents and will present, in April or May, a detailed quantified plan addressing improvements needed to increase student achievements.

Mr. Lange asked Dr. Rulffes if he included counselors or other support personnel in his class-size figures. Dr. Rulffes replied the figures from the PowerPoint presentation (Exhibit I) reflect primarily the average number of classroom teachers compared to the number of students. Dr. Rulffes qualified those figures represent formula levels for the schools but the ratios could be much higher in an individual classroom. He added, high schools contain classrooms with up to 40 students each.

Dr. Rulffes indicated he would provide the task force with data showing the time teachers spend in duty-free lunch, preparation periods, recess, passing time, and other things that are not considered direct student contact time, but still consume teachers' time during the day.

Mr. Sloan asked Dr. Rulffes to provide comparisons for the student performance evaluation levels compared to per-

pupil spending. Mr. Sloan wondered why he did not normally consider the states that rank below Nevada in per-student expenditures as having inferior education systems. Mr. Sloan continued, the highest per-student expenditure is listed as the District of Columbia (Exhibit I), which he had thought was not necessarily the best school system in the United States. Dr. Rulffes replied the test scores would be a limited measure of performance for schools. Dr. Rulffes noted Las Vegas does not have some of the typical problems large city school systems often have.

Joyce Haldeman, Executive Director, Government and Community Relations, Clark County School District, stated, various subjective factors affect student performance levels. She noted in Utah, for instance, the typical family would be more likely to have a two-parent household with the mother often staying home to raise the children. Ms. Haldeman said there are numerous influences that affect students' success rates in school. Mr. Sloan stated the problem areas identified in the presentation could be compared to other states, such as, the number of non-English speaking students. Mr. Sloan commented teachers in Utah and Arizona pay personal income taxes and teachers in Nevada do not.

Dr. Rulffes stated the rankings and per-pupil comparisons are not as important as what can be done for performance levels in Nevada with additional funding. Dr. Rulffes stated he did not completely agree with the three priority education enhancement measures presented by Dr. McLaughlin, Superintendent of Public Education, Department of Education: kindergarten, bi-lingual education, and quality teachers. Dr. Rulffes stated Clark County School District had identified numerous specific measures they believe would possibly enhance student achievement: such as, a longer school year or a longer school day; more equipment, including text books; incentives for teachers in highly technical areas; opportunities for credit deficient students, like box scheduling or low-cost summer school; teacher retention, especially at high-risk schools; more attention to vocational tracts; and bilingual education. He reiterated they are not focused on the national average per-pupil funding, declaring he believes if Nevada could approach the national average per-pupil funding, Nevada could achieve well above the national average for student performance. He noted Nevada students achieve at or above the national average with below the average per-pupil spending. Dr. Rulffes accredited these results to the high level of the teaching staff. He commented, even with the shortage of teachers, Clark County School District only hires the top 30 percent of the applicants.

Chairman Hobbs agreed with Dr. Rulffes that the national averages encompass so many variables they are difficult to compare, and said he also believed it is more important to focus on the highest priority programs. Chairman Hobbs stated the task force could quantify program costs, implement an evaluating process, and have the system evolve as time passes. Mr. Lange stated there is a current study addressing the relationship between education spending and student achievement levels. Mr. Lange stated the most important consideration is which programs will yield the best student achievement results. He noted detractors for public education will argue, if student achievement levels are already average, there is no need to add more money.

Ms. Hadelman stated, all the state superintendents of Nevada, who have consulted with their school boards, intend to compile a common list of priority goals and their respective funding needs in a meeting on March 14, 2002.

Dotty Merrill, Senior Director, Public Policy, Accountability and Assessment, Washoe County School District, testified on behalf of Dr. James L. Hager, Superintendent, Washoe County School District. Ms. Merrill thanked the members of the task force for their consideration. She reiterated from previous testimony, some of the challenges facing school districts are teachers' salaries, the rising costs of energy, and rising health insurance costs. Ms. Merrill stated the student population is changing. She said, in 1967, when the Nevada Plan was implemented, the student population was more homogeneous, with fewer students with disabilities and very few English Language Learner students. Ms. Merrill stated 36 percent of the almost 58,000 current enrollment of Washoe County School District are ethnic minorities. She said Washoe County School District has 12 percent, over 7000 students, receiving services for students with disabilities. She noted per-pupil costs for students with disabilities are much higher than per-pupil costs for regular education students. Ms. Merrill stated 11.8 percent of the student population of the Washoe County School District receive English Language Learner services. Ms. Merrill declared the transience rate in the Washoe County School District exceeds 30 percent. She expounded at the end of the school year one student out of three is in a different school from the one they entered at the beginning of the year. Ms. Merrill stated 31 percent of the Washoe County School District's students qualify for free and reduced lunches. She added Washoe County School District has free and reduced lunches in elementary school, middle school, and high school. Ms. Merrill concluded, urging the task force to consider the Washoe County School District expects the number and percentage of the aforementioned special-needs populations to increase.

*Higher Education Needs*

Jane Nichols Ph.D., Chancellor, University and Community College Systems of Nevada, began her PowerPoint presentation (Exhibit K) commenting she believes the university and college systems are closely linked to K-12 education. Dr. Nichols explained University and Community College Systems of Nevada (UCCSN) represents the conglomeration of all the public institutions in the state involving post-secondary education. She noted these colleges reach into the community through programs, such as, research, technology transfer, teaching, agricultural extension, high technology centers, and service to the community. Dr. Nichols stated higher education is a public responsibility in Nevada, expounding, there is not a significant sector of private higher education in Nevada.

Dr. Nichols stated because Nevada is the fastest growing state, UCCSN is the fastest growing higher education system in the United States. Dr. Nichols said UCCSN currently has about 90,000 students and approximately 50,000 full time equivalent students. She explained full time equivalent (FTE) is a measure used by the system to determine workload based on total credits taken.

Dr. Nichols stated one of the accountability factors used for the K-12 education system considers how many of their high school graduates have to take remedial or developmental course work in the universities or community colleges. She noted 36 percent of high school graduates who attended a Nevada university or community college in the fall of 2001 took remedial courses. Dr. Nichols stated UCCSN could realize a cost savings if they work together with the K-12 education system to reduce the number of high school graduates needing remedial courses in college.

Dr. Nichols stated Nevada has the least number of recent high school graduates who attend college, with the exception of Alaska in some years. She noted with the advent of the Millennium Scholarships, the number of high school graduates attending college has risen to 40 percent. Dr. Nichols commented the families of many high school graduates incorrectly believe they would not be able to afford a college education. She commented, to increase the rate of high school students who go to college, the transition should be as simple as possible, and UCCSN has begun to address that issue by instigating some of the following programs: college classes in high schools; dual enrollment; two-plus-two format, where a student can earn a certificate or associate degree and later use those credits toward a bachelors degree; high technology facilities on high school grounds.

Dr. Nichols stated over 75 percent of high school juniors said they plan to go to college, as reported in a survey conducted by UCCSN three years ago. She noted 37 percent actually went to college. To address this issue, Dr. Nichols said, UCCSN has received a federal Gear-Up grant targeting students in middle school. She explained the grant is designed to lower dropout rates, improve academic performance, increase proficiency exam scores, and boost graduation rates. Dr. Nichols said UCCSN is also participating in the American Diploma Project, correlating proficiency exams with college entrance requirements. She stated professional development programs, and particularly, teacher education programs at the university are involved in the Reading Excellence Program. She added, the community colleges in Nevada offer the first two years of teacher preparation. Dr. Nichols said UCCSN offers in-service training for the federal Eisenhower Program for K-12 grades in science and math. She stated UCCSN is working with the school districts through a grant from the Education Commission on the States to prepare teachers to use technology. She declared the State Board of Education and the University and Community College Board of Regents have met and plan to continue meeting to investigate more effective ways to deliver quality education in Nevada.

Dr. Nichols stated UCCSN is developing a master plan for higher education in Nevada. She cited, California's higher education plan with different types of institutions strategically located, providing access to all the population. She noted Nevada has only recently expanded their higher education system to include community colleges and now faces needs and location decisions. To help design Nevada's higher education master plan, Dr. Nichols continued, the Battelle Study and the RAND Report were commissioned. She explained the Battelle Study examined the contributions of the university system to the economic development of Nevada and the RAND Report investigated the types of institutions and policies needed in Nevada.

Dr. Nichols stated she expects the UCCSN final master plan to be approved in April, 2002. Dr. Nichols continued, the master plan contains six over-arching goals with measurable targets and interrelated strategies. She emphasized the plan includes accountability with measurable outcomes, including graduation and retention rates overall and for ethnic groups. She said the master plan addresses whether students are learning the skills and knowledge needed. Dr. Nichols stated the master plan attempts to target resources to meet state needs, such as, the need for more nurses

and teachers. She listed the six goals of the master plan: economic development, access, minority success, quality of life, cooperation with the K-12 education system, and available education for all students. She explained the last goal, available education, includes programs like weekend and evenings classes, and distance-learning classes.

Dr. Nichols stated the master plan reflects Nevada's rapid population growth, which she declared is a massive challenge alone. She added, the master plan also addresses the low number of high school graduates who attend college. She said UCCSN predicts the demand for college-educated citizens will grow in Nevada as the economy changes, and UCCSN must provide more advanced training for business, manufacturing, technology, science, and professional fields.

Dr. Nichols stated UCCSN must use their resources effectively. She added, sources other than the state must also contribute to the revenue to support UCCSN. She said students should contribute through a fair system of tuition and fees, but there must also be an adequate financial aid system for students who can not afford higher tuition. Dr. Nichols stated the plan aims to develop a partnership with the private sector to help develop research, and with businesses to help train workers. She said UCCSN intends to enhance the distance education system to decrease the need for new facilities, noting the fastest growing enrollment is currently in distance education. Dr. Nichols stated facilities should be used year round, seven days a week.

Dr. Nichols continued, mission differentiation, where each institution has a clear mission and role, will reduce program duplication, which will save money and diminish competition between institutions.

Dr. Nichols stated UCCSN will be opening the first state college in Henderson, Nevada, to address the changing demographics of the state. She explained the most expensive Baccalaureate Degree, for both the student and the state, is earned at a research university. She noted state college costs average midway between university and community college costs. She added, the RAND Report recommended Nevada build six state colleges.

Daniel G. Miles, Vice Chancellor for Finance and Administration, University and Community College System of Nevada, continued the PowerPoint presentation (Exhibit K) and also referenced the document (Exhibit L) entitled, "University and Community College System of Nevada, Report to the Governor's Task Force on Tax Policy in Nevada, February 2002." Mr. Miles stated the support of the university and community college system is established in the Nevada Constitution. He noted there is also a traditional basis in the state budget. Referring to page 1 of the document (Exhibit L), Mr. Miles pointed out UCCSN receives a large portion of the state budget, around 19 or 20 percent, with the state appropriation for 2002-03 of \$717.4 million. He noted the combination of K-12 education and UCCSN averages around 55 percent of the entire stated budget. He noted the lowest appropriation of the state budget to UCCSN of 18.3 percent occurred in 1994-95 following the recession.

Mr. Miles stated approximately 70 percent of the current budget for UCCSN comes from the state general fund; approximately 20 percent from student tuition and fees; 7.3 percent from estate tax; and approximately 2.5 percent from other revenues, which include indirect cost recovery, investment income, and anticipated Medicaid revenues for the Dental School. He pointed out the significant decrease in the "other revenue" category, was due to the delay in opening of the dental school and the predicated associated Medicaid revenues.

Mr. Miles explained, public education is primarily supported by state appropriation and student fees, with the distribution of these funds to the various institutions dictated by a formula. He continued, in 1999 the Legislature formed a study group to update the formula in order to remove inequities and to address growth issues. He added the major component of the formula is based on enrollment. Mr. Miles stated the Legislature has never fully funded the formula either in the past or with the current, revised formula. He noted UCCSN is currently funded at 81.55 percent of the new formula calculations. He added, next year the funding will decrease to 80.29 percent of the formula calculations. He commented these deficiencies force campuses to reduce budgets.

Mr. Miles stated UCCSN expects significant enrollment increases over the next ten years. He noted, between 1991 and 2001, UCCSN grew by about 20,000 students, with a fulltime equivalent of 17,500. Mr. Miles continued, in the next ten years UCCSN expects to increase by 37,000 fulltime equivalent students. He added, growth during the past ten years was approximately 4 percent annually, and UCCSN expects growth over the next ten years to be 5.9 percent annually. Mr. Miles commented the growth projections are determined through a compilation of the predictions of each of the campuses, high school graduation rates, population growth predictions, and the predicted successes of the master plan goals.

Mr. Sloan asked how many students attend the UCCSN from out of state. Dr. Nichols replied approximately 9 or 10 percent of the undergraduate students are from out of state, and 15 percent at the graduate level. Dr. Nichols noted the percentage of out-of-state students is higher at the universities and the percentage is lower at the community colleges. Mr. Sloan asked about tuition for out-of-state students. Dr. Nichols responded out-of-state students pay full cost, which UCCSN tries to keep as close to the actual cost as possible.

Mr. Miles continued his presentation stating Congress repealed the estate tax, with the allowable state credit to be phased out in four years. He added, Congress also increased the gift and estate tax exclusion from \$675,000 to \$1 million, which also eliminates revenues from that range. Mr. Miles explained, in the past, the estate tax money has been divided in Nevada with 50 percent going to K-12 education and 50 percent to higher education. He expounded K-12 education used the estate tax for budgets and programs for each year, while higher education placed the funds in an endowment until a threshold of \$2.5 million annual income was realized from the endowment. He stated, since that threshold was reached, the Legislature has allowed UCCSN to utilize funds in excess of those required to maintain \$2.5 million annual income. Mr. Miles stated, this year UCCSN will be spending approximately \$37 million of that endowment and next year UCCSN will spend approximately \$38 million. He noted these totals will far exceed income and therefore the endowment will be depleted. He commented the loss of estate tax not only affects the loss of revenues going into K-12 education, but also relates to the amount higher education is spending from the endowment.

Mr. Miles cited Attachment A from the handout (Exhibit L), stating most of the estate tax funding is used for financial aid for students; technology improvements; research grants; funds for growth and equity, primarily for University of Nevada, Las Vegas and Community College of Southern Nevada; and hold harmless costs. Mr. Miles commented the lack of future estate tax funds should be addressed in the next budget cycle before all the money is depleted.

Mr. Miles stated, when the first economic forum revised the forecasted revenues, UCCSN substantially reduced their budget by reducing the level of funding for the formula from the approximately 85 percent recommended by the Governor to 81.5 percent for the current year and 80.29 for next year. He explained, hold harmless, in the case of new formulas, guarantees an institution the same funding from the previous year for up to two biennia. With the lowered funding levels of 81.55 percent for this year and 80.29 percent for next year, Mr. Miles stated, four of the UCCSN campuses would be receiving a lower budget for 2002 than their adjusted base of 2001. Mr. Miles explained adjusted base accounts for movement on scale of teachers' salaries, new space, and other known costs. He said the institutions funded hold harmless were University of Nevada, Las Vegas; Community College of Southern Nevada; Truckee Meadows Community College; and Western Nevada Community College. He noted these hold harmless costs were approximately \$42 million over the biennium. He added, if UCCSN were funded at 100 percent the total costs would be \$83 million for 2002 and \$92 million in 2003. He said, at 85 percent funding level, there would have been no hold harmless funding issues this biennium.

Mr. Miles continued, stating the funding formula provides funds for replacement technology equipment and equipment for new positions. He noted because UCCSN is funded at 80.5 percent, when an institution must choose between a new faculty member or the purchase of needed equipment, often the equipment is not purchased. He added, in the past UCCSN has depended on one-shot appropriations from the Legislature to support equipment purchases. Mr. Miles cited a table (Exhibit K) showing only \$2.5 million one-shot appropriations for computer hardware and software in 2001, \$4.5 million estate tax funding for technology equipment in 1999, and significant equipment funding of \$17 million and \$20 million in 1997 and 1995, respectively. He commented some of the campuses are becoming equipment poor because the appropriations have diminished.

Mr. Miles stated the most significant factor in the long-term funding needs of UCCSN is the accelerated rate of growth in student population over the next ten years. He expounded UCCSN predicts the enrollment for the 2010-11 school year to be 85,129 full time equivalent students. He noted, approximately 85 percent of UCCSN's budget is enrollment sensitive: the budgets of each of the institutions, system computing services, ongoing programs currently funded by the estate tax. Mr. Miles cited the table (Exhibit K), explaining the enrollment-driven figures used the full time equivalent enrollment projected at the rate of enrollment growth plus 3 percent annual inflation. He added the other factors, which are not driven by enrollment, are increased by the inflation factor and added to the enrollment-driven figures. He stated UCCSN predicts the total budget in 2011 will be \$1.025 billion, compared to the budget for 2001 of \$459.6 million. Mr. Miles said these costs are approximately 77 percent state funded and approximately 25



percent funded by student and other revenue sources. Assuming the percentages remain consistent, Mr. Miles continued, the state share would grow from \$344 million to \$769 million in ten years. He noted the projection does not include other enhancement costs, such as, the mandate from the Legislature to double the capacity for the nursing programs. He added, if the Board of Regents decides to build another state college, only part of those costs would be offset by increased enrollment.

Mr. Miles said the state provides funding for capital construction related to students, such as, classrooms, office space, and laboratories. He continued, for other capital costs, such as, student housing, parking and cafeterias, UCCSN raises funds through revenue bonds and other sources. He added, their proceeds are directed towards bond indebtedness.

Mr. Miles said the total capital construction program for the state for the 2001-03 biennium was \$293.7 million. Mr. Miles stated UCCSN received 63 percent of that fund for a total of \$184.6. He noted of the \$184.6 million spent on UCCSN capital construction, only about \$114 was state funds, with the balance being primarily university funds including revenue bonds and donated funds. Mr. Miles said last legislative session UCCSN requested \$332 million and \$184 million was funded.

Mr. Miles stated, the MGT of American study, commissioned in 2000, discovered that five of the seven UCCSN institutions had space deficits in 1999. He added the study suggested that by 2007 all seven of the UCCSN facilities would have a space deficit of more than 2 million square feet. He noted, in the past, the Legislature used a combination of state surplus dollars, general obligation bonds, and other funds such as grants and donations to fund the biennial capital improvement program. However, he added, in recent years less money has been available through the state surplus and there has become a greater reliance on general obligation bonds. Mr. Miles said, in 2001 there will be very little general obligation bond authority left, due to the constitutional limit of 2 percent of the assessed valuation and the limited 15 cents per \$100 of property tax used for bond service. This, Mr. Miles noted, will affect all capital construction funding in the state.

Mr. Miles next addressed national comparisons (Exhibits L and K), qualifying that because there are so many variables, comparisons are not always reliable measures. Mr. Miles stated, according to "Grapevine, A National Database of Tax Support for Higher Education," compiled by Illinois State University, Nevada ranks 47<sup>th</sup> for FY 2002 with the state appropriations for higher education of \$164.69 per capita compared to the national median of \$225.52.

Mr. Sloan noted that Colorado and Massachusetts also rank below the national median for per-capita state appropriations for higher education. Dr. Nichols responded the per-capita support figures are influenced by growth and by per-capita income. Although national rankings are an indicator they do not account for numerous variables. Dr. Nichols declared UCCSN believes they have a valid formula and reiterated the national rankings are not an important consideration. She restated the biggest issue for Nevada will be keeping up with population growth and funding the formula.

Mr. Miles continued, stating Nevada ranks 42<sup>nd</sup> in appropriation to higher education per \$1000 of personal income. Mr. Miles said community colleges in 27 states receive 10 percent or more of general operating funds from local sources. He gave the examples, 57 percent of operating resources for community colleges in Arizona are local, and 44.5 percent in California. He added 19 states provide capital outlay sources from local taxes or bonds for community colleges. Chairman Hobbs asked how local sources are provided. Mr. Miles answered both property tax and sales taxes are used, and offered to provide the data. Mr. Miles said in some cases the community college has the authority to levy a tax.

Mr. Miles stated, for FY 2002, the state appropriations for community colleges is \$94,917,320, other revenues contribute \$39,002,146, with a total budget of \$133,919,516. He commented, for example, in Nevada, a 5-cent property tax assessed statewide for FY 2002, could produce more than \$26 million.

Dr. Nichols concluded stating the choices for higher education funding are different from the choices for K-12 education because every K-12 student must be educated, but higher education tries to educate as many students as they can. She noted, when the level of funding decreases, services diminish, and students are not able to get into the classes they need. Dr. Nichols commented Nevada has never capped enrollment, but added, enrollment has been

capped indirectly by not providing accessible classes. She noted the percentage of classes taught by part-time instructors has increased over time to the current level of 48 percent. Dr. Nichols stated, if available state revenue to higher education does not keep up with the need for higher education graduates, there will be a gap between the number needed in the workforce and the number produced. She noted, data indicates the more students who are educated, the fewer the people who will need other state services. Dr. Nichols declared the growing and diversifying economies across the country are always linked to a research university and a sufficient workforce provided by community colleges. Dr. Nichols offered to provide the data from the master plan representing different levels of funding for higher education. She said the data she will provide represents the level of funding needed to keep the number of students at 90,000 without an increase; keeping up with demographic growth, but staying at the current level of 40 percent of high school graduates attending college; and the most likely, increasing high school graduates attending college along with increased population.

Mr. Sloan commented he was surprised to see the number of state higher education systems listed in the handout (Exhibit L) that receive a larger percentage of their funding from tuition and fees than Nevada. He asked if UCCSN had considered raising student tuition and fees. Mr. Sloan interjected the reason Nevada has a higher percentage of the operating funds paid by tuition than California is because California also has a state income tax which supports 41 percent of their state budget. Dr. Nichols replied Nevada has always had a philosophy of charging low tuition for higher education, noting a national magazine recently reported University of Nevada, Reno as the lowest-cost research university in the nation. She explained the Board of Regents always believed the low tuition was necessary because of the low college-going rate. Dr. Nichols stated some of the recent research has indicated there is not a direct relationship between cost of tuition and college-going rate, noting the states with the highest tuitions also have the highest college-going rates. Dr. Nichols qualified, in order to charge the higher tuition rates, states must also have a substantial financial aid system for those who cannot afford the tuition. Dr. Nichols stated the Board of Regents has a higher tuition and higher financial aid proposal on the agenda for their April meeting.

### ***Discussion and Direction to the Technical Working Group Concerning Formulation of Criteria for Assessing Taxes***

Chairman Hobbs explained the task force had asked the technical working group to produce a draft for the criteria for assessing taxes. Chairman Hobbs stated examples of criteria for assessing taxes has been presented to the task force by the Nevada Taxpayers Association, by the Price Waterhouse Urban Institute study, and by Mr. Lange. Chairman Hobbs asked the other members of the task force if they would agree to request that the technical working group aggregate the information presented, previous input from the task force, and other sources not yet considered, so the task force could discuss and agree on a set of criteria.

Chairman Hobbs stated the technical working group was also working on data for the revenue-producing capability of items the task force had previously identified. Mr. Sloan asked Mr. Aguero to have the technical working group compile data regarding a state lottery in Nevada. Mr. Aguero stated the technical working group already had information relating to revenue generated by lotteries in other states and the information regarding lotteries included in the Price Waterhouse Urban Institute study, but commented he had not yet assimilated the data for the task force. Chairman Hobbs commented the Regional Transportation Commission had conducted a preliminary study regarding a lottery in Nevada for transportation funding.

Mr. Sloan asked Mr. Aguero if the technical working group had revised the projection model to reflect actual totals for 2002 to date. Mr. Sloan cited a recent Las Vegas Sun article, which suggested, though tourism and sales tax revenues were down in January 2002, the non-tourist economy of Nevada was generally up. Mr. Aguero responded the technical working group had calculated projections for each month's major revenue categories. Mr. Aguero stated those projections indicate a total growth for 2002 of about .1 percent. Mr. Aguero added, the gross gaming revenues for January were down almost 15 percent from last year, but this may be due to Chinese New Year and the Super Bowl falling in February this year. Mr. Aguero asserted the technical working group is tracking all 260 variables each month.

Chairman Hobbs commented the technical working group should also consider changes in the level of federal funding based on the new census and also the level of effort the state expends securing federal funds. Mr. Aguero stated the technical working group has data representing all state and local federal funding for the 310,000 governments that

receive federal funds and the data representing every program the federal government funds. Chairman Hobbs asked Mr. Aguero to present a comparison of the states regarding how much federal funding they receive for programs.

### *Scheduling of Future Meetings*

Chairman Hobbs suggested April 3, 2002, or April 10, 2002, for the following meeting date. Chairman Hobbs commented the Governor's Task Force on Tax Policy in Nevada may have to meet twice in May and June. Chairman Hobbs suggested possible agenda items for the following meeting: long-term care, review of the criteria for assessing taxes, review of projection information as it relates to criteria, discussion of how to set education benchmarks for different levels of expenditures.

### *Public Comment*

There was no public testimony.

### *Adjournment*

There being no further business to come before the committee, Chairman Hobbs adjourned the meeting at 3:28 p.m.

Respectfully submitted,

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Jude Greytak  
Secretary

APPROVED BY

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Mr. Guy Hobbs, Chairman

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Date

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