

**SENATE COMMITTEE ON FINANCE AND  
ASSEMBLY COMMITTEE ON WAYS AND MEANS**

**JOINT SUBCOMMITTEE ON K-12/HIGHER EDUCATION/CIPs  
CLOSING REPORT**

**K-12 EDUCATION:**

**DISTRIBUTIVE SCHOOL ACCOUNT, OTHER STATE EDUCATION PROGRAMS, CONTINGENCY ACCOUNT FOR SPECIAL EDUCATION SERVICES, TEACH NEVADA SCHOLARSHIP PROGRAM, PROFESSIONAL DEVELOPMENT PROGRAMS, STATE SUPPLEMENTAL SCHOOL SUPPORT, TEACHERS' SCHOOL SUPPLIES REIMBURSEMENT, AND INCENTIVES FOR LICENSED EDUCATION PERSONNEL**

The Joint Subcommittee on K-12/Higher Education/CIPs has completed its review of the budgets for K-12 Education, which include the Distributive School Account, Other State Education Programs, Contingency Account for Special Education Services, Teach Nevada Scholarship Program, Professional Development Programs, State Supplemental School Support, Teachers' School Supplies Reimbursement, and Incentives for Licensed Education Personnel. The Subcommittee recommendations result in a reduction of General Fund appropriations totaling \$23.6 million for FY 2018 and \$52.5 million for FY 2019. The following highlights the more significant closing recommendations of the subcommittee.

**Distributive School Account (101-2610) K-12 EDUCATION-13:** The Subcommittee recommended approval of General Fund appropriations of \$1.16 billion in FY 2018 and \$1.14 billion in FY 2019 for the Distributive School Account (DSA). The Subcommittee also recommended approval of the revised forecast of the Governor's proposed new retail excise tax on recreational marijuana and marijuana products with the revenues directed to the DSA as a state funding source in the amount of \$26.5 million in FY 2018 and \$37.1 million in FY 2019, contingent upon the passage and approval of enabling legislation, to enact the new retail excise tax on recreational marijuana and marijuana products.

While not considered by the Subcommittee during the closing of the DSA budget, Fiscal staff has made a technical adjustment to this budget to reflect the consolidation of the marijuana revenues directed to the DSA from both the medical marijuana program and the recreational marijuana program, net of program costs, as one transfer from the Department of Taxation. The technical adjustment resulted in additional revenue from marijuana totaling \$2.6 million in FY 2018 and \$3.5 million in FY 2019, with a corresponding reduction of General Fund appropriations. Pending legislation in Senate Bill 487 or some other enabling legislation, provides for the transfer of the Medical Marijuana Establishment program to the Department of Taxation in order to align the operational and revenue structures of both the medical and recreational marijuana programs.

The Subcommittee recommended approval of General Fund appropriations of \$10.0 million in FY 2018 and \$20.0 million in FY 2019, as recommended by the Governor, to provide additional support for students with disabilities.

Based on this recommendation, total funding for students with disabilities is \$183.7 million in FY 2018 and \$199.8 million in FY 2019, representing a 25 percent increase over legislatively approved funding for the 2015-17 biennium.

The Subcommittee recommended approval of Budget Amendment A171652610 that, when combined with the amounts in The Executive Budget, recommended transferring General Fund appropriations of \$83.8 million in FY 2018 and \$85.8 million in FY 2019 from the School Remediation Trust Fund to the DSA to fund kindergarten students as 1.0 full-time students through the Nevada Plan funding formula, pursuant to statute.

The Subcommittee also recommended adding General Fund appropriations of \$1.9 million in FY 2018 and \$4.3 million in FY 2019 to offset the impact of the \$4 reduction in statewide average basic support per pupil in each fiscal year as a result of the transfer of full-day kindergarten into the DSA, and to offset the \$5 per pupil reduction in FY 2019 resulting from the projected increase of \$2.7 million for the two-thirds portion of property tax utilized in the basic support per pupil calculation in FY 2019. This recommendation increases the statewide average basic support per pupil to \$5,900 in FY 2018 and \$5,967 in FY 2019, the same per-pupil amounts recommended by the Governor in each year of the 2017-19 biennium.

The Subcommittee recommended approval of General Fund appropriations of \$147.4 million in FY 2018 and \$152.1 million in FY 2019 to continue the Class-Size Reduction program at pupil-to-teacher ratios of 17:1 in grades 1 and 2, and 20:1 in grade 3, inclusive of Budget Amendment A171652610. The Subcommittee also recommended directing the Department of Education to fund the student to teacher ratios associated with the type of Class-Size Reduction program implemented, and authorizing the Department to distribute residual Class-Size Reduction program funds to underperforming schools with Class-Size Reduction variances in the 2017-19 biennium.

The Subcommittee recommended increasing funding for group insurance costs for school personnel by 3.6 percent in FY 2018 and 4.0 percent in FY2019, based on the projected medical inflation increase included for state agencies. Total General Fund appropriations for this recommendation, including adjustments for updated enrollment projections, is \$10.3 million in FY 2018 and \$22.5 million in FY 2019.

The Subcommittee recommended approval of Budget Amendment A171332610A that directs all of the Initiative Petition 1 Room Tax revenues estimated at \$185.1 million in FY 2018 and \$191.1 million in FY 2019 to the DSA as a state funding source through June 30, 2019.

The Subcommittee approved projected weighted enrollment of 476,338 students in FY 2018 and 482,292 students in FY 2019, which reflects a projected enrollment growth of 1.05 percent in FY 2018 and

1.25 percent in FY 2019 for K-12 pupils. The Subcommittee also approved a 2 percent roll-up, which covers the cost of advancement by school district employees on their salary schedules. The Department of Education estimates the cost of the 2 percent roll-up to be approximately \$164.8 million over the 2017-19 biennium.

The Subcommittee recommended approval of the Governor's recommendation for funding of \$81.5 million in FY 2018 and \$82.4 million in FY 2019 for textbooks, instructional supplies, instructional hardware, and instructional software. The Subcommittee also recommended funding of \$41.0 million in each year of the 2017-19 biennium for replacement equipment for school districts and charter schools, which is the same level of funding spent in FY 2016.

**Other State Education Programs (101-2699) K-12 EDUCATION-19:**

The Subcommittee voted not to approve additional General Fund appropriations of \$7.5 million in FY 2018 and \$19.5 million in FY 2019 and the transfer of \$7.5 million in each year of the 2017-19 biennium from the New Teacher Incentives program to the Zoom Schools/EL grant program, as recommended by the Governor, to provide support for an estimated 30 additional underperforming schools in the 2017-19 biennium, but rather redirect the recommended funding to support other high-priority educational initiatives of the money committees.

The Subcommittee voted to approve General Fund appropriations of \$1.2 million in FY 2018 and \$3.2 million in FY 2019, as recommended by the Governor, to provide additional funding for students that are identified

and served in Gifted and Talented Education (GATE) programs. The Subcommittee also voted to approve additional General Fund appropriations of \$128,828 in FY 2018 and \$153,922 in FY 2019 to support the administrative costs of the state-funded GATE program and transfer these funds from this budget to the Individuals with Disabilities budget (BA 2715). The Subcommittee further recommended approval of adding back language in the 2017 K-12 education funding bill clarifying that eligibility requirements for GATE funding not only include students be identified as gifted and talented through a state-approved assessment or procedure, but also must receive GATE instruction in accordance with the requirements outlined in *Nevada Administrative Code* 388.435.

The Subcommittee voted not to approve additional General Fund appropriations of \$10.0 million in FY 2018 and \$20.0 million in FY 2019 for the Victory Schools program, as recommended by the Governor, but rather redirect the recommended funding to support other high-priority educational initiatives of the money committees.

The Subcommittee supported the Governor's recommendation for continued funding of \$22.3 million in each year of the 2017-19 biennium for the Read by Grade 3 grant program. The Subcommittee recommended approval of utilizing \$1.71 million of this funding in each year of the biennium to fund a statewide assessment contract, and provided Fiscal staff with authority to transfer General Fund appropriations of \$1.71 million in each year to the Department's Assessments and Accountability budget to fund the statewide assessment contract in that budget.

The Subcommittee recommended approval of General Fund appropriations of \$11.2 million in each year of the 2017-19 biennium, as recommended by the Governor, to continue the Social or Other Licensed Mental Health Worker grant program, as well as the Department's request to provide school districts and charter schools the flexibility to either contract with or hire individuals as employees. In addition, the Subcommittee recommended approval of providing authority for unexpended grant funding to be transferred from the first fiscal year to the second fiscal year of a biennium. The Subcommittee further authorized the Department the ability to carry forward unexpended Social or Other Licensed Mental Health Worker grant funding between biennia, contingent upon the Subcommittee's action concerning the elimination of the School Remediation Trust Fund and provided Fiscal staff with the authority to transfer the Social or Other Licensed Mental Health Worker grant program funding from the Other State Education Programs budget to the School Remediation Trust Fund.

The Subcommittee voted to approve the Governor's recommendation for General Fund appropriations of \$20.0 million over the 2017-19 biennium to continue the NR21 grant program, and directed the Department to discontinue the use of contract positions utilizing these grant funds. The Subcommittee approved the Department's request to utilize the funding appropriated for the NR21 program between fiscal years. In addition, the Subcommittee authorized unexpended General Fund appropriations approved for the NR21 program to be utilized across biennia, contingent upon the Subcommittee's closing action in the School Remediation Trust Fund budget to not repurpose the School Remediation Trust Fund budget

and provided Fiscal staff with authority to make a technical adjustment to transfer General Fund appropriations of \$20.0 million over the 2017-19 biennium for the NR21 program to the School Remediation Trust Fund budget.

The Subcommittee approved the Governor's recommendation for General Fund appropriations of \$2.5 million in each year of the 2017-19 biennium to continue the Turnaround Schools grant program and approved the Department's recommendation for expanded use of Turnaround Schools grant funds, to include allowing funds to support replication activities, to support a transition period until such time as a school is sustainable at a three-star level, and to allow the Department to use grant funds in a manner consistent with the approved federal plan for school improvement.

The Subcommittee voted to approve General Fund appropriations of \$5.0 million in each year of the 2017-19 biennium to continue the College and Career Readiness grant program, as recommended by the Governor, and authorized the Department to utilize between \$500,000 and \$750,000 of College and Career Readiness grant funds over the 2017-19 biennium to fund grants for the development and implementation of work-based learning pilot programs, contingent upon the passage and approval of Senate Bill 66 or some other enabling legislation.

The Subcommittee voted to add additional General Fund appropriations of \$200,000 in each year of the 2017-19 biennium to restore the state Advanced Placement grant program funding to the legislatively approved level in FY 2017 of \$662,450.

**Contingency Account for Special Ed Services (101-2615) K-12**

**EDUCATION-28:** The Subcommittee did not recommend approval of the Governor's recommendation to repurpose the School Remediation Trust Fund to the Contingency Account for Special Education Services, but rather, recommended to retain the School Remediation Trust Fund intact and create a new budget for the Contingency Account for Special Education Services and provided Fiscal staff with authority to transfer the funding for the Contingency Account for Special Education Services to the newly created budget. The Subcommittee approved the Governor's recommendation to eliminate all but \$100 of the \$5.0 million General Fund appropriation for the support of the Special Education Contingency program with the remaining \$4,999,900 to be funded with a carry forward of million in each year of the 2017-19 biennium.

The Subcommittee discussed the \$5.0 million level of funding for the Contingency Account for Special Education Services and whether this amount could be too high for an account that is intended to assist school districts and charter schools with extraordinarily high-cost students with disabilities and intended to be rarely utilized. An alternative approach discussed was reducing the funding level in the Contingency Account for Special Education Services and transferring the difference to the state-funded Special Education program may be a more beneficial use of

the funding as opposed to committing such a large amount of funding to be available, but rarely expended. Fiscal staff confirmed that the federal maintenance of effort requirements would not be impacted as long as the combined level of state funding remained at or above the level approved by the 2015 Legislature.

**Does the Joint Full Committee wish to make an adjustment to the level of funding in the Contingency Account for Special Education Services with the commensurate increase in the state-funded Special Education program?**

Consistent with its recommendation to not repurpose the School Remediation Trust Fund, the Subcommittee did not approve the Governor's recommendation to eliminate the Treasurer's Interest earnings in the amount of \$478,127 in each year of the 2017-19 biennium. The Subcommittee also did not approve the Governor's recommendation to transfer General Fund appropriations totaling \$169.9 million over the 2017-19 biennium for the New Teacher Incentives (\$20.0 million), English Learners (\$99.9 million), and Victory Schools (\$50.0 million) programs from this budget to the Other State Education Programs budget with no change in purpose.

The Subcommittee recommended approval of funding for the New Teachers Incentive program in the amount of \$2.5 million each fiscal year of the 2017-19 biennium. The Subcommittee also recommended to approve a policy change to allow incentive funds from the New Teacher Incentives program to be utilized for the recruitment of

special education teachers at any school during their first two years of employment, in addition to newly hired teachers who are employed to teach in certain at-risk schools.

**Teach Nevada Scholarship Program (101-2718) K-12 EDUCATION-34:**

The Subcommittee did not recommend approval of the Governor's recommendation for General Fund appropriations of \$500,000 in each year of the 2017-19 biennium to fund additional scholarships for the Teach Nevada Scholarship program. Instead the Subcommittee requested that Fiscal staff provide options for consideration by the Joint Full Committee related to the 25 percent holdback for scholarship recipients, which is currently distributed to the provider of the teacher preparations programs to hold in trust for the scholarship recipient until the recipient successfully completes the teacher preparation and five consecutive years of employment.

Benefits of retaining the 25 percent portion of the scholarship funds include protection to the state against loss in the event a provider of a teacher preparation program were to close its doors; less administrative burden on the Department to track balances retained by numerous providers; and interest earned on the retained funding could help to support additional new scholarships. Additionally, current statute allows the program provider to retain the unclaimed amounts of the 25 percent portion of the scholarship funding. By allowing the Teach Nevada Scholarship Account to retain the unclaimed funds instead of reverting to a provider, additional scholarships could be funded.

Should the Joint Full Committee wish to modify current statute to allow the 25 percent holdback to be retained in the Teach Nevada Scholarship Account until such time as the scholarship recipient is eligible to access the remaining scholarship funds, the Joint Full Committee could authorize a statutory change be included in the K-12 education funding bill to effectuate this change. If the Joint Full Committee supports such a statutory change, consideration may be given to extending the timeframe within which a scholarship recipient can claim his or her 25 percent portion of the remaining scholarship funds from 120 days after successful completion of the program and employment requirements to perhaps 180 days or one year.

**Does the Joint Full Committee wish to modify current statute to allow the Department of Education to retain the 25 percent holdback until such time as the scholarship recipient is eligible to access the remaining scholarship funds and authorize Fiscal staff to include the statutory change necessary as back language in the K-12 education funding bill to effectuate this change? If so, does the Joint Full Committee wish to extend the timeframe within which a scholarship recipient can claim his or her remaining 25 percent portion of scholarship funds?**

The Subcommittee recommended closing the following K-12 education budget as revised by the Governor:

- State Supplemental School Support Account (101-2617)  
K-12 EDUCATION-32

The Subcommittee recommended closing the following K-12 education budgets as recommended by the Governor:

- Professional Development Programs (101-2618) K-12 EDUCATION-26
- Teachers' School Supplies Reimbursement (101-2717)  
K-12 EDUCATION-38
- Incentives for Licensed Education Personnel (101-2616)  
K-12 EDUCATION-40

DEPARTMENT OF EDUCATION: K-12 BUDGETS  
General Fund Impacts of Subcommittee Closing

Page	Budget	Title	FY 2018	FY 2019
<b><u>AS CLOSED BY SUBCOMMITTEE:</u></b>				
K-12 EDUCATION-13	101-2610	NDE - DISTRIBUTIVE SCHOOL ACCOUNT	\$(159,281,675)	\$(190,129,397)
K-12 EDUCATION-19	101-2699	NDE - OTHER STATE EDUCATION PROGRAMS	\$ 59,254,739	\$ 61,154,639
K-12 EDUCATION-26	101-2618	*NDE - PROFESSIONAL DEVELOPMENT PROGRAMS	\$ -	\$ -
K-12 EDUCATION-28	101-2615	NDE - CONTINGENCY ACCOUNT FOR SPECIAL ED SERVICES	\$ 76,971,873	\$ 76,971,873
K-12 EDUCATION-32	101-2617	*NDE - STATE SUPPLEMENTAL SCHOOL SUPPORT ACCOUNT	\$ -	\$ -
K-12 EDUCATION-34	101-2718	NDE - TEACH NEVADA SCHOLARSHIP PROGRAM	\$ (500,000)	\$ (500,000)
K-12 EDUCATION-38	101-2717	*NDE - TEACHERS' SCHOOL SUPPLIES REIMBURSEMENT	\$ -	\$ -
K-12 EDUCATION-40	101-2616	*NDE - INCENTIVES FOR LICENSED EDUCATION PERSONNEL	\$ -	\$ -
			\$ (23,555,063)	\$ (52,502,885)
* No General Fund impact				

Title: NDE - DISTRIBUTIVE SCHOOL ACCOUNT  
 Account: 101 - 2610

Budget Page: K-12 EDUCATION-13, Volume I

Revenues	2015-16 Actual	2016-17 WP	% Chg	2017-18 GOV REC	% Chg	2018-19 GOV REC	% Chg
GENERAL FUND	1,120,856,513	1,072,053,031	(4.35)	1,324,140,158	23.51	1,330,915,015	0.51
FEDERAL FUND	4,014,732	7,000,000	74.36	4,000,000	(42.86)	4,000,000	
OTHER FUND	169,768,851	162,802,200	(4.10)	222,542,629	36.70	242,441,387	8.94
INTERAGENCY TRANSFER	167,351,188	160,269,900	(4.23)	23,280,247	(85.47)	4,303,271	(81.52)
BALANCE FORWARD		1,254,002					
Total Revenues	1,461,991,284	1,403,379,133	(4.01)	1,573,963,034	12.16	1,581,659,673	0.49

Total FTE

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2017-18 Gov Rec	2018-19 Gov Rec
Sub-total				0	0
Line Item Changes to Revenues				0	0

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2017-18 Gov Rec	2018-19 Gov Rec
Sub-total				0	0
Line Item Changes to Expenditures				0	0

Total

Grand Total General Fund Impact of Closing Changes

0 0

Grand Total Highway Fund Impact of Closing Changes

0 0

**NOTE:** An itemized summary of the Distributive School Account (DSA) is included as Attachment 1 of this closing document. The summary has been updated to include updated enrollment projections as well as updated revenue projections, including the Local School Support Tax (LSST), property taxes and other revenues that support the K-12 system.

**Overview**

The DSA is the budget through which the state distributes direct financial aid to local school districts. The Legislature determines the level of state aid for schools, and each district's and charter school's share is developed through a formula called the *Nevada Plan*, which allows for differences across districts in the costs of providing education and in local wealth. A guaranteed amount of basic support per pupil is calculated for each school district and is established in law each session. Funding for the guaranteed basic support consists of state financial support distributed through the DSA and locally collected revenues from the 2.60 percent LSST and one-third of the Ad Valorem Tax (property tax) received by the districts for operating purposes.

State General Fund appropriations provide the majority of the revenue to the DSA from which the state's share of financial aid to schools is paid. Since FY 2012, proceeds from the Initiative Petition 1 Room Tax (2009) revenue have been transferred from the State Supplemental School Support Fund to the DSA as a state funding source. The DSA is also supplemented with an annual tax on slot machines; interest earned on investments from the Permanent School Fund; revenue from leases of federal land for mineral exploration and from royalties; LSST from sales that cannot be attributed to any particular county; medical marijuana license fees; 75 percent of the medical marijuana excise tax; and beginning in FY 2018, recreational marijuana license fee revenue and recreational marijuana 15 percent wholesale excise tax revenue (net of costs to administer the recreational marijuana program) as approved by the voters through Question 2 at the November 8, 2016, General Election.

**Major Closing Issues**

1. Updated Revenue Projections
2. Proposed New Retail Excise Tax on Recreational Marijuana
3. Increased Funding for Students with Disabilities
4. Transfer of Full-Day Kindergarten Program to the DSA
5. Class-Size Reduction Program

**Discussion of Major Closing Issues**

1. Updated Revenue Projections: The DSA summary sheet (Attachment 1) has been updated to reflect the Economic Forum's and other re-projections of revenue sources as follows:

DSA Revenue Re-Projections (millions)	Gov. Rec. 2017-19 Biennium		Revised Gov Rec. 2017-19 Biennium		\$ Change	
	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019
	LSST - 2.60%	\$ 1,342.6	\$ 1,410.5	\$ 1,340.9	\$ 1,410.3	\$ (1.7)
Out-of-State LSST - 2.60%	\$ 149.2	\$ 156.7	\$ 149.0	\$ 156.7	\$ (0.2)	\$ -
Total LSST	\$ 1,491.8	\$ 1,567.2	\$ 1,489.9	\$ 1,567.0	\$ (1.9)	\$ (0.2)
1/3 Property Tax	\$ 219.0	\$ 231.9	\$ 219.0	\$ 233.2	\$ -	\$ 1.3
2/3 Property Tax	\$ 438.0	\$ 463.7	\$ 438.0	\$ 466.3	\$ -	\$ 2.6
Slot Tax	\$ 28.0	\$ 28.0	\$ 27.9	\$ 27.8	\$ (0.1)	\$ (0.2)
Permanent School Fund Interest	\$ 3.0	\$ 3.0	\$ 3.0	\$ 3.0	\$ -	\$ -
Federal Mineral Lease Revenue	\$ 4.0	\$ 4.0	\$ 4.0	\$ 4.0	\$ -	\$ -
Medical Marijuana Excise Tax (75%)	\$ 2.7	\$ 3.5	\$ 3.4	\$ 4.5	\$ 0.7	\$ 1.0
Medical Marijuana - Transfer from DPBH	\$ 1.3	\$ 0.8	\$ 1.3	\$ 0.8	\$ -	\$ -
Transfer from the Department of Taxation	\$ 10.1	\$ 11.4	\$ 14.8	\$ 17.8	\$ 4.7	\$ 6.4
Recreational Marijuana - 10% Retail Excise Tax	\$ 29.5	\$ 39.8	\$ 26.5	\$ 37.1	\$ (3.0)	\$ (2.7)
IP 1 (2009) Room Tax Transfer*	\$ 22.0	\$ 3.5	\$ 185.1	\$ 191.1	\$ 163.1	\$ 187.6
<b>Total Non-General Fund Revenues</b>	<b>\$ 2,249.4</b>	<b>\$ 2,356.8</b>	<b>\$ 2,412.9</b>	<b>\$ 2,552.6</b>	<b>\$ 163.5</b>	<b>\$ 195.8</b>

\* The Executive Budget, as originally recommended, transferred a portion of the IP 1 Room Tax revenues to the DSA with the remainder transferred to the Other State Education Programs budget. The Governor's Finance Office submitted a budget amendment to transfer the full amount of the IP 1 Room Tax revenues to the DSA.

- Local School Support Tax: Based on the Economic Forum's re-projection of the state's 2 percent portion of the sales tax, total LSST revenues are projected to decrease \$1.7 million in FY 2018 and decrease by \$161,100 in FY 2019, to \$1.341 billion and \$1.410 billion in FY 2018 and FY 2019, respectively, when compared to the amounts originally projected in The Executive Budget.

Combined, total LSST (in-state and out-of-state) is projected to decrease \$2.1 million over the 2017-19 biennium, as compared to the amounts projected in The Executive Budget.

- **Property Tax:** Updated property tax revenue projections, which impact both the calculations of basic support (two-thirds portion of local revenues outside the DSA) and the amount of the state's share of the support (one-third portion of local property tax within the DSA) are approximately \$90,100 less than the amount included in The Executive Budget for FY 2018 and approximately \$3.9 million more than the amount included for FY 2019.
- **Other Sources of Revenue:** The Governor's budget originally recommended \$25.5 million of the \$376.1 million total IP 1 Room Tax revenues projected over the 2017-19 biennium be transferred to the DSA and \$350.6 million be transferred to the Other State Education Programs budget to fund several education programs supported in the 2015-17 biennium with General Fund appropriations; however, a budget amendment has been submitted to eliminate that recommendation and this amendment is discussed in more detail below. Nevertheless, total IP 1 Room Tax revenue is projected to be relatively unchanged at \$376.1 million over the 2017-19 biennium when compared to the projection in The Executive Budget.

The distribution of 75 percent of medical marijuana excise tax revenue over the 2017-19 biennium has been revised upward by \$1.7 million. Using updated projections provided by the Gaming Control Board, the DSA portion of the slot tax revenue decreased by \$85,000 in FY 2018 and by \$201,000 in FY 2019, resulting in a total reduction of \$286,000 over the slot tax revenue originally recommended by the Governor.

The transfer from the Department of Taxation associated with the recreational marijuana program is projected to increase by \$11.1 million over the 2017-19 biennium when compared to the amount originally recommended by the Governor. In addition, the Governor's proposed 10 percent excise tax on recreational marijuana is projected to decrease by \$5.7 million over the biennium. The transfers from the Division of Public and Behavioral Health associated with medical marijuana are projected to remain flat over the 2017-19 biennium.

Based on these updated revenue projections and the budget amendment to restore the full transfer of the IP 1 Room Tax revenues to the DSA, the required General Fund support decreases by \$163.5 million in FY 2018 and by \$195.8 million in FY 2019, largely due to the recommended elimination of the transfer of IP 1 Room Tax revenue to the Other State Education Programs budget that is discussed below. As a result of the updated projected revenues, General Fund support in the Governor's budget decreases to \$2.306 billion from the \$2.737 billion originally recommended in the Governor's budget.

**Does the Subcommittee wish to approve the updated revenue projections for the non-General Fund revenue sources included in the Distributive School Account budget, as outlined in the table on the previous page? Fiscal staff requests authority to make technical based upon any updated revenue forecasts.**

**The Subcommittee recommended approval of the updated revenue projections for the non-General Fund revenue sources included in the Distributive School Account budget and provided Fiscal staff authority to make technical adjustments based upon any updated revenue forecasts.**

2. Proposed New Retail Excise Tax on Recreational Marijuana (E-131, K-12 EDUCATION-15): Following the passage of Question 2, approved by Nevada voters on November 8, 2016, the possession of up to one ounce of recreational marijuana is legal for individuals 21 years of age or older as of January 1, 2017. The Department of Taxation is tasked with developing regulations to govern the cultivation, production, testing, and sale of recreational marijuana by January 1, 2018. Licensing fees and a 15 percent recreational marijuana excise tax is assessed at the wholesale level. Licensing fees of \$5.6 million (\$4.8 million inclusive of the budget amendment discussed under Other Items below) and wholesale taxes of \$15.9 million are included in the DSA as miscellaneous revenue over the 2017-19 biennium.

The Governor proposes a new 10 percent retail excise tax on recreational marijuana and marijuana products with the revenues directed to the DSA as a state funding source. For the 2017-19 biennium, The Executive Budget projects a total of \$69.3 million for the new retail excise tax on recreational marijuana, with a corresponding reduction of General Fund appropriations in the DSA budget. Updated revenue forecasts project a total of \$63.5 million over the biennium for this proposed new tax.

Fiscal staff would note that the Governor's proposed new retail excise tax on recreational marijuana would be in addition to license fees and the 15 percent recreational marijuana excise tax assessed at the wholesale level required by Question 2, in addition to any sales tax charged on the sale of recreational marijuana or marijuana products.

Senate Bill 508 is the enabling legislation to implement the new recommended retail excise tax, which will require approval by a two-thirds majority in both houses of the 2017 Legislature. If the Governor's proposed new retail excise tax on recreational marijuana and marijuana products is not approved by the 2017 Legislature, additional General Fund appropriations totaling \$63.5 million would be required to support the Governor's recommended funding level in the DSA for the 2017-19 biennium.

**Does the Subcommittee wish to approve the revised forecast of the Governor's proposed new retail excise tax on recreational marijuana and marijuana products with the revenues directed to the DSA as a state funding source in the amount of \$26.5 million in FY 2018 and \$37.1 million in FY 2019, contingent upon the passage and approval of Senate Bill 508, or other enabling legislation to enact the new retail excise tax on recreational marijuana and marijuana products?**

**The Subcommittee recommended approval of the revised forecast of the Governor's proposed new retail excise tax on recreational marijuana and marijuana products with the revenues directed to the Distributive School Account as a state funding source in the amount of \$26.5 million in FY 2018 and \$37.1 million in FY 2019, contingent upon the passage and approval of Senate Bill 508, or other enabling legislation to enact the new retail excise tax on recreational marijuana and marijuana products.**

3. Increased Funding for Students with Disabilities (E-280, K-12 EDUCATION-16): The Executive Budget recommends General Fund appropriations of \$10.0 million in FY 2018 and \$20.0 million in FY 2019 to provide additional support for students with disabilities. Total funding recommended for students with disabilities is \$183.7 million in FY 2018 and \$199.8 million in FY 2019, representing a 25 percent increase over legislatively approved funding for the 2015-17 biennium.

Prior to FY 2017, Nevada provided state funding for special education on the basis of special education program units, which were defined by NRS 387.1211 as organized instructional units in which a licensed, full-time teacher is providing an instructional program that meets minimum standards prescribed by the state Board of Education.

### Enrollment Growth of Students with Disabilities

The table that follows reflects actual enrollment growth for students with disabilities over 11 years and one year of projected growth (FY 2017).

Enrollment Growth of Students with Disabilities												
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017*
Count of Students with Disabilities	47,794	48,230	48,332	48,328	48,115	48,148	49,117	50,332	52,052	53,755	55,452	56,791
Change in Student Count		436	102	(4)	(213)	33	969	1,215	1,720	1,703	1,697	1,339
Percent Change		0.91%	0.21%	-0.01%	-0.44%	0.07%	2.01%	2.47%	3.42%	3.27%	3.16%	2.41%

\* Unofficial count - official count anticipated to be finalized in April 2017.

Testimony provided by the Department at its March 1, 2017, budget hearing indicated that as a percentage of total enrollment, the number of students identified as students with disabilities with an individualized education plan (IEP) does not reflect a significant increase, as shown in the table that follows:

Name	School Year	Total Enrollment	IDEA Child Count	% IEP
State	2011-2012	439,277	49,117	11.18%
State	2012-2013	445,381	50,332	11.30%
State	2013-2014	451,730	52,052	11.52%
State	2014-2015	459,095	53,755	11.71%
State	2015-2016	467,527	55,452	11.86%
State	2016-2017	473,695	56,791	11.99%

### Methodology Change

Senate Bill 508 (2015) changed the methodology used to distribute funding for students with disabilities beginning in FY 2017 from special education units to weighted funding on a per-pupil basis. This approach allocates special education resources based on the count of students with disabilities in a school district or the State Public Charter School Authority (SPCSA) in relation to the state's total enrollment of students with disabilities. In addition, in order to mitigate the issue of over-identification of students with disabilities, the new methodology requires that the funding provided to each school district or charter school must not exceed 13 percent of total pupil enrollment for the school district or charter school. Fiscal staff would note that Senate Bill 49, sponsored by the Washoe County School District and heard in the Senate Committee on Finance on February 21, 2017, seeks to remove the 13 percent funding cap.

The calculation of the per-pupil amount for students with disabilities is computed by dividing total statewide available funding for students with disabilities by the number of qualifying students. If a school district or charter school exceeds the 13 percent cap, the district or charter school receives an allocation necessary to satisfy maintenance of effort under federal law. Additionally, a school district or charter school cannot receive less funding for students with disabilities in the current year than the amount per pupil that the district or charter school received from the state in prior year.

One of the commonly discussed reasons for the need to modify the funding methodology for students with disabilities was greater flexibility in the use of state special education funds. Under the unit methodology for funding special education, there was an inability to use the state's unit funding to support special education resources other than the services of licensed full-time personnel with a specific caseload. Psychologists and nurses were also not eligible for unit funding unless they carried a specific caseload. This limitation precluded the use of these funds to support coordinators and directors of special education at the school and district levels, instructional aides, and non-personnel expenses such as special equipment or technology required for use by some students. With the elimination of the unit methodology and the implementation of the new methodology beginning in FY 2017, which requires the allocation of the state funding for students with disabilities based on a per pupil/weighted model, school districts and charter schools have more flexibility to tailor the use of the funds for student with disabilities as prioritized and required by individual schools.

According to the Department, it does not appear that school districts have made or reported any material change in the manner by which the FY 2017 transition to per-pupil funding affected their systems to ensure delivery of services. The Department further reports that school districts and charter schools expend approximately 95 percent of the state funding for students with disabilities on personnel costs.

**Does the Subcommittee wish to approve General Fund appropriations of \$10.0 million in FY 2018 and \$20.0 million in FY 2019, as recommended by the Governor, to provide additional support for students with disabilities?**

**The Subcommittee recommended approval of General Fund appropriations of \$10.0 million in FY 2018 and \$20.0 million in FY 2019, as recommended by the Governor, to provide additional support for students with disabilities.**

4. Transfer of Full-Day Kindergarten Program to the DSA (E-900, K-12 EDUCATION-17): With the enactment of S.B. 508 (2015), effective July 1, 2017, students in kindergarten are to be funded as a 1.0 full-time student in the average daily enrollment for all students in grades 1 to 12, as opposed to a 0.60 weighted part-time student.

In order to comply with the provisions of *Nevada Revised Statutes* (NRS) 387.1233, which requires kindergarteners to be counted as full-time students in the DSA budget effective July 1, 2017, The Executive Budget proposes to transfer General Fund appropriations in the amount of \$83.8 million in FY 2018 and \$85.8 million in FY 2019 for the state-funded FDK program to the DSA budget. This recommendation proposes to fund FDK through the Nevada Plan formula funding instead of as a categorical grant program, as has been the practice since the program's inception.

On March 10, 2017, the Governor's Finance Office (GFO) submitted Budget Amendment A171652610 and companion Budget Amendment A171672615 to adjust the FDK funding proposed for transfer to the DSA. The budget amendment reduces General Fund appropriations by \$28,401 in FY 2018 and by \$43,133 in FY 2019 to adjust the funding in the transfer unit included in The Executive Budget to the correct amount.

Fiscal staff would note that although the transfer of the FDK program funding was placed in the category for the distribution of the Nevada Plan formula funding, the FDK funding itself was not included in the calculation of the statewide average basic support per pupil, but rather was reflected separately as categorical funding. Fiscal staff has transferred the FDK funding into the Nevada Plan formula beginning in FY 2018, in accordance with the requirements of NRS 387.1233. The

student-to-teacher ratio calculated in the Nevada Plan funding formula is currently 21.8 students per teacher, which is slightly higher than the 21:1 ratio provided through the FDK categorical program.

As a result of the transfer of the FDK funding from a categorical program to the Nevada Plan funding formula, the Governor recommended statewide average basic support per pupil decreases by \$4 from \$5,900 to \$5,896 per pupil in FY 2018 and by \$4 from \$5,967 to \$5,963 per pupil in FY 2019, as a result of a higher number total student enrollment being divided into total operating expenditures. The value of the \$4 reduction of basic support per pupil in each year of the 2017-19 biennium is \$1.9 million in each fiscal year. Additionally, as a result of the updated revenue projections, the two-thirds portion of the property tax is projected to increase by \$2.7 million. Because the two-thirds portion of the property tax is utilized in the calculation of the statewide average basic support per pupil, an increase in this local revenue results in a decrease of the required state support. As such, along with the \$4 decrease per pupil in FY 2019 for the FDK transfer, the basic support per pupil decreases by \$5 to \$5,958 in FY 2019. The value of the \$5 reduction of basic support per pupil is \$2.4 million in FY 2019. Combined, additional General Fund appropriations of \$1.9 million in FY 2018 and \$4.3 million in FY 2019, would be necessary to restore the statewide average basic support per pupil to the Governor-recommended amounts of \$5,900 per pupil in FY 2018 and \$5,967 in FY 2019.

**Options for Consideration by the Subcommittee:**

- A. Approve the transfer of General Fund appropriations of \$83.8 million in FY 2018 and \$85.8 million in FY 2019 from the School Remediation Trust Fund to the Distributive School Account to fund kindergarten students as 1.0 full-time students through the Nevada Plan funding formula, pursuant to statute, and inclusive of Budget Amendment A171652610. Approval of this option would result in a basic support per-pupil amount of \$5,896 in FY 2018 and \$5,958 in FY 2019.**
  
- B. Approve the transfer of General Fund appropriations of \$83.8 million in FY 2018 and \$85.8 million in FY 2019 from the School Remediation Trust Fund to the Distributive School Account to fund kindergarten students as 1.0 full-time students through the Nevada Plan funding formula, pursuant to statute, inclusive of Budget Amendment A171652610, and add General Fund appropriations of \$1.9 million in each year of the 2017-19 biennium to offset the impact of the \$4 reduction in statewide average basic support per pupil in each fiscal year as a result of the transfer of full-day kindergarten into the DSA. This option would increase the statewide average basic support per pupil to \$5,896 in FY 2018 and \$5,962 in FY 2019.**
  
- C. Approve the transfer of General Fund appropriations of \$83.8 million in FY 2018 and \$85.8 million in FY 2019 from the School Remediation Trust Fund to the Distributive School Account to fund kindergarten students as 1.0 full-time students through the Nevada Plan funding formula, pursuant to statute, inclusive of Budget Amendment A171652610, and add General Fund appropriations of \$1.9 million in FY 2018 and \$4.3 million in FY 2019 to offset the impact of the \$4 reduction in statewide average basic support per pupil in each fiscal year as a result of the transfer of full-day kindergarten into the DSA, and to offset the \$5 per-pupil reduction in FY 2019 resulting from the projected increase of \$2.7 million for the two-thirds portion of property tax utilized in the basic support per-pupil calculation in FY 2019. Approval of this option would increase the statewide average basic support per pupil to \$5,900 in FY 2018 and \$5,967 in FY 2019, the same per-pupil amounts recommended by the Governor in each year of the 2017-19 biennium.**

**The Subcommittee recommended approval of Option C, to transfer General Fund appropriations of \$83.8 million in FY 2018 and \$85.8 million in FY 2019 from the School Remediation Trust Fund to the Distributive School Account to fund kindergarten students as 1.0 full-time students through the Nevada Plan funding formula, pursuant to statute, and inclusive of Budget Amendment A171652610.**

**The Subcommittee also recommended additional General Fund appropriations of \$1.9 million in FY 2018 and \$4.3 million in FY 2019 to offset the impact of the \$4 reduction in statewide average basic support per pupil in each fiscal year as a result of the transfer of full-day kindergarten into the Distributive School Account, and to offset the \$5 per-pupil reduction in FY 2019 resulting from the projected increase of \$2.7 million for the two-thirds portion of property tax utilized in the basic support per-pupil calculation in FY 2019. As a result of this recommendation, the statewide average basic support per pupil is increased back to \$5,900 in FY 2018 and \$5,967 in FY 2019, the same per-pupil amounts recommended by the Governor in each year of the 2017-19 biennium.**

5. Class-Size Reduction Program (Summary, K-12 EDUCATION-17-18): To finance salaries and fringe benefits of teachers hired to meet the required ratios of 17 pupils per teacher in first and second grades and 20 pupils per teacher in third grade, the Governor recommends a total of \$307.4 million over the 2017-19 biennium (\$151.3 million in FY 2018 and \$156.1 million in FY 2019), to continue the Class-Size Reduction (CSR) program, as compared to the \$306.3 million approved by the 2015 Legislature for the 2015-17 biennium.

It should be noted that the total funding for CSR reflected in The Executive Budget is \$1.25 million higher in each year of the 2017-19 biennium than the calculated CSR figures included in the DSA summary schedule (used to aggregate all of the school district costs in order to calculate the guaranteed basic support per pupil). The GFO submitted Budget Amendment A171652610 on March 10, 2017, to align the calculated funding level of the CSR program with The Executive Budget, thereby reducing General Fund appropriations by \$1.25 million in each fiscal year of the 2017-19 biennium.

Updated enrollment projections provided by the Department result in a reduction of Class-Size Reduction funding by \$2.6 million in FY 2018 to \$147.4 million and by \$2.7 million in FY 2019 to \$152.1 million. The Governor's recommended budget for the 2017-19 biennium, as revised by the budget amendment and for updated enrollment projections would provide funding for 1,944 and 1,968 CSR teachers for grades 1 through 3 in FY 2018 and FY 2019, respectively.

#### Alternative CSR Program Available to Rural School Districts

Based upon a pilot program in Elko County School District, the 2005 Legislature enacted legislation, codified in NRS 388.720, which provides flexibility in implementing pupil-to-teacher ratios for school districts other than Clark and Washoe. For school districts choosing this option, pupil-to-teacher ratios are limited to not more than 22:1 in grades 1 through 3, and not more than 25:1 in grades 4 to 6, subject to the approval of the State Superintendent of Public Instruction. The table below shows the school districts electing to follow these alternative CSR program ratios from FY 2007 through FY 2017.

Alternative Class-Size Reduction Program Participation FY 2007 through FY 2017											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Churchill	X	X	X	X	X	X	X	X	X	X	X
Clark											
Douglas	X	X	X	X	X	X	X	X	X	X	X
Elko	X	X	X	X	X	X	X	X	X	X	X
Esmeralda											
Eureka											X
Humboldt											
Lander										X	X
Lincoln											
Lyon										X	X
Mineral						X		X	X	X	X
Nye				X	X	X	X	X	X	X	X
Carson City								X	X	X	X
Pershing											X
Storey						X		X	X	X	X
Washoe											
White Pine										X	X
<b>Total No. Districts</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>6</b>	<b>4</b>	<b>7</b>	<b>7</b>	<b>10</b>	<b>12</b>

As shown in the table above, 12 out of the 15 eligible school districts (80 percent) have elected to utilize the alternative CSR program ratios in FY 2017, an increase of 71 percent compared to the 7 school districts in FY 2014 and in FY 2015 that elected to utilize the alternative CSR program ratios.

Fiscal staff requested information from the Department regarding how the overall funding for the CSR program is impacted by the increase in the number of school districts electing to utilize the alternative CSR program ratios. In response, the Department indicates that it has continued to fund the school districts utilizing the alternative CSR program as though these school districts were implementing the student-to-teacher ratios associated with the traditional CSR program (17:1 in grades 1 and 2 and 20:1 in grade 3). As such, it appears the Department is overfunding the school districts that have elected and have been approved to utilize the alternative CSR program. The Subcommittee may wish to establish on record that the Department must fund each school district according to the student-to-teacher ratios associated with the CSR program utilized.

Additionally, it should be noted that each biennium, the CSR program is budgeted based on estimated enrollment. As such, if enrollment is higher than projected, school districts may not be able to meet the targeted class size since the funding level of the CSR program is a fixed amount in each year of the biennium. Likewise, if enrollment is lower than projected, additional CSR program funds may be available for distribution. In the current biennium, after the Department distributed CSR funding to school districts based on actual student count, there was additional CSR funding remaining. The Department issued a second round of CSR grants targeted to those one and two star schools (underperforming) that had CSR variances from the required class-size ratios. The Department expressed uncertainty as to the legislative intent regarding how residual CSR program funds should be handled. The Department requests authority to continue the practice of distributing residual CSR program funds to underperforming schools with CSR variances and seeks the approval of the money committees to do so.

**Does the Subcommittee wish to approve General Fund appropriations of \$147.4 million in FY 2018 and \$152.1 million in FY 2019 to continue the Class-Size Reduction program at pupil-to-teacher ratios of 17:1 in grades 1 and 2, and 20:1 in grade 3, inclusive of Budget Amendment A171652610, direct the Department of Education to fund the student-to-teacher ratios associated with the type of Class-Size Reduction program implemented, and authorize the Department to distribute residual Class-Size Reduction program funds to underperforming schools with Class-Size Reduction variances?**

The Subcommittee recommended approval of General Fund appropriations of \$147.4 million in FY 2018 and \$152.1 million in FY 2019 to continue the Class-Size Reduction program at pupil-to-teacher ratios of 17:1 in grades 1 and 2, and 20:1 in grade 3, as revised by Budget Amendment A171652610 and updated enrollment projections, and directed the Department of Education to fund the student-to-teacher ratios at the level associated with the type of Class-Size Reduction program implemented.

Further, the Subcommittee authorized the Department of Education to continue to distribute residual Class-Size Reduction program funds to underperforming schools with Class-Size Reduction variances after distributing Class-Size Reduction program funding to all school district schools each fiscal year.

### Other Closing Items

1. Budget Amendment to Reduce Recreational Marijuana Revenue: On February 21, 2017, the GFO submitted Budget Amendment A171212610 to reduce recreational marijuana excise tax revenue in FY 2018 by \$871,435 to \$4.8 million, and increase General Fund appropriations by \$871,435 to offset the revenue reduction. The GFO indicates that the Department of Taxation received an allocation from the Interim Finance Committee to begin developing regulations to oversee the recreational marijuana program that must be repaid from the collection of recreational marijuana revenue, which reduces the projected recreational marijuana revenue available for the DSA. **As a result of updated forecasts of recreational marijuana, this budget amendment is no longer necessary as the re-forecasted revenues consider the Department of Taxation's repayment to the Interim Finance Committee Contingency Account in FY 2018.**
2. Increased Funding for Group Insurance Costs (M-300, K-12 EDUCATION-14-15): The Executive Budget increases funding for group insurance costs for school personnel by 3.6 percent in FY 2018 and 4.0 percent in FY 2019, based on the projected medical inflation increase included for state agencies. The General Fund appropriations recommended for these increases (inclusive of the Special Education and Class-Size Reduction programs) is \$10.0 million in FY 2018 and \$21.9 million in FY 2019. Based on updated enrollment figures, total funding for group insurance costs for school personnel increases to \$10.3 million in FY 2018 and \$22.5 million in FY 2019. **This recommendation appears reasonable.**
3. Continue the Transfer of IP 1 Room Tax Revenues to the DSA (E-130, K-12 EDUCATION-15): The Governor's budget originally recommended \$25.5 million of the \$376.1 million total IP 1 Room Tax revenues projected over the 2017-19 biennium be transferred to the DSA and \$350.6 million be transferred to the Other State Education Programs budget to fund several education programs supported in the 2015-17 biennium with General Fund appropriations.

As noted in the budget overview, the Legislature has approved the transfer of 100 percent of the IP 1 Room Tax revenues to the DSA as a state funding source of revenue since FY 2012. The Governor's proposal to split the transfer of IP 1 Room Tax revenues between the DSA and the Other State Education Programs budget represents a departure from past practices.

On March 1, 2017, the GFO submitted Budget Amendment A171332610A, to direct all of the IP 1 Room Tax revenues to the DSA as a state funding source for the 2017-19 biennium. The budget amendment has no overall General Fund impact as it swaps existing resources from one budget account to the other. The Governor's recommendation concerning the transfer of IP 1 Room Tax revenues is discussed further in the closing document for the State Supplemental School Support Account (BA 2617). If the transfer of IP 1 Room Tax revenues to the DSA were to sunset as originally scheduled on June 30, 2017, additional General Funds totaling \$376.1 million would be required to

support the Governor’s revised recommended funding level in the DSA for the 2017-19 biennium.

On May 1, 2017, the Economic Forum convened to re-project the state’s General Fund revenues. Similarly, the IP 1 Room Tax revenues have also been re-projected for the upcoming biennium. Based on updated revenue forecasts, the IP 1 Room Tax revenues, inclusive of interest earnings, have been re-projected at \$185.1 million for FY 2018 and \$191.1 million for FY 2019, representing a nominal, cumulative, increase of \$57,000 when compared to the projected IP 1 Room Tax revenues and interest earnings included in The Executive Budget.

The Subcommittee closed the State Supplemental School Support Account on May 11, 2017, with the full transfer of the IP Room Tax revenues to the DSA as a state funding source for the 2017-19 biennium. **This recommendation, inclusive of Budget Amendment A171332610A, appears reasonable, and is consistent with the Subcommittee’s closing action in the State Supplemental School Support Account.**

4. Basic Support Per Pupil: The 2015 Legislature approved basic support per pupil of \$5,710 for FY 2016 and \$5,774 for FY 2017. The Executive Budget recommends a statewide average guaranteed basic support of \$5,900 per pupil for FY 2018 and \$5,967 per pupil for FY 2019, increases of \$126 per pupil and \$193 per pupil in FY 2018 and FY 2019, respectively, when compared to the FY 2017 legislatively approved statewide average basic support per pupil of \$5,774. The guaranteed basic support per pupil should not be confused with expenditures per pupil. As stated in the overview section of this highlight, other resources not considered within the Nevada Plan are also available to support schools’ operating costs.
  
5. Projected Enrollment Growth (M-200, K-12 EDUCATION-14): Each school district’s and charter school’s guaranteed level of funding is determined by multiplying the basic support per pupil by weighted enrollment. Weighted enrollment (utilized to distribute DSA funds to school districts and charter schools) equals a full count of pupils enrolled in grades 1 through 12, net of transfers, and includes children with disabilities enrolled in special education programs within a district or charter school, and six-tenths of the count of pupils enrolled in kindergarten or programs for three and four-year-olds with disabilities. Special-need preschoolers and kindergarten pupils are counted as six-tenths of a pupil, because they typically attend school for half of a day or less. Effective July 1, 2017, pupils enrolled in kindergarten will be counted as full-time pupils pursuant to Section 2 of *Nevada Revised Statutes* (NRS) 387.1223.

The following chart compares audited weighted enrollment numbers (excluding hold harmless) by fiscal year and the percent of change each year compared to the preceding year:

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Projected	FY 2018 Gov. Rec.	FY 2019 Gov. Rec.	FY 2018 Revised Gov. Rec.	FY 2019 Revised Gov. Rec.
423,849	429,762	435,522	439,882	450,337	457,304	460,372	466,126	476,338	482,292
0.32%	1.40%	1.34%	1.00%	2.39%	1.55%	0.67%	1.25%	4.16%	1.25%

Based on most recent enrollments, weighted enrollment, utilized to distribute DSA funds to school districts, increased by 4.0 percent over the current biennium to 457,304 students in FY 2017.

The Governor’s budget recommended General Fund appropriations of \$34.8 million in FY 2018 and \$70.3 million in FY 2019 to provide for the projected enrollment growth of 1.05 percent in FY 2018 and 1.25 percent in FY 2019 for K-12 pupils (inclusive of special education) and the Class-Size Reduction program. Based on updated enrollment projections, FY 2017 increased by 1,716 students from 455,588 students to 457,304 students. The Governor’s recommendations for the 2017-19 biennium did

not appear to fully account for the addition of FDK students in the DSA calculation. Fiscal staff would note the projected enrollment increase of 4.16 percent in FY 2018 in the previous table is largely due to the addition of full-time kindergarten students in the calculation of the DSA. With this change, an additional 14,232 and 14,410 full-time equivalent kindergarten students will be added to this calculation in FY 2018 and FY 2019, respectively.

Based on updated enrollment projections provided by the Department of Education, and excluding the additional kindergarten students, weighted enrollment is projected to increase by 1,734 students to 462,106 students in FY 2018 and 1,756 students to 467,882 students in FY 2019, above the projected enrollment growth recommended in the Governor's budget. This reflects the projected enrollment growth of 1.05 percent in FY 2018 and 1.25 percent in FY 2019 for K-12 pupils that is reflected in The Executive Budget. Inclusive of the enrollment growth and the addition of FDK, this decision unit increases to \$113.4 million in FY 2018 and \$151.2 million in FY 2019, offset by the transfer of FDK funding of \$78.7 million in FY 2018 and \$43.2 million in FY 2019. **This recommendation appears reasonable.**

6. Hold Harmless: To protect school districts and charter schools during times of declining enrollment, Section 3 of NRS 387.1223 contains a "hold harmless" provision. Under this provision, the guaranteed level of funding for each quarter is based on the current year's quarter enrollment, unless the decline in enrollment is 5.0 percent or more from the previous year, in which case the funding is based on the higher of the current or the previous year's quarter enrollment. Prior to the passage and approval of S.B. 508 by the 2015 Legislature, for declining enrollment less than 5.0 percent, the hold harmless provision provided a guaranteed level of funding based on the higher of the current or the previous year's enrollment. If a decline in enrollment was 5.0 percent or more from the previous year, the funding was based on the higher of the previous two years' enrollment.

For the 2015-17 biennium, the hold harmless provision for eligible school districts and charter schools increased the state responsibility by \$7.1 million, compared to the hold harmless costs of \$26.7 million for the 2013-15 biennium. Due to the uncertainty of projected enrollments, the cost of the hold harmless provision is not budgeted in the DSA.

7. Positions and Salaries: To determine the number of employees needed to accommodate increased enrollment, the actual student-employee ratios for each major job classification in the FY 2016 base year were calculated. Position counts for each year of the upcoming biennium were computed by maintaining the same student-employee ratio in each job classification. The Executive Budget estimates that an additional 264 licensed, instructional personnel will be needed over the 2017-19 biennium to maintain the FY 2016 average of 21:8 student-to-teacher ratio.

In addition to the actual expenditures in FY 2016, the adjusted base budget for the DSA includes "roll-up" costs of 2 percent each year to cover the cost of advancement by school district employees on their salary schedules. The Department of Education calculates the cost of the 2 percent roll-up to be approximately \$164.8 million over the 2017-19 biennium. The Executive Budget does not include across the board cost-of-living salary adjustments (COLAs) for school district and charter schools employees for the 2017-19 biennium.

Average teacher salaries are impacted by the number of teachers who leave service, the number of new teachers hired, the number of teachers who are no longer eligible for merit adjustments, and collective bargaining agreements. The following table provides the actual and projected statewide average teacher salaries and benefits, inclusive of the 2 percent roll-up, for FY 2016 through FY 2019:

**Statewide Average Teacher Salaries and Benefits**

	FY 2016 Actual	FY 2017 Projected	FY 2018 Gov. Rec.	FY 2019 Gov. Rec.
Average Salary	\$ 54,942	\$ 56,041	\$ 57,162	\$ 58,305
% Change Salaries		2.00%	2.00%	2.00%
Benefits	\$ 22,483	\$ 22,794	\$ 23,364	\$ 23,974
Total	\$ 77,425	\$ 78,835	\$ 80,526	\$ 82,279

8. Textbook Funding: The Executive Budget recommends funding for textbooks, instructional supplies, instructional hardware and instructional software in FY 2018 and FY 2019 totaling \$81.5 million and \$82.4 million, respectively, reflecting the total actual expenditures incurred for these items by school districts and charter schools in FY 2016, increased for projected enrollment growth. With updated enrollment projections the funding for textbooks, instructional supplies, instructional hardware and instructional software is recommended to increase in FY 2018 and FY 2019 to \$81.7 million and \$82.6 million, **This recommendation appears reasonable.**
  
9. Inflation: The Executive Budget does not recommend funding for inflationary increases in the DSA for the 2017-19 biennium. Fiscal staff would note that in its biennial budget request, the Department requested a 2.5 percent inflationary increase per year for textbooks in the amount of \$375,274 in FY 2018 and \$771,708 in FY 2019; however, the inflationary increase was not included in the Governor's recommended budget. Inflationary increases were last included in the DSA when a 3 percent per year inflationary increase for textbooks, library books, instructional and other supplies, and instructional computer software was approved by the 2007 Legislature at a cost of \$9.9 million over the 2007-09 biennium.
  
10. Equipment Replacement (E-710, K-12 EDUCATION-16): Pursuant to the budget instructions, all equipment purchases in the base year (FY 2016) have been removed from the base budget and are placed in a separate, enhancement decision unit. Combined, school districts and charter schools spent \$41.0 million for replacement equipment in the base year, and the Governor recommends the same level of funding each year of the 2017-19 biennium. **This recommendation appears reasonable.**
  
11. National School Lunch Program Match (SUMMARY, K-12 EDUCATION-17-18): The Executive Budget continues the National School Lunch program state match of \$588,732 each fiscal year as a line item in this budget. **This recommendation appears reasonable.**
  
12. Special Transportation (SUMMARY, K-12 EDUCATION-17-18): The Executive Budget continues funding for special transportation as a line item in this budget in the amount of \$128,541 each fiscal year of the 2017-19 biennium. The funding is provided in accordance with NRS 392.015, which requires the admission of a pupil from an Indian reservation in a school nearest the pupil's residence and further requires a school district which pays the additional costs of transporting the pupil to be reimbursed for those costs. **This recommendation appears reasonable.**

**Fiscal staff recommends Other Closing Items 2, 5, 8, 10, 11 and 12 be closed as recommended by the Governor, Other Closing Item 3, as revised by Budget Amendment A171332610A, and requests authority to make technical adjustments as necessary.**

**The Subcommittee recommended approval of Other Closing Items 2, 5, 8, 10, 11 and 12 as recommended by the Governor, Other Closing Item 3, as revised by Budget Amendment A171332610A, with authority for Fiscal staff to make technical adjustments as necessary.**

**Additional Information – No Action Required**

Supplemental Appropriation (BUDGET OVERVIEW-24): The Executive Budget recommends a General Fund appropriation of \$22.2 million in FY 2017 for the DSA due to unanticipated enrollment growth and lower-than-projected sales tax revenue collections inside the Nevada Plan, which are guaranteed by the state. Although the amount required for the supplemental appropriation will be updated as the legislative session progresses, current data suggests the supplemental appropriation required is approximately \$62.8 million.

**ATTACHMENTS (1 PAGE)**

**DISTRIBUTIVE SCHOOL ACCOUNT SUMMARY 2017-19 BIENNIUM**

	2016		2017		2018	2019
	Legislatively Approved	2016 Actual	Legislatively Approved	2017 Estimated	Revised Gov Rec	Revised Gov Rec
WEIGHTED ENROLLMENT	449,505	450,337	455,124	457,304	476,338	482,292
ADDITIONAL ENROLLMENT FOR HOLD HARMLESS	-	1,139	-	1,095	-	-
TOTAL ENROLLMENT *	449,505	451,476	455,124	458,399	476,338	482,292
BASIC SUPPORT	5,710	5,710	5,774	5,774	5,900	5,967
<b>TOTAL REGULAR BASIC SUPPORT **</b>	<b>\$ 2,566,646,043</b>	<b>\$ 2,577,900,871</b>	<b>\$ 2,628,011,292</b>	<b>\$ 2,646,795,826</b>	<b>\$ 2,810,405,855</b>	<b>\$ 2,877,847,458</b>
<b>CATEGORICAL FUNDING:</b>						
SPECIAL EDUCATION ***	138,591,298	138,591,297	168,125,519	168,125,519	183,674,559	199,828,547
CLASS-SIZE REDUCTION	151,066,029	151,066,029	155,210,241	155,210,241	147,445,963	152,142,582
SCHOOL LUNCH PROGRAM STATE MATCH	588,732	588,732	588,732	588,732	588,732	588,732
SPECIAL TRANSPORTATION	128,541	128,541	128,541	128,541	128,541	128,541
<b>TOTAL REQUIRED STATE SUPPORT</b>	<b>\$ 2,857,020,643</b>	<b>\$ 2,868,275,471</b>	<b>\$ 2,952,064,325</b>	<b>\$ 2,970,848,859</b>	<b>\$ 3,142,243,649</b>	<b>\$ 3,230,535,860</b>
<b>LESS - GUARANTEED REVENUE</b>						
LOCAL SCHOOL SUPPORT TAX - 2.60%	(1,239,007,000)	(1,202,228,771)	(1,306,988,000)	(1,262,497,500)	(1,340,894,700)	(1,410,328,800)
1/3 PUBLIC SCHOOLS OPERATING PROPERTY TAX	(206,203,000)	(212,387,649)	(213,380,000)	(216,267,117)	(218,991,600)	(233,165,900)
ADJUSTMENT FOR EUREKA AND LANDER REVENUE	0	3,988,938	0	1,428,333	0	0
<b>TOTAL STATE SHARE</b>	<b>\$ 1,411,810,643</b>	<b>\$ 1,457,647,989</b>	<b>\$ 1,431,696,325</b>	<b>\$ 1,493,512,575</b>	<b>\$ 1,582,357,349</b>	<b>\$ 1,587,041,160</b>
<b>STATE SHARE ELEMENTS</b>						
GENERAL FUND	\$ 1,093,556,243	\$ 1,120,856,513	\$ 1,101,624,225	\$ 1,072,053,031	\$ 1,164,858,483	\$ 1,140,785,618
FY 2016 OVERPAYMENTS TO BE RECEIVED FY 2017	-	(4,343,294)	-	-	-	-
MEDICAL MARIJUANA EXCISE TAX (75%)	494,000	571,386	1,057,900	2,285,400	-	-
TRANSFER FROM TAXATION - REC & MED MARIJUANA	-	-	-	-	22,038,866	26,632,542
RECREATIONAL MARIJUANA RETAIL TAX	-	-	-	-	26,483,700	37,054,800
DSA SHARE OF SLOT TAX	29,237,400	29,157,413	29,168,200	28,307,000	27,932,000	27,773,000
PERMANENT SCHOOL FUND	2,000,000	2,930,594	2,000,000	3,000,000	3,000,000	3,000,000
FEDERAL MINERAL LEASE REVENUE	7,000,000	4,014,732	7,000,000	4,000,000	4,000,000	4,000,000
OUT OF STATE LSST - 2.60%	124,787,000	137,109,458	131,634,000	140,277,500	148,988,300	156,703,200
IP1 (2009) ROOM TAX REVENUE TRANSFER	154,736,000	167,351,188	159,212,000	179,566,000	185,056,000	191,092,000
TRANSFER FROM DPBH MED MARIJUANA	-	-	-	-	-	-
GENERAL FUND SUPPLEMENTAL APPROPRIATION	-	-	-	62,769,642	-	-
BALANCE FORWARD FROM/TO NEXT FISCAL YEAR	-	-	-	1,254,002	-	-
<b>TOTAL SHARE STATE ELEMENTS</b>	<b>\$ 1,411,810,643</b>	<b>\$ 1,457,647,989</b>	<b>\$ 1,431,696,325</b>	<b>\$ 1,493,512,575</b>	<b>\$ 1,582,357,349</b>	<b>\$ 1,587,041,160</b>
** Totals May Not Balance Due to Rounding						
*** Special Education Unit funded separately from Basic Support						



**Nevada Legislative Counsel Bureau  
Budget Closing Action Report  
K-12 / Higher Education / CIPs Joint Subcommittee  
W02 - WORKING VERSION 2**

**Title:** NDE - OTHER STATE EDUCATION PROGRAMS

**Budget Page:** K-12 EDUCATION-19,  
**Volume I**

**Account:** 101 - 2699

Revenues	2015-16 Actual	2016-17 WP	%	2017-18 GOV REC	%	2018-19 GOV REC	%
			Chg		Chg		Chg
GENERAL FUND	70,626,686	99,654,164	41.10	38,308,232	(61.56)	37,915,903	(1.02)
INTERIM FINANCE		11,188,800					
INTERAGENCY TRANSFER				163,350,262		187,250,262	14.63
BALANCE FORWARD	(88,567)	88,567	(200.00)				
REVERSIONS	(7,135,450)						
<b>Total Revenues</b>	<b>63,402,669</b>	<b>110,931,531</b>	<b>74.96</b>	<b>201,658,494</b>	<b>81.79</b>	<b>225,166,165</b>	<b>11.66</b>

**Total FTE**

**Adjustments to Revenue**

Dec Unit	Cat	GL	Description	2017-18	2018-19
E130	00	2501	Eliminate transfer per Budget Amendment A171342699A	163,350,262	187,250,262
E130	00	4669	Eliminate decision unit per Subcommittee closing action 5-11-17	(163,350,262)	(187,250,262)
E275	00	2501	Redirect funding per Subcommittee closing 5-18-17	(7,500,000)	(19,500,000)
E277	00	2501	Redirect funding per Subcommittee closing 5-18-17	(10,000,000)	(20,000,000)
E278	00	2501	Add Administrative Support Funding for GATE	129,878	153,872
E278	00	2501	Adjust GATE administrative funding to correct amount	50	50
E280	00	2501	Restore AP grant program to FY 2017 level	200,000	200,000
E900	00	2501	Adjust General Fund appropriations based on Subcommittee recommendation to fund GATE administrative costs.	(129,828)	(153,922)
E901	00	2501	Subcommittee approval to fund MAP Assessments for Ready by Grade Three program	(1,712,621)	(1,712,621)
E905	00	2501	Eliminate decision unit per Subcommittee closing action 5-18-17	(84,950,000)	(84,950,000)
E906	00	2501	Eliminate transfer per Subcommittee closing action in BA 2676	(133,002)	(133,002)
<b>Sub-total</b>				<b>(104,095,523)</b>	<b>(126,095,623)</b>
<b>Line Item Changes to Revenues</b>				<b>(104,095,523)</b>	<b>(126,095,623)</b>

**Adjustments to Expenditures**

Dec Unit	Cat	GL	Description	2017-18	2018-19
E275	12	8000	Redirect funding per Subcommittee closing 5-18-17	7,500,000	7,500,000
E275	15	8000	Redirect funding per Subcommittee closing 5-18-17	(13,614,571)	(24,690,923)
E275	16	8000	Redirect funding per Subcommittee closing 5-18-17	(1,385,429)	(2,309,077)
E277	19	8000	Redirect funding per Subcommittee closing 5-18-17	(10,000,000)	(20,000,000)
E278	33	7000	Add Administrative Support Funding for GATE	129,928	153,922
E280	28	8000	Restore AP grant program to FY 2017 level	200,000	200,000
E505	17	8000	Eliminate decision unit per Subcommittee closing action 5-18-17	25,000,000	25,000,000
E505	19	8000	Eliminate decision unit per Subcommittee closing action 5-18-17	(25,000,000)	(25,000,000)
E506	32	8000	Eliminate decision unit per Subcommittee closing action 5-18-17	(133,002)	(133,002)
E506	78	8000	Eliminate decision unit per Subcommittee closing action 5-18-17	133,002	133,002
E900	33	7000	Subcommittee recommendation to fund GATE administrative costs.	(129,828)	(153,922)
E901	11	8000	Subcommittee approval to fund MAP Assessments for Ready by Grade Three program	(1,712,621)	(1,712,621)
E905	12	8000	Eliminate decision unit per Subcommittee closing action 5-18-17	(10,000,000)	(10,000,000)
E905	15	8000	Eliminate decision unit per Subcommittee closing action 5-18-17	(46,336,180)	(46,336,180)

E905	16	8000	Eliminate decision unit per Subcommittee closing action 5-18-17	(3,613,820)	(3,613,820)
E905	17	8000	Eliminate decision unit per Subcommittee closing action 5-18-17	(25,000,000)	(25,000,000)
E906	78	8000	Eliminate decision unit per Subcommittee closing action 5-11-17	(133,002)	(133,002)
<b>Sub-total</b>				(104,095,523)	(126,095,623)
<b>Line Item Changes to Expenditures</b>				(104,095,523)	(126,095,623)
<b>Total</b>				0	0
<b>Grand Total General Fund Impact of Closing Changes</b>				59,254,739	61,154,639
<b>Grand Total Highway Fund Impact of Closing Changes</b>				0	0

**Overview**

The Other State Education Programs budget is designed to accommodate grants and other programs funded by the state specifically for pass-through to school districts, charter schools, and other educational entities. In addition, this budget contains any special or categorical appropriations that are approved by the Legislature for educational purposes. This budget provides General Fund support for programs including Read By Grade Three, Social or Other Licensed Mental Health Worker, Nevada Ready 21 Technology, state-funded Career and Technical Education (CTE), Turnaround Schools, Gifted and Talented Education (GATE), College and Career Readiness, Early Childhood Education (ECE), Adult High School Diploma (AHSD), Jobs for America’s Graduates (JAG), Public Broadcasting, Advanced Placement, National Board Teacher Certification Reimbursement, Speech Pathologist Increment, and various other smaller programs.

**Major Closing Issues**

1. Increased Funding for English Learner Programs
2. Increased Funding for Gifted and Talented Education Program
3. Increased Funding for the Victory Schools Program
4. Read by Grade Three Program
5. Social or Other Licensed Mental Health Worker Grant Program
6. Nevada Ready 21 Technology Grant Program
7. Turnaround Schools Grant Program
8. College and Career Readiness Grant Program
9. Advanced Placement Grant Program

**Discussion of Major Closing Issues**

1. Increased Funding for English Learner Programs (E-275, K-12 EDUCATION-20-21): For the 2017-19 biennium, the Governor recommends additional General Fund appropriations totaling \$27.0 million to increase support of the Zoom Schools and English Learner (EL) grant programs for rural school districts and SPCSA-sponsored charter schools. In addition, the Governor recommends the transfer of \$15.0 million of existing funding from the New Teacher Incentives program to increase funding for recruitment and retention incentives in both the Zoom Schools program and the EL grant program.

Testimony provided by the Department of Education (Department) at the March 1, 2017, budget hearing indicates the additional funding recommended by the Governor could expand EL and long-term EL services to an additional 25 middle and high schools. Follow-up information provided by the Department indicates that school districts and charter schools will be required to maintain program start and end dates for long-term EL students beginning in the 2017-18 school year. Regarding the number and progress of long-term EL students, the Department indicates school districts and charter schools will be required to submit annual reports to the Department, the State Board of Education, the Legislative Counsel Bureau and the Legislative Committee on Education.

According to the Department, the recommendation to transfer incentive funding to the Zoom Schools/EL grant program was grounded in the external evaluation report and the preliminary success of the Victory Schools recruitment/retention effort. The Department further states the intent is to make a policy change in the Zoom Schools/EL grant program bill Senate Bill (S.B.) 390 to provide more flexibility to school districts rather than place the New Teacher Incentive policy into the EL (Zoom) bill. Given the proposed policy change, the Department indicates the Zoom Schools/EL grant funds would be utilized to support new and existing teacher recruitment and retention incentives and the New Teacher Incentive grant funds would be utilized to address teacher shortages in non-Zoom/EL grant funded at-risk schools.

Senate Bill 390 provides the policy guidelines, including eligible expenditures and reporting requirements for the Zoom Schools and the rural and charter schools grant program in the 2017-19 biennium. The bill essentially mirrors the requirements outlined in S.B. 405 (2015), except that the requirement to fund full-day kindergarten with Zoom Schools/EL grant funds would be eliminated since all kindergarteners will be funded through the state's K-12 finance formula beginning July 1, 2017. Senate Bill 390 was heard by the Senate Committee on Education on May 11, 2017.

**Options for Consideration by the Subcommittee:**

- A. Approve additional General Fund appropriations of \$7.5 million in FY 2018 and \$19.5 million in FY 2019 and the transfer of \$7.5 million in each year of the 2017-19 biennium from the New Teacher Incentives program to the Zoom Schools/EL grant program, as recommended by the Governor, to provide support for an estimated 30 additional underperforming schools in the 2017-19 biennium.**
- B. Approve additional General Fund appropriations of \$7.5 million in FY 2018 and \$19.5 million in FY 2019, as recommended by the Governor, to provide support for underperforming schools in the 2017-19 biennium, but do not approve the transfer of \$7.5 million in each year of the 2017-19 biennium from the New Teacher Incentives program to the Zoom Schools/EL grant program.**
- C. Do not approve additional General Fund appropriations of \$7.5 million in FY 2018 and \$19.5 million in FY 2019 and the transfer of \$7.5 million in each year of the 2017-19 biennium from the New Teacher Incentives program to the Zoom Schools/EL grant program, as recommended by the Governor, to provide support for an estimated 30 additional underperforming schools in the 2017-19 biennium, but rather redirect the recommended funding to support other high-priority educational initiatives of the Subcommittee.**

**The Subcommittee recommended approval of Option C, to not approve additional General Fund appropriations of \$7.5 million in FY 2018 and \$19.5 million in FY 2019 and the transfer of \$7.5 million in each year of the 2017-19 biennium from the New Teacher Incentives program to the Zoom Schools/EL grant program, as recommended by the Governor, to provide support for an estimated 30 additional underperforming schools in the 2017-19 biennium, but rather redirect the recommended funding to support other high-priority educational initiatives of the Subcommittee.**

- 2. **Increased Funding for Gifted and Talented Education (GATE) Program (E-276, SUMMARY, K-12 EDUCATION–21, 24-25):** The Governor proposes General Fund appropriations of \$1.2 million in FY 2018 and \$3.1 million in FY 2019 to increase funding for the GATE program. Total recommended funding for the GATE program would be \$14.6 million over the 2017-19 biennium. This represents an increase of 41.6 percent when compared to the \$10.3 million legislatively approved for the

2015-17 biennium. The 2015 Legislature directed that GATE funding be distributed on a per-pupil basis to pupils who have been identified as gifted and talented through a state-approved assessment or procedure or both. In FY 2016, \$5.09 million of the total \$5.17 million GATE funds available were distributed to school districts and charter schools.

According to responses provided by the Department regarding how GATE program funding in FY 2016 was expended by school districts and charter schools to enhance student performance, the Department indicates a total of ten school districts, two state-sponsored charter schools and the Davidson Academy received GATE funding based on students identified as gifted and talented (GT). The Department reports that GATE funding was utilized for additional staff, enhanced technology, program plan development and evaluation, and professional development, including enabling teachers to obtain requisite gifted and talented licensure endorsements.

Based on feedback provided by the Department concerning the distribution of GATE funding on a per-pupil basis beginning in FY 2016, the Department notes that there were differing interpretations regarding how school districts and charter schools were to report the count of GT students. Several school districts reported the count of students that had been identified as GT in their school districts or charter schools, irrespective of whether those students were actually receiving GATE instruction. Other school districts and charter schools reported only the count of students receiving GATE instruction, which is much lower than the count of students identified as gifted.

According to the Department, *Nevada Administrative Code* (NAC) 388.435 requires 150 minutes per week of differentiated instruction for GT students. The Department intends to amend the NAC to clarify that the 150 minutes of differentiated instruction per week must be delivered by a person licensed in the State of Nevada to teach students that are identified as GT.

The Department indicates it supports clarifying the eligibility requirements for GATE funding to state that students must not only be identified as GT through a state-approved assessment or procedure, but must also be receiving GATE instruction. Fiscal staff would note that if the Subcommittee supports the Department's clarification of the eligibility requirements, such clarifying language could be added as back language to the education funding bill.

While federal law offers a definition of gifted students, states and school districts are solely responsible for all education policies related to gifted students. Because of this, policies can vary widely across school districts and charter schools. Currently, there is no standardized statewide assessment utilized to identify GT students, and, as a result, the identification rates of students vary widely. In Nevada, the number and percentage of students identified as gifted ranges from zero in 6 rural school districts to a high of 791 students, or 10.5 percent of total 2015-16 enrollment of 7,562 students in the Carson City School District. The Clark County School District reports 6,718 students, or 2.1 percent of total 2015-16 enrollment of 319,712 students as GT, while the Washoe County School District reports 4,594 students, or 7.2 percent of total 2015-2016 enrollment of 63,670 students as GT. The Department indicates that nationally, between 2 and 4 percent of students are identified as gifted.

The Department indicates that the assessments currently being utilized in each school district and charter school are all state approved. According to the Department, the issue with inconsistent identification rates between school districts is based on the application of the assessment results and not inconsistencies between the assessments themselves. The Department is working to address the inconsistent identification rates through the use of a state-approved rubric, discussed in greater detail below.

Another issue related to identification of GT students is equity. According to a November 2016 policy analysis report published by the Education Commission of the States titled “State and Federal Policy: Gifted and Talented Youth,” minority and low-income students have historically been and continue to be underrepresented in gifted programs.

The Department convened a GATE work group, which has met several times during the 2015-17 biennium to address the issue of consistent identification of GATE students among all school districts and charter schools, as well as the issue of equity in identification. All of the 17 school districts and the State Public Charter School Authority (SPCSA) were invited to participate. However, the Department was unable to assist school district and SPCSA representatives with travel costs due to the lack of an administrative budget for the GATE program, which the Department indicates was likely a contributing factor in the limited participation of six school districts and the SPCSA in the GATE work group.

Regarding the issue of inconsistent identification across the state, the GATE work group has determined that the use of a state-approved rubric to establish consistent identification from district to district would be beneficial. The rubric will be comprised of measures of intelligence, academic aptitude, and other related factors such as classroom performance, demonstration of critical thinking and other characteristics of giftedness. The Department notes that the rubric will be weighted heavily on intelligence to ensure students identified, for purposes of funding, actually meet the definition of exceptionality.

Fiscal staff would note that the GATE program, unlike a majority of other state-funded education initiatives approved by the 2015 Legislature, did not receive funding to support the costs of implementation or administration of the program. Since the Department’s Director of the Special Education program, which oversees the GATE program, is funded through federal grant funds, the director is unable to travel or to provide professional development for the GATE program, as the federally-funded position is not allowed to utilize any federal administrative funding on the state-funded GATE program.

In response to Fiscal staff’s request for a proposed administrative budget for the GATE program, the Department provides the following:

Department Proposed GATE Admin Budget	FY 2018	FY 2019
Education Program Professional Position	\$ 81,133	\$ 106,997
In-State Travel	\$ 3,000	\$ 3,000
Out of State Travel	\$ 2,000	\$ 2,000
Furniture, Computer, Operating, Indirect Costs	\$ 23,695	\$ 21,925
Data Collection/Compliance Audits	\$ 20,000	\$ 20,000
<b>Total</b>	<b>\$ 129,828</b>	<b>\$ 153,922</b>

If the Subcommittee wishes to provide administrative funding for the support of the GATE program, one option would be to add additional General Fund appropriations totaling \$283,750 over the 2017-19 biennium or the other option would be to reduce the recommended enhancement by \$129.828 in FY 2018 and \$153,922 in FY 2019, resulting in a net increase of \$1.1 million in FY 2018 and \$2.9 million in FY 2019.

**Options for Consideration by the Subcommittee:**

- A. Approve General Fund appropriations of \$1.2 million in FY 2018 and \$3.2 million in FY 2019, as recommended by the Governor, to provide additional funding for students that are identified and served in GATE programs.
- B. Approve reduced General Fund appropriations of \$1.1 million in FY 2018 and \$2.9 million in FY 2019 to provide additional funding for students that are identified and served in GATE programs and approve \$129,828 in FY 2018 and \$153,922 in FY 2019 to support the administrative costs of the state-funded GATE program. If this option is selected, Fiscal staff requests authority for a technical adjustment to transfer \$129,828 in FY 2018 and \$153,922 in FY 2019, from this budget to the Department's Individuals with Disabilities budget (BA 2715).
- C. Do not approve General Fund appropriations of \$1.2 million in FY 2018 and \$3.2 million in FY 2019, as recommended by the Governor, to provide additional funding for students that are identified and served in GATE programs.

In addition to any one of the options selected, Fiscal staff recommends the Subcommittee approve back language in the 2017 K-12 education funding bill clarifying that eligibility requirements for GATE funding not only include students be identified as gifted and talented through a state-approved assessment or procedure, but also must receive GATE instruction in accordance with the requirements outlined in *Nevada Administrative Code 388.435*.

The Subcommittee recommended approval of an alternative Option D, to approve General Fund appropriations of \$1.2 million in FY 2018 and \$3.2 million in FY 2019, as recommended by the Governor, to provide additional funding for students that are identified and served in GATE programs. In addition, the Subcommittee recommended additional General Fund appropriations of \$129,828 in FY 2018 and \$153,922 in FY 2019, and providing Fiscal staff with authority to transfer these funds from this budget to the Department's Individuals with Disabilities budget for administrative costs associated with the GATE program.

The Subcommittee also recommended approving back language in the 2017 K-12 education funding bill clarifying that eligibility requirements for GATE funding not only include students be identified as gifted and talented through a state-approved assessment or procedure, but also must receive GATE instruction, in accordance with the requirements outlined in *Nevada Administrative Code 388.435*.

- 3. Increased Funding for the Victory Schools Program (E-277, K-12 EDUCATION-21): The Governor recommends General Fund appropriations of \$10.0 million in FY 2018 and \$20.0 million in FY 2019 for the Victory Schools program to provide support for an estimated 30 additional underperforming schools. Total recommended funding for the Victory Schools program is \$80.0 million over the 2017-19 biennium, which represents a 60 percent increase when compared to the \$50.0 million legislatively approved for the 2015-17 biennium.

Assembly Bill 447, as amended, provides the policy guidelines, including eligible expenditures and reporting requirements for the Victory School program in the 2017-19 biennium. The bill essentially mirrors the requirements outlined in Assembly Bill 432 (2015), except that the Department would consult with school districts in selecting the schools to designate as Victory Schools. Victory Schools would be required to utilize a common interim assessment and no longer fund full-day kindergarten with Victory Schools grant funds since all kindergarteners will be funded through the states K-12 finance formula beginning July 1, 2017. The bill also continues the program through the 2017-19 biennium.

Assembly Bill 447, as amended, was referred to the Assembly Committee on Ways and Means on April 24, 2017. The bill was heard and passed by the Assembly Committee on Ways and Means on May 16, 2017.

**Options for Consideration by the Subcommittee:**

- A. Approve additional General Fund appropriations of \$10.0 million in FY 2018 and \$20.0 million in FY 2019 for the Victory Schools program, as recommended by the Governor, to provide support for an estimated 30 additional underperforming schools in the 2017-19 biennium.**
- B. Do not approve additional General Fund appropriations of \$10.0 million in FY 2018 and \$20.0 million in FY 2019 for the Victory Schools program, as recommended by the Governor, but rather redirect the recommended funding to support other high-priority educational initiatives of the Subcommittee.**

**The Subcommittee recommended approval of Option B, to not approve additional General Fund appropriations of \$10.0 million in FY 2018 and \$20.0 million in FY 2019 for the Victory Schools program, as recommended by the Governor, but rather redirect the recommended funding to support other high-priority educational initiatives of the Subcommittee.**

- 4. Read by Grade Three Program (SUMMARY, K-12 EDUCATION-24-25): The Executive Budget recommends General Fund appropriations of \$22.3 million in each year of the 2017-19 biennium to continue the Read by Grade Three program approved by the 2015 Legislature. The 2015 Legislature approved \$4.9 million in FY 2016 and \$22.3 million in FY 2017 to implement the new Read by Grade Three program, for which Senate Bill 391 (2015) provided the policy guidelines of the program. Although there are no new recommended enhancements for the Read by Grade Three program, funding is recommended at \$22.3 million in each fiscal year of the upcoming biennium, which is the legislatively approved amount for FY 2017.

*Nevada Revised Statutes* 392.760-775 requires academic interventions for students enrolled in kindergarten through grade 3 who do not achieve adequate proficiency in reading beginning in school year 2019–2020, and prohibits a public school from promoting a student to grade 4 if the student does not achieve such proficiency, with certain good-cause exemptions allowed. A student may only be retained one time in grade 3.

Pursuant to S.B. 391 (2015), the Department is required to distribute Read by Grade Three funds through a competitive grant process. Section 15 of the bill requires schools that receive a grant of money to use the money for the literacy programs in kindergarten and grades 1, 2 and 3 to support school-based efforts to ensure all pupils are proficient in reading by the end of the third grade in schools not served with reading centers/programs funded with Zoom Schools or Victory Schools grants.

A total of 19 applications were submitted for Read by Grade Three grant funds in FY 2016, with a total of 10 applications selected to be funded (8 school districts and 2 charter schools) serving 64 elementary school sites. The Department indicates that all 10 of the Read by Grade Three programs were fully operational by spring of 2016, and a total of \$3.8 million of the \$4.9 million available grant funds were expended by year end. In FY 2017, the Read by Grade Three program funding increased from \$4.9 million to \$22.3 million. As such, the program expanded to serving over 200 elementary school sites. Based on information obtained from the state's accounting system, it appears there are 10 school districts and 7 charter schools participating in the Read by Grade Three program in FY 2017.

In response to Fiscal staff's inquiry as to the number of school districts and charter schools that applied for funding but were not awarded Read by Grade Three grants in FY 2017, the Department replied that in FY 2017, 24 grant applications were received, with 23 grant applications awarded grant funds and 1 application not awarded grant funds. The Department further indicates it plans to work closely with the Department's Public Information Officer to expand the dissemination of informative materials utilizing both physical documents and social media to assist parents and families of K-3 students in better understanding the requirements of the Read by Grade Three program.

In September 2016, the Legislative Commission approved regulations that require the use of the Measures of Academic Progress (MAP) assessment to assess pupils' proficiency in the subject of reading. The Department indicates the use of the MAP assessment was determined after surveying school districts and finding a majority were already utilizing the MAP assessment. Additionally, school districts requested the state adopt a single assessment to assist with the development of common professional development, comparability across the state, and utilize economies of scale. The Department indicates that school districts utilized Read by Grade Three grant funds to purchase the MAP assessments. However, based on information provided by the Department, the total cost for school districts and charter schools to purchase these assessments would be \$1.89 million in each year of the 2017-19 biennium, while a statewide contract with MAP assessment would total \$1.71 million. Accordingly, the Department indicates annual savings of \$173,430 (or \$346,860 over the 2017-19 biennium) could be realized if the MAP assessments were purchased utilizing a statewide contract.

Fiscal staff would note the Other State Education Programs budget is designed to provide pass-through funding to school districts, charter schools, and other educational entities. Accordingly, expenditures for a statewide contract for the MAP assessment would not be appropriate in this budget. If the Subcommittee wishes to approve the Department's request to fund a statewide contract to purchase the MAP assessments, it may wish to provide Fiscal staff with authority to enter a technical adjustment to transfer General Fund appropriations of \$1.71 million in each year of the 2017-19 biennium from this budget to the NDE's Assessments and Accountability budget (BA 2697) and establish the MAP assessment expenditures in that budget, which funds the various assessments administered by the state. If approved, the remaining funding available to fund Read By Grade Three grants would be \$20.5 million in each year of the 2017-19 biennium.

**Does the Subcommittee wish to approve the Governor's recommendation for continued funding of \$22.3 million in each year of the 2017-19 biennium for the Read by Grade Three Program, utilize \$1.71 million of this funding in each year of the biennium to fund a statewide assessment contract, and provide Fiscal staff with authority to transfer annual General Fund appropriations of \$1.71 million to the Department's Assessments and Accountability budget to fund the statewide Measures of Academic Progress assessment contract in that budget?**

**The Subcommittee recommended approval of the Governor's recommendation for continued funding of \$22.3 million in each year of the 2017-19 biennium for the Read by Grade Three Program, utilizing \$1.71 million of this funding in each year of the biennium to fund a statewide assessment contract, and providing Fiscal staff with authority to transfer annual General Fund appropriations of \$1.71 million to the Department's Assessments and Accountability budget to fund the statewide Measures of Academic Progress assessment contract in that budget.**

5. Social or Other Licensed Mental Health Worker Grant Program (SUMMARY, K-12 EDUCATION-24-25): The Executive Budget recommends General Fund appropriations of \$11.2 million in each year of the 2017-19 biennium to continue the Social or Other Licensed Mental Health Worker grant program approved by the 2015 Legislature. The 2015 Legislature approved General Fund appropriations of

\$5.6 million in FY 2016 and \$11.2 million in FY 2017 to provide funding for contract social workers or other licensed mental health workers in schools with needs identified through a mental health screening tool. Although there are no new recommended enhancements for the Social or Other Licensed Mental Health Worker grant program for the upcoming biennium, consistent with accepted budgeting practice, funding is recommended at \$11.2 million in each fiscal year of the upcoming biennium, which is the legislatively approved amount for FY 2017.

The Social Worker or Other Licensed Mental Health Worker grant program, also known as the Social Workers in Schools (SWS) program, provides funding for contract social workers or other licensed mental health workers in schools with identified needs. A mental health screening tool/survey is administered annually to identify schools in need. Based upon the result of the survey, a school district or charter school receives a block grant to fund the contract social workers/mental health professionals needed for identified schools. Testimony provided by the Department during the 2015 Legislative Session indicated that social workers or other licensed mental health workers would be contractors and not school employees.

#### Eligible Licensed Social or Other Mental Health Workers

- Licensed Clinical Social Worker
- Social Worker
- Social Worker Intern with Supervision
- Clinical Psychologist
- Psychologist Intern with Supervision
- Marriage and Family Therapist
- Mental Health Counselor
- Community Health Worker; and
- School-Based Health Centers
- Nurse

The Department awarded funding to 11 school districts and the State Public Charter School Authority (SPCSA) in FY 2016. Grant awards were calculated based on 161 positions. However, due to the need to conduct an initial mental health survey, notification of grant awards were not issued until January 11, 2016. Additionally, as a result of challenges in filling positions, school districts and charter schools were ultimately able to contract/hire 118.5 positions in FY 2016.

Funding for FY 2017 was appropriated to the Interim Finance Committee (IFC) Contingency Account. In order to access the funding, the Department was required to provide the IFC a report on or before June 30, 2016, on the number of licensed professionals for which each school district or charter school has contracted in FY 2016 and the efficacy of the program. The Department submitted the required report dated May 20, 2016, and was allocated the full \$11.2 million from the IFC Contingency Account for FY 2017.

The Department reports that a total of 225 SWS grants totaling \$10.9 million have been awarded in 11 school districts and 7 charter schools, serving 165 schools statewide. The Department indicates that all of the 225 Social Workers in Schools contractors/positions awarded in FY 2017 have been filled.

The external evaluation of the SWS grant program was released in December 2016, and the evaluation recommended the continued funding for the program. The external evaluator notes that the initial implementation of the program has been successful and resulted in social workers having positive impacts in their school settings. Social workers implemented educational programs for families and students, as well as professional development. Educational programs included outreach for helping parents recognize bullying, facilitate academic adjustment, enhance awareness of social media

challenges and develop parenting skills. Overall, the SWS program has been positively embraced by many educators throughout the state, though the implementation had not necessarily been smooth or met without resistance. Nevertheless, the external evaluator indicates the program appears to be providing educators with tools to better meet student social and emotional needs, while at the same time creating a more integrated system of support for students. Additionally, the external evaluator recommends the OSRLE office or an external team develop a set of best process practices to help schools transition to having a social worker in the school. Other recommendations for the SWS program include:

- Evaluate how schools navigate supervision of individuals in social worker positions depending on status as a district employee or contract employee and how status relates to hiring, retention, compensation, and commitment to programming by schools and social workers;
- Continue to support creative approaches to ensuring more rural areas are able to fill positions and provide clinical supervision for individuals working toward licensure; and
- Establish a mentorship program to ensure that less experienced individuals are equipped to facilitate school-wide changes and to ensure that individuals are working within the appropriate scope for their training.

When asked by Fiscal staff which school districts or charter schools continue to hire the social workers or other licensed mental health workers positions as employees in FY 2017, the Department indicated that a number of school districts were not able to contract directly with their professionals; however, out of the 225 grant positions awarded in FY 2017, only 43 are working under a one-year employment contract with their school district. In its response, the Department referenced its decision to operate the SWS grant program as a block grant in order to provide greater latitude in responding to the unique needs of each school district. Testimony provided by the Department indicated that the Department intends to continue allowing school districts and charter schools the latitude to hire social workers or other licensed mental health workers as employees as opposed to contractors in order to maximize the number of professionals that can be hired and to minimize the level of turnover.

The Department further clarified that its Award and Guidance packet provided to school districts and charter schools directs schools to deduct any full-time equivalent staff funded with SWS grants from any calculations of the basic support. The guidance packet also limits hourly rates for professionals according to the level of license or degree and clarifies that any fringe benefits that were to be provided to the professionals, either through direct contracts or one-year employment contracts, must either be backed out of the funds provided through the grant, or provided by the school district or charter school through alternate funding sources.

During the Department's budget hearing, the agency indicated the Office of Safe and Respectful Learning Environment (OSRLE) and school districts and charter schools are working to expand the program with other possible funding sources, including Medicaid funding. It was also indicated that school districts, including the Clark County School District, were experiencing a high turnover rate of its social workers or other licensed mental health workers, which negatively affects the program. The Department indicates this high turnover rate is due to the demand for these positions and the inability for the district to offer benefits for these contract positions. To address this issue, the Department requests to allow school districts and charter schools the flexibility to either contract with individuals or hire these positions as employees. The Department indicates this flexibility would:

- Attract qualified professionals to fill these grant positions since the perceived insecurity of a contract position would be eliminated and benefits could be offered.
- Allow for longer-term relationships to be established with vulnerable students due to continuity of these positions.

- Eliminate the perceived “outsider” status that contract employees may experience at schools, allowing more collegial relationships to be established with staff and students.

It should be noted that allowing these positions to be hired as employees and providing benefits may decrease the number of positions that could be awarded, when compared to the level awarded in FY 2017. However, as previously mentioned, the Department is exploring other funding sources and is also working with the school districts and charter schools to develop a matching program for the state dollars utilized for employee benefits.

In addition, the Department requests authorization to carry forward unexpended funding each biennia to the subsequent biennia in order to provide sufficient funding for the Social or Other Licensed Mental Health Worker grant program as well as authorization to carry unexpended funding in the first year of the biennium to the second year of the biennium. The Department indicates this would allow it to fund additional social workers in the upcoming biennium and allow for two-year grants to be awarded, which would assist with school district recruitment efforts as longer-term positions could be awarded. Although the Subcommittee could authorize Fiscal staff to include back language in the 2017 K-12 education funding bill to allow the Department to carry over unexpended funding each biennia to subsequent biennia, since the education funding bill is session law, the language would need to be approved and added as back language each subsequent legislative session. Further, Legislative Counsel has indicated to Fiscal staff that it would be preferable to have unexpended funding that would not revert to the State General Fund be associated with a statutorily created account. Therefore, it appears that the Department’s request would be contingent upon the action of the Subcommittee to retain the School Remediation Trust Fund (BA 2615) budget, which is recommended by the Governor for elimination.

- **Does the Subcommittee wish to approve the Governor’s recommendation for General Fund appropriations of \$11.2 million in each year of the 2017-19 biennium to continue the Social or Other Licensed Mental Health Worker grant program, allow the Department to provide school districts and charter schools the flexibility to either contract with individuals or hire these positions as employees, and provide authority for unexpended funding to be transferred from the first fiscal year to the second fiscal year of a biennium?**
- **Does the Subcommittee wish to authorize the Department the ability to carry forward unexpended Social or Other Licensed Mental Health Worker grant funding between biennia, contingent upon the Subcommittee’s action concerning the elimination of the School Remediation Trust Fund? If so, Fiscal staff requests authority to transfer the Social or Other Licensed Mental Health Worker grant program funding from this budget to the School Remediation Trust Fund.**

**The Subcommittee recommended approval of the Governor’s recommendation for General Fund appropriations of \$11.2 million in each year of the 2017-19 biennium to continue the Social or Other Licensed Mental Health Worker grant program, allowing the Department to provide school districts and charter schools the flexibility to either contract with individuals or hire these positions as employees, and providing authority for unexpended funding to be transferred from the first fiscal year to the second fiscal year of a biennium. The Subcommittee also recommended the Department be authorized to carry forward unexpended Social or Other Licensed Mental Health Worker grant funding between biennia, contingent upon the Subcommittee’s action concerning the elimination of the School Remediation Trust Fund, and providing Fiscal staff with authority to transfer the Social or Other Licensed Mental Health Worker grant program funding from this budget to the School Remediation Trust Fund.**

6. Nevada Ready 21 Technology Grant Program (SUMMARY, K-12 EDUCATION-24-25): The Governor recommends the continuation of the Nevada Ready 21 Technology (NR21) grant program, supported by General Fund appropriations of \$20.0 million over the 2017-19 biennium. The NR21 grant program provides grants to schools to provide students with portable devices to connect wirelessly to the Internet.

In September 2014, the Commission on Education Technology (CET), which consists of 11 voting members appointed jointly by the Governor and legislative leadership, approved the NR21 technology plan, which is a 6-year plan to implement statewide one-to-one student computing starting in middle school for the first three years and then expanding to high school in the latter three years. One-to-one computing would provide students and teachers with 24-hour access to their own personal, portable, technology device connected wirelessly to the Internet.

To implement the plan, the Governor recommended General Fund appropriations of \$46.4 million over the 2015-17 biennium, which was estimated to provide funding for one-third of middle school students in FY 2016 and an additional one-third of middle school students in FY 2017 (approximately 36,000 students annually). However, the 2015 Legislature approved General Fund appropriations of \$20.0 million over the 2015-17 biennium for the NR21 grant program to implement the program more slowly and to allow for an evaluation before making a significant investment of state funding into the program. Approved funding was to be distributed to middle schools in the 2015-17 biennium with the addition of high schools in the subsequent biennium; however, the Department indicates the NR21 program would continue to focus on middle schools in the 2017-19 biennium and expand to high schools in the 2019-21 biennium.

The Department provided the FY 2016 and FY 2017 expenditures to date, by item, as provided in the following table:

NR21 Expenditures by Category			
	FY 2016	FY 2017	Total
Devices (Seat Cost)	\$ 3,974,764	\$ 6,269,498	\$ 10,244,262
Web-Based/Canvas/Hot Spot Instruction	\$ 909,326	\$ 1,373,731	\$ 2,283,057
School Site Leaders (Salary and Fringe)	\$ 9,051	\$ 1,305,075	\$ 1,314,126
Professional Services (Contract Positions)	\$ 116,103	\$ 156,142	\$ 272,245
Indirect Costs*	\$ 92,667	\$ 32,974	\$ 125,641
Professional Development	\$ 14,010	\$ -	\$ 14,010
Travel	\$ 5,160	\$ 2,001	\$ 7,161
Stipends for Teacher Professional Development	\$ 3,544	\$ 1,157	\$ 4,701
Total	\$ 5,124,625	\$ 9,140,577	\$ 14,265,202
* The NDE indicates indirect cost allowances were discontinued in FY 2017.			

The Department anticipates all \$20.0 million in available grant funding will be distributed over the 2015-17 biennium, which would provide devices to 19,041 students and 1,030 teachers (Cohort 1) in the 2015-17 biennium as illustrated in the following table:

<b>Projected Nevada Ready 21 Technology Grant Awards in the 2015-17 Biennium</b>			
School District/Charter School	Allocation	Student Devices	Staff Devices
<b>CARSON CITY SCHOOL DISTRICT</b>	<b>\$1,806,655</b>		
Carson Middle School		1,200	70
Eagle Valley Middle School		700	50
<b>CHURCHILL COUNTY SCHOOL DISTRICT</b>	<b>\$662,565</b>		
Churchill County Middle School		684	37
<b>CLARK COUNTY SCHOOL</b>	<b>\$12,568,955</b>		
Anthony Saville Middle School		1,600	71
Barbara and Hank Greenspun Junior High		1,450	73
Bob Miller Middle School		1,690	81
Charles Silvestri Junior High School		1,705	80
Del E Webb Middle School		1,791	79
Elton M Garrett Junior High School		440	28
Lied Middle School		1,100	59
Mack Lyon Middle School		400	34
Sig Rogich Middle School		1,823	87
<b>DOUGLAS COUNTY SCHOOL DISTRICT</b>	<b>\$200,692</b>	NA	NA
<b>ELKO COUNTY SCHOOL DISTRICT</b>	<b>\$1,455,512</b>		
Adobe Middle School		645	48
Spring Creek Middle School		650	65
<b>LANDER COUNTY SCHOOL DISTRICT</b>	<b>\$276,678</b>		
Eleanor Lemaire Junior High School		218	21
<b>MATER ACADEMY OF NEVADA</b>	<b>\$481,944</b>	381	20
<b>PINECREST ACADEMY OF NEVADA</b>	<b>\$1,455,009</b>		
Pinecrest - Cadence Campus		460	20
Pinecrest - Horizon Campus		460	20
Pinecrest - Inspriada Campus		460	20
Pinecrest - St. Rose Campus		460	20
<b>SOMERSET ACADEMY OF NEVADA</b>	<b>\$611,539</b>		
Somerset Academy - Stephanie Campus		459	15
<b>WHITE PINE COUNTY SCHOOL DISTRICT</b>	<b>\$480,450</b>		
White Pine Middle School		245	29
Lund 6-8		20	3
<b>Total</b>	<b>\$20,000,000</b>	<b>19,041</b>	<b>1,030</b>

During the 2015 Legislative Session, the Department indicated it would establish a seat price of \$610 that would be used to distribute the funding by student enrollment. The Department indicates the device that was selected for the NR21 grant program is the NL6 Education Chromebook, with a negotiated cost of \$523 per seat in FY 2016 and \$164 per seat in FY 2017 through 19. Along with the devices, other components of the seat price include internal infrastructure, software, professional development, and the state program team. The Department indicates it utilizes the support of professional development strategists, digital learning coaches, vendor-provided trainers, and outside consultants to meet the professional development needs of administrators and teachers.

Fiscal staff would note an evaluation of the NR21 grant program was released in December 2016, and the evaluation recommends the continued funding for the program. However, the evaluation recommends the program place greater emphasis on professional development and integration efforts since there was wide variation in activities by schools to implement the program. In addition, the evaluation recommends the program consider including validation studies into the program, which would measure the program's effect on areas such as student achievement.

In the 2017-19 biennium, the Department proposes to offer three options for schools that would comprise Cohort 2. These options include:

- Option 1, Seat Price of \$932: Chromebook or Microsoft device purchased by the state, professional development, digital learning coach, and onsite IT Technician.
- Option 2, Seat Price of \$606: Local device compliant with NR21 requirements, professional development, digital learning coach, and onsite IT Technician.

- Option 3, Seat Price of \$555: Local device compliant with NR21 requirements, professional development, and digital learning coach.

The Department indicates that the exact number of students that would be served in the 2017-19 biennium would not be known until after the Cohort 2 application process is complete; however, the Department estimates the number of new students that would be added would range from 6,529 to 10,965 students. The number of students is lower in the 2017-19 biennium since Cohort 1 equipment would continue to be maintained with the available funding. Combined with the 19,041 students in Cohort 1, the total number of students that would be served in the 2017-19 biennium is estimated by the department to total 25,570 to 30,006 students.

Fiscal staff would note state grant funds were utilized in the 2015-17 biennium to support one contract Project Manager/Communications Officer and a half-time contract Administrative Assistant position that assist the Department with the administration of the NR21 program. However, when closing the NDE Standards and Instructional Support budget, the Subcommittee recommended a separate contract NR21 position be replaced with a state Education Programs Professional (EPP) to support the NR21 program. Based on this closing, the NR21 program would have a dedicated, full-time EPP position in the 2017-19 biennium to continue, rather than establish the NR21 program. Accordingly, the Subcommittee may wish to direct the agency to discontinue the use of the contract Project Manager/Communications Officer and the half-time contract Administrative Assistant position since it would appear the program would not require the positions. This would also allow additional funds to be distributed at the school sites.

The Department requests to utilize the funding appropriated for the NR21 program between biennia and fiscal years. The Department indicates this flexibility would reflect the current three-year grant award period, which requires the Department to award funds conditionally for future years contingent upon continued state funding. The Department indicates this would eliminate a perceived risk by school districts regarding continued state funding. Additionally, the Department indicates the devices need to be cleaned and repaired over the summer and this funding flexibility would allow the Department to fund those costs across biennia.

Fiscal staff would note the Other State Education Programs budget does not currently have the ability to balance forward General Fund appropriations between biennia, while the School Remediation Trust Fund has the ability to do so pursuant to NRS 387.1247. However, the Governor recommends the School Remediation Trust Fund budget be repurposed as the Contingency Account for Special Education Services and utilized to disburse funds to reimburse school districts and charter schools for extraordinary program expenses and related services for pupils with significant disabilities. Fiscal staff would note that this request is contingent upon the action of the Subcommittee to retain the School Remediation Trust Fund (BA 2615) budget, which is recommended by the Governor for elimination.

- **Does the Subcommittee wish to approve the Governor's recommendation for General Fund appropriations of \$20.0 million over the 2017-19 biennium to continue the NR21 grant program, and direct the Department to discontinue the use of contract positions utilizing these funds?**
- **Does the Subcommittee wish to approve the Department's request to utilize the funding appropriated for the NR21 program between fiscal years? If so, Fiscal staff requests authority to include back language in the 2017 K-12 education funding bill to authorize this action.**

- Does the Subcommittee wish to authorize the General Fund appropriations approved for the NR21 program to be utilized across biennia, contingent upon the Subcommittee’s closing action in the School Remediation Trust Fund budget to not repurpose the School Remediation Trust Fund budget? If so, Fiscal staff requests authority to make a technical adjustment to transfer General Fund appropriations of \$20.0 million over the 2017-19 biennium for the NR21 program to the School Remediation Trust Fund budget.

The Subcommittee recommended approval of the Governor’s recommendation for General Fund appropriations of \$20.0 million over the 2017-19 biennium to continue the NR21 grant program, and directing the Department to discontinue the use of contract positions utilizing these funds. The Subcommittee also recommended approval of the Department’s request to utilize the funding appropriated for the NR21 program between fiscal years and providing Fiscal staff with authority to include back language in the 2017 K-12 education funding bill to authorize this action.

Finally, the Subcommittee recommended the General Fund appropriations approved for the NR21 program be authorized to be utilized across biennia, contingent upon the Subcommittee’s closing action in the School Remediation Trust Fund budget to not repurpose the School Remediation Trust Fund budget, and providing Fiscal staff with authority to make a technical adjustment to transfer General Fund appropriations of \$20.0 million over the 2017-19 biennium for the NR21 program to the School Remediation Trust Fund budget.

7. Turnaround Schools Grant Program (SUMMARY, K-12 EDUCATION-24-25): The Governor recommends General Fund appropriations of \$2.5 million in each fiscal year of the 2017-19 biennium to continue to support the turnaround of persistently underachieving schools. The Department reports that in the 2015-2016 school year, there were 74 schools in Nevada identified as underperforming, representing a decrease of 4 schools (5 percent reduction) from the 78 schools identified as underperforming in the 2014-2015 school year. The Department notes that the term “underperforming schools” is a general reference to schools identified as one-star or two-star, the two lowest ratings indicating underperformance of a public school, as determined by the Department pursuant to the statewide system of accountability for public schools for the preceding year.

The Department indicates the Turnaround Schools grant program provides prescriptive strategies to turnaround underperforming schools. Eligible uses of the grant funding are as follows:

- Contract with external providers for needs assessments, staff professional development, and leadership coaching;
- Attend conferences or bring trainers to the schools for building the capacity of the staff;
- Provide stipends to teachers for work around curriculum alignment and common formative assessments;
- Training and initiating a Professional Learning Community culture;
- Curriculum development and data monitoring platform;
- Substitute pay for teams to meet to develop curriculum and/or horizontal and vertical alignment of curriculum; and
- Support for travel and training of the Leadership Network.

According to the Department, 8 school districts (36 schools) and 2 charter schools sponsored by the SPCSA were recipients of Turnaround Schools grants in FY 2016. Grant funding totaling \$1.26 million was expended in FY 2016. In FY 2017, 9 school districts (36 schools) and 2 charter schools sponsored by the SPCSA were recipients of Turnaround Schools grants totaling \$2.35 million, as shown in the table below:

Turnaround Grants	2015-16	2016-17
Carson City	\$ 25,493	\$ 31,500
Clark County	\$ 467,063	\$ 750,055
Elko County	\$ 652	\$ 2,342
Humboldt County	\$ 50,445	\$ 166,366
Mineral County	\$ -	\$ 168,987
Nye County	\$ 311,900	\$ 653,399
Pershing County	\$ 7,701	\$ 12,430
SPCSA*	\$ 258,978	\$ 252,617
Washoe County	\$ 31,920	\$ 253,909
White Pine County	\$ 104,079	\$ 62,934
<b>Total</b>	<b>\$ 1,258,231</b>	<b>\$ 2,354,539</b>

\*State Public Charter School Authority

Fiscal staff would note that of the 10 Clark County School District schools awarded Turnaround Schools grant funds in FY 2016, 7 schools (70 percent) were district-sponsored charter schools while 3 schools (30 percent) were traditional schools. In FY 2017, 6 of the 10 Clark County School District schools (60 percent) awarded grants were district-sponsored charter schools, while the remaining 4 schools (40 percent) were traditional schools. For the Washoe County School District in FY 2016, all of the 6 schools awarded Turnaround Schools grant funds were traditional schools but in FY 2017, 2 of the 6 schools (33.3 percent) awarded grants were district-sponsored charter schools.

The Department confirms the Turnaround Schools grant is a single-year grant cycle. Schools must reapply for the funds each year. The Department further indicates that its strategy of focusing on the lowest performing schools includes placing all one- and two- star schools on a path to become three stars in three years. The Turnaround Schools grant funding is a supplement for assisting with school improvement efforts. Any school that reaches a three-star designation would no longer be eligible for Turnaround Schools grant funding.

At the March 16, 2017, budget hearing, the State Superintendent testified that the Department has developed some recommendations for the Turnaround Schools grant funding beginning in the 2017-19 biennium. The first recommendation is to allow these grant funds to be used for replication/partnership activities to facilitate engagement with best schools, which means identifying Shining Star schools (high poverty/high performing) as well as five-star schools (high performing) that can serve as models for other schools in the state. The second recommendation is to continue to support schools that reach three-star status with state Turnaround Schools funding. The Department indicates that this would be an opportunity to fill a funding gap as once a school reaches three stars, it would no longer be eligible for federal school improvement funds. Turnaround Schools grant funds could be utilized for a period of time to support these schools in making a successful transition and becoming sustainable at the three-star level. The third recommendation is to allow the Department to use Turnaround Schools grant funds in a manner that is consistent with the state's approved federal plan for school improvement.

**Does the Subcommittee wish to approve the General Fund appropriations of \$2.5 million in each year of the 2017-19 biennium to continue the Turnaround Schools grant program, as recommended by the Governor, and approve the Department's recommendation for expanded use of Turnaround Schools grant funds, which includes allowing funds to support replication activities, to support a transition period until such time as a school is sustainable at a three-star level, and to allow the Department to use grant funds in a manner consistent with the approved federal plan for school improvement?**

**The Subcommittee recommended approval of General Fund appropriations of \$2.5 million in each year of the 2017-19 biennium to continue the Turnaround Schools grant program, as recommended by the Governor. The Subcommittee also recommended approval of the Department's recommendation for expanded use of Turnaround Schools grant funds, which includes allowing funds to support replication activities, to support a transition period until such time as a school is sustainable at a three-star level, and to allow the Department to use grant funds in a manner consistent with the approved federal plan for school improvement.**

8. College and Career Readiness Grant Program (SUMMARY, K-12 EDUCATION-24-25): The Governor recommends General Fund appropriations of \$5.0 million in each year of the 2017-19 biennium to continue a competitive grant program to support dual enrollment in high school and college courses and to create a competitive Science, Technology, Engineering and Mathematics (STEM) grant program for middle and high schools to assist students in becoming college and career ready. The 2015 Legislature approved General Fund appropriations of \$3.0 million in FY 2016 and \$5.0 million in FY 2017. Although there are no new recommended enhancements for the College and Career Readiness (CCR) grant program in the upcoming biennium, the recommended amount of \$5.0 million in each fiscal year of the 2017-19 biennium is the same amount approved for FY 2017. Actual expenditures in FY 2016 were \$2.3 million.

With regard to funding for STEM programs, the Department indicates the funding would be used to create or scale-up outstanding STEM education programs. Competitive grants would be awarded to school districts and charter schools. Follow-up information provided by the Department indicates STEM grants were awarded in FY 2016 to support the creation of computer science programs, including Advanced Placement (AP) science courses, the establishment of curriculum for middle and high schools, and to plan for the establishment of other innovative courses and programs to develop and certify student acquisition of computer technology skills. The Department indicates that for FY 2017, \$2.4 million of the \$5.0 million available was awarded for STEM.

Testimony provided at the March 16, 2017 budget hearing indicated that the Department submitted a budget bill to initiate work-based learning pilot programs funded with CCR grants. The Department estimates that \$600,000 over the 2017-19 biennium would be necessary to launch at least three work-based learning pilots across the state – one rural and two urban pilots; however, the Department would like the flexibility to use between \$500,000 and \$750,000 of CCR funds for this purpose. Senate Bill 66, as amended, would provide the policy guidelines for the proposed work-based learning pilot program. Senate Bill 66, as amended, was heard in the Senate Committee on Finance on May 1, 2017. According to the Department, the following provisions would apply to the proposed pilot program:

- a. A detailed training agreement and training plan between employer and student that identifies specific work tasks that will develop workplace competency;
- b. A minimum number of hours of on-the-job training as required in the Department's guidelines for awarding credit;
- c. On-site evaluation of the student's performance;
- d. A broad range of skills, but shall be focused on skills related to the student's career pathway; and
- e. Structural linkage between secondary and postsecondary components of the program leading to the awarding of a high school diploma and a credential related to the student's career pathway.

The Department further notes that entities that may be eligible to apply for a grant to participate in the pilot include school districts, charter schools or nonprofit organizations. Students enrolled in a work-based learning program may also be eligible to earn dual credit upon completing an approved work-based learning program.

**Does the Subcommittee wish to approve the General Fund appropriations of \$5.0 million in each year of the 2017-19 biennium to continue the College and Career Readiness grant program, as recommended by the Governor, and authorize the Department to utilize between \$500,000 and \$750,000 of College and Career Readiness grant funds over the 2017-19 biennium to fund grants for the development and implementation of work-based learning pilot programs, contingent upon the passage and approval of Senate Bill 66 or some other enabling legislation?**

**The Subcommittee recommended approval of General Fund appropriations of \$5.0 million in each year of the 2017-19 biennium to continue the College and Career Readiness grant program, as recommended by the Governor, and authorizing the Department to utilize between \$500,000 and \$750,000 of College and Career Readiness grant funds over the 2017-19 biennium to fund grants for the development and implementation of work-based learning pilot programs, contingent upon the passage and approval of Senate Bill 66, or some other enabling legislation.**

9. Advanced Placement Grant Program (SUMMARY, K-12 EDUCATION-24-25): The Governor recommends General Fund appropriations of \$462,750 in each year of the 2017-19 biennium to continue an expansion of student participation in the AP courses and examinations in high schools. The funding is distributed to the school districts and charter schools through a competitive grant process. The 2015 Legislature approved General Fund appropriations of \$525,875 in FY 2016 and \$662,750 in FY 2017. The recommended funding level of \$462,750 in each fiscal year is a reduction of \$200,000 in each year from the legislatively approved amount of \$662,750 in FY 2017.

A February 2017 press release issued by the College Board Press indicates that Nevada had both the largest three-year increase and a one-year increase in the percentage of public high school graduates scoring three or higher on an AP examination. Information obtained from the Department's website reports that of the 18,904 Nevada public school students from the 2016 graduating class who took 32,532 AP examinations, 15,656 earned a score of three or higher (score of three or higher qualifies for college credit) on an AP examination – an increase of 10.3 percent from 2015. Nevada students scored a 5.6 point increase in the percentage of graduates earning a three or higher on the AP examination over the past three years. In May 2016, the total potential cost savings for Nevada's public and private high school students and families based on earning college qualifying credit on AP was \$11,805,273. This savings is based on an average rate of \$230.23 per credit earned.

Actual expenditures for the AP grant program in FY 2016 totaled \$277,063, which is less than the total available funding of \$525,875. According to the Department this was due, in part, to the number of new grant programs to be implemented by the Department in FY 2016 and there was not adequate time to plan for training or expansion of courses. The Department indicates that since the implementation of the AP grant program, school districts have been able to offer a number of new AP courses and in some rural areas, student participation in AP courses increased from 33 percent to 67 percent. The Department states that in FY 2017, school districts have been able to utilize funds in full capacity.

Fiscal staff would note that the federal AP grant, which funded AP test costs for low-income students, has been eliminated. In response to Fiscal staff's inquiry concerning the loss of federal support of the AP program and the reduction of \$200,000 per year of state AP program funding, as compared to the FY 2017 legislatively approved level of \$662,750, the Department indicates the loss of federal AP program funding and the reduction of state AP program funding will have a significant negative impact and will likely result in a decrease in student participation in AP examinations. With the loss of the federal AP grant, the Department estimates that 6,000 low-income students will not be able to take AP examinations. The Department further notes that approximately \$250,000 of the state AP grant will be used to assist low-income students with the cost of the AP test fee. Based on current trends, the

Department estimates a shortfall of approximately \$400,000 for the AP program if the current trend continues.

At the request of Fiscal staff, the Department provided a breakdown of actual AP grant expenditures in FY 2016, by type, for each school district:

Advanced Placement Grant Program	Funding for Test Fees for Additional Students	Teacher Professional Development	Test Fees for African American / Native American Students	Funds to Increase Participation in AP Courses and Passage of AP Exams	Subtotal	Indirect Costs	FY 2016 Total Expenditures
Carson City School District		\$ 14,948	-	\$ -	\$ 14,948	\$ -	\$ 14,948
Clark County School District		\$ 85,711	-	\$ 36,530	\$ 122,241	\$ 2,738	\$ 124,979
Humboldt County School District		\$ 17,245	-	\$ 15,159	\$ 32,404	\$ -	\$ 32,404
Washoe County School District	\$ 52,671	\$ -	-	\$ 48,500	\$ 101,171	\$ 3,561	\$ 104,732
<b>Statewide Total</b>	<b>52,671</b>	<b>\$ 117,904</b>	<b>-</b>	<b>\$ 100,189</b>	<b>\$ 270,764</b>	<b>\$ 6,299</b>	<b>\$ 277,063</b>

Although one of the stated goals of the new state-funded AP grant program was to increase participation of African American students, it does not appear school districts expended any funding on this targeted student population. In response regarding why school districts did not spend AP grant funding on test fees for African American and Native American students, the Department indicates that in FY 2016, the Department had received a federal grant to pay for low-income AP test fees and the Department requested school districts pay for the student portion of those test fees. However, the Department indicates it did not specifically request that the school districts report on the amount spent for those student populations, but the Department will request this information for FY 2017.

As shown in the table on the previous page, the Department permitted indirect costs to be charged on the state-funded AP grant. Historically, indirect costs have not been allowable expenditures on state-funded grants; however, it appears that with the personnel turnover in the Department and the implementation of several new grant programs in FY 2016, the Department included indirect costs as an allowable expenditure on many state-funded grants. Testimony provided by the Department at the March 16, 2017, budget hearing confirms the Department no longer permits indirect costs to be an allowable expenditure on state-funded grants.

**Options for Consideration by the Subcommittee:**

- A. Approve General Fund appropriations of \$462,750 in each year of the 2017-19 biennium, for the continuation of the state Advanced Placement grant program, as recommended by the Governor.**
- B. Approve General Fund appropriations of \$662,750 in each year of the 2017-19 biennium to continue the state Advanced Placement grant program, which represents the level of funding approved by the 2015 Legislature for FY 2017. This option would require additional General Fund appropriations of \$200,000 in each fiscal year.**

**The Subcommittee recommended approval of Option B, to add General Fund appropriations of \$200,000 in each year of the 2017-19 biennium to continue the state Advanced Placement grant program at \$662,750 in each year, the level of funding approved by the 2015 Legislature for FY 2017.**

## **Other Closing Items**

1. **Funding Source Change for Categorical Programs (E-130, K-12 EDUCATION-20)**: The Governor recommends a funding source change for 11 categorical programs (inclusive of the recommended program transfers to this budget) that have previously been funded with General Fund appropriations. The Governor's budget proposes the transfer of IP 1 Room Tax revenue in the amount of \$163.4 million in FY 2018 and \$187.3 million in FY 2019 from the State Supplemental School Support Account to this budget. On March 1, 2017, the Fiscal Analysis Division received Budget Amendment A171342699A, which eliminates the recommended transfer of IP 1 Room Tax revenues in the amount of \$163.4 million in FY 2018 and \$187.3 million in FY 2019, and replaces this funding source with General Fund appropriations of the same amount. **As revised by Budget Amendment A171342699A, this decision unit is no longer necessary.**
  
2. **Transfer of Programs from the School Remediation Trust Fund Budget (E-505, E-905, K-12 EDUCATION-22)**: The Governor recommends the transfer of General Fund appropriations totaling \$169.9 million over the 2017-19 biennium for the New Teacher Incentives (\$20.0 million), English Learner (\$99.9 million) and Victory Schools (\$50.0 million) programs from the School Remediation Trust Fund budget (BA 2615) to this budget with no change in purpose. Decision Unit E-505 is recommended to transfer the Victory Schools funding in its own category in this budget. **Approval of these decision units is contingent upon the Subcommittee's closing action in the School Remediation Trust Fund budget.**
  
3. **Transfer of Support for CTE Student Organizations (E-506 & E-906, K-12 EDUCATION-22-23)**: The Governor recommends \$133,002 be transferred from the Department's Career and Technical Education budget (BA 2676) to this budget through Decision Unit E-906. Decision Unit E-506 is recommended to align the funding to the corresponding category in this budget. Combined with existing funding in this budget for CTE student organizations (\$106,998), total funding for CTE student organizations would be \$240,000, or \$40,000 each for the six organizations. The CTE student organizations provide leadership development programs for students and teachers. Listed below are the six CTE student organizations in the state along with their focus areas:
  1. DECA: Distributive Education Clubs of America (Business and marketing)
  2. FBLA: Future Business Leaders of America (Information and media technology)
  3. FCCLA: Family, Career, and Community Leaders of America (Family and consumer sciences)
  4. FFA: Future Farmers of America (Agriculture and natural resources)
  5. HOSA: Heath Occupations Students of America (Health sciences and public safety)
  6. SkillsUSA: (Skilled and technical sciences)

The Department recently determined this transfer may increase the state's maintenance of effort (MOE) requirement for the federal Carl D. Perkins grant. The Department indicates it will review this issue during the 2017-18 Interim; however, at this time the Department requests that these decision units be eliminated from this budget given the possible increase in the MOE requirement. Although the decision units would be eliminated, the Department indicates it intends to provide the six CTE student organizations with \$40,000 in each year of the 2017-19 biennium through payments from the two budgets. Fiscal staff entered technical adjustments to eliminate these decision units from this budget, which are reflected in the closing adjustments for this budget. **Consistent with the closing action taken by Subcommittee in the Department's Career and Technical Education budget on April 27, 2017, the technical adjustment to eliminate Decision Units E-506 and E-906 appears reasonable.**

4. Transfer of the Wide Area Network Incentive Program (E-907, K-12 EDUCATION-23): The Governor recommends the transfer of General Fund appropriations totaling \$2.0 million over the 2017-19 biennium for the Wide Area Network Incentive program from this budget to the Office of Science, Innovation and Technology (OSIT) budget to develop a statewide E-Rate consortium to leverage E-Rate funding from the Federal Communications Commission. According to information in the state's accounting system, none of these grant funds were awarded in FY 2016, and only \$220,548 in grant funds were awarded in FY 2017, as of this writing.

According to the U.S. Department of Education's website, E-Rate is a commonly used term for the Schools and Libraries Program of the Universal Service Fund, which is administered by the Universal Service Administrative Company under the direction of the Federal Communications Commission. The program provides discounts to assist schools and libraries in the United States to obtain affordable telecommunications and Internet access. This recommendation was approved by the full committees on May 8, 2017. **Consistent with the closing action taken by the full committees on May 8, 2017, to approve the recommended transfer of General Fund appropriations totaling \$2.0 million over the 2017-19 biennium for the Wide Area Network Incentive program from this budget to the Office of Science, Innovation and Technology (OSIT) budget, this recommendation appears reasonable.**

5. Other Programs Recommended for Continuation (SUMMARY, K-12 EDUCATION-24-25): The table that follows lists other education programs recommended by the Governor for continuation in the 2017-19 biennium:

Other Programs Recommended for Continuation	Governor Recommended		
	Description	FY 2018	FY 2019
LEA Library Books	\$ 449,142	\$ 449,142	\$ 898,284
Public Broadcasting	\$ 462,725	\$ 462,725	\$ 925,450
Early Childhood Education	\$ 3,338,875	\$ 3,338,875	\$ 6,677,750
Special Elementary Counseling	\$ 850,000	\$ 850,000	\$ 1,700,000
School Library Media Specialist	\$ 18,798	\$ 18,798	\$ 37,596
Project GAIN	\$ 44,583	\$ 44,583	\$ 89,166
National Board Teacher Certification Reimbursement	\$ 49,285	\$ 49,285	\$ 98,570
Counselor Certification	\$ 668,740	\$ 668,740	\$ 1,337,480
Speech Pathologist Increment	\$ 526,785	\$ 526,785	\$ 1,053,570
Jobs for America's Graduates Program Expansion	\$ 3,586,645	\$ 3,586,645	\$ 7,173,290
CTE Programs	\$ 12,543,822	\$ 12,543,822	\$ 25,087,644
Adult Education	\$ 18,260,398	\$ 18,260,398	\$ 36,520,796
KLVX Satellite	\$ 392,329	\$ -	\$ 392,329
Advanced Placement Exams	\$ 462,750	\$ 462,750	\$ 925,500
Vocational Student Organizations	\$ 240,000	\$ 240,000	\$ 480,000
<b>Total Recommended General Fund Appropriations</b>	<b>\$ 41,894,877</b>	<b>\$ 41,502,548</b>	<b>\$ 83,397,425</b>

Fiscal staff recommends Other Closing Items 4 and 5 be closed as recommended by the Governor, Other Closing Item 1 be closed as revised by Budget Amendment A171342699A, Other Closing Item 2 be closed contingent upon the Subcommittee's closing action in the School Remediation Trust Fund budget, and Other Closing Item 3 be closed consistent with the Subcommittee's closing action in the Department's Career and Technical Education Budget. Fiscal staff requests authority to make other technical adjustments as necessary.

**The Subcommittee recommended Other Closing Items 4 and 5 be closed as recommended by the Governor, Other Closing Item 1 be closed as revised by Budget Amendment A171342699A, Other Closing Item 2 be closed contingent upon the Subcommittee's closing action in the School Remediation Trust Fund budget, and Other Closing Item 3 be closed consistent with the Subcommittee's closing action in the Department's Career and Technical Education Budget. The Subcommittee also recommended providing Fiscal staff with authority to make other technical adjustments as necessary.**

Nevada Legislative Counsel Bureau  
 Budget Closing Action Report  
 K-12 / Higher Education / CIPs Joint Subcommittee  
 W02 - WORKING VERSION 2

**Title:** NDE - PROFESSIONAL DEVELOPMENT PROGRAMS  
**Account:** 101 - 2618

**Budget Page:** K-12 EDUCATION-26, Volume I

Revenues	2015-16 Actual	2016-17 WP	% Chg	2017-18 GOV REC	% Chg	2018-19 GOV REC	% Chg
GENERAL FUND	12,447,381	12,427,426	(0.16)	12,427,426		12,427,426	
BALANCE FORWARD	(590,220)	590,220	(200.00)				
<b>Total Revenues</b>	<b>11,857,161</b>	<b>13,017,646</b>	<b>9.79</b>	<b>12,427,426</b>	<b>(4.53)</b>	<b>12,427,426</b>	

**Total FTE**

**Adjustments to Revenue**

Dec Unit	Cat	GL	Description	2017-18	2018-19
B000	00	3290	Technical Adjustment to add estimated Treasurer's Interest Earnings	40,776	40,776
<b>Sub-total</b>				<b>40,776</b>	<b>40,776</b>
<b>Line Item Changes to Revenues</b>				<b>40,776</b>	<b>40,776</b>

**Adjustments to Expenditures**

Dec Unit	Cat	GL	Description	2017-18	2018-19
B000	10	8000	Technical Adjustment to add estimated Treasurer's Interest Earnings	40,776	40,776
<b>Sub-total</b>				<b>40,776</b>	<b>40,776</b>
<b>Line Item Changes to Expenditures</b>				<b>40,776</b>	<b>40,776</b>

<b>Total</b>	<b>0</b>	<b>0</b>
--------------	----------	----------

<b>Grand Total General Fund Impact of Closing Changes</b>	<b>0</b>	<b>0</b>
---	----------	----------

<b>Grand Total Highway Fund Impact of Closing Changes</b>	<b>0</b>	<b>0</b>
---	----------	----------

**Overview**

The Professional Development Programs budget supports professional development programs for teachers and administrators, and includes the Great Teaching and Leading Fund (GTLF) program. In accordance with *Nevada Revised Statutes* (NRS) 391A.500, which creates the Great Teaching and Leading Fund (Fund), interest and income earned on money and unexpended appropriations must be credited to the Fund and any money and unexpended appropriations in the Fund do not revert to the State General Fund at the end of a fiscal year, but rather are carried forward to the next fiscal year. This budget also provides support to the Regional Professional Development Programs (RPDPs). General Fund appropriations are the primary funding source for this budget.

- GTLF – established to provide professional development, programs of preparation and peer assistance for teachers, administrators and other licensed educational personnel, programs of leadership training and development and programs to recruit, select and retain effective teachers and principals. On or before September 30 of each year, the State Board of Education (SBE) shall prescribe the priorities of programs for which grants of money will be made not later than December 31 of each year through a competitive annual application process. Grants from the GTLF program may be requested for up to a period of three years. The SBE may not award more than 20 percent of the legislative appropriation in the GTLF to any single entity in a fiscal year.

- RPDPs – established to provide research-based professional development opportunities for teachers and administrators statewide. The RPDPs provide various types of professional development, including training for teachers in the standards established by the Council to Establish Academic Standards for Public Schools and training on methods to teach fundamental reading skills for teachers who teach kindergarten and grades 1, 2, and 3.

### **Other Closing Items**

1. **Great Teaching and Leading Fund Program (SUMMARY, K-12 EDUCATION-26-27)**: The Governor recommends General Fund appropriations of \$4.9 million in each year of the 2017-19 biennium to continue the Great Teaching and Leading Fund (GTLF) program, established pursuant to S.B. 474 (codified in *Nevada Revised Statutes* NRS 391A.500-515), as approved by the 2015 Legislature. Section 1 of NRS 391A.505 defines entities eligible for grants from the GTLF as:
  - a. The governing body of a regional training program for the professional development of teachers and administrators;
  - b. The board of trustees of school districts;
  - c. The governing body of a charter school;
  - d. The State Public Charter School Authority;
  - e. A university, state college, or community college within the Nevada System of Higher Education;
  - f. Employee associations representing licensed educational personnel; or
  - g. Nonprofit educational organizations.

Pursuant to Subsection 4 of NRS 391A.505, the SBE shall prescribe annual priorities for the GTLF program from the five program areas outlined in Section 2 of NRS 391A.510, which include one or more of the following:

- 1) Professional development for teachers, administrators and other licensed educational personnel;
- 2) Programs of preparation for teachers, administrators and other licensed educational personnel;
- 3) Programs of peer assistance and review for teachers, administrators and other licensed educational personnel;
- 4) Programs for leadership training and development; and
- 5) Programs to recruit, select and retain effective teachers and principals.

### **GTLF Grant Awards FY 2016**

Section 2(b) of NRS 391A.505 requires the Superintendent of Public Instruction to assign a committee (review team) to review the applications and make recommendations to the Superintendent of Public Instruction for awarding grants of money from the GTLF. The review team (consisting of eight education stakeholders) recommended the following amounts for each priority identified in FY 2016:

- Science standards - \$1.2 million (24%)
- NEPF implementation - \$1.3 million (27.6%)
- Recruitment, selection and retention - \$1.4 million (29%)
- Leadership training and development - \$946,270 (19.4%)

The table that follows identifies the entities that applied for GTLF grants, the amount of the grant requested, the amount of the grant awarded and the actual expenditures in FY 2016.

2015-16 Great Teaching and Leading Fund Grant Awards							
Name of Entity	Amount Requested	Amount Funded	% Funded	FY 2016 Actual Expenditures	Return of Unexpended FY 2016 Grants in FY 2017	FY 2016 Adjusted Expenditures	% Expended
Carson City School District	\$ 254,000	\$ 254,000	100.0%	\$ 201,695		\$ 201,695	79.4%
Clark County School District/Clark County Education Association	\$ 1,242,826	\$ 1,240,111	99.8%	\$ 1,028,648		\$ 1,028,648	82.9%
Doral Academy of Nevada	\$ 196,056	\$ 196,056	100.0%	\$ 196,056	\$ (10,579)	\$ 185,477	100.0%
Lincoln County School District	\$ 149,428	\$ 149,428	100.0%	\$ 13,270		\$ 13,270	8.9%
Lyon County School District	\$ 82,470	\$ 82,470	100.0%	\$ 82,470	\$ (39,806)	\$ 42,664	100.0%
Northeastern Nevada RPDP	\$ 59,172	\$ 50,257	84.9%	\$ 7,547		\$ 7,547	15.0%
Northwest RPDP/Washoe County School District	\$ 611,460	\$ 611,460	100.0%	\$ 562,523		\$ 562,523	92.0%
Pinecrest Academy	\$ 349,800	\$ 345,000	98.6%	\$ 345,000		\$ 345,000	100.0%
Public Education Foundation	\$ 150,000	\$ 150,000	100.0%	\$ 150,000		\$ 150,000	100.0%
Teach for America	\$ 980,000	\$ 353,730	36.1%	\$ 353,730		\$ 353,730	100.0%
TNTP (The New Teacher Project)	\$ 966,068	\$ 966,068	100.0%	\$ 966,068		\$ 966,068	100.0%
University of Nevada, Las Vegas	\$ 618,138	\$ 485,138	78.5%	\$ 389,206	\$ (16,250)	\$ 372,956	80.2%
<b>TOTAL</b>	<b>\$ 5,659,418</b>	<b>\$ 4,883,718</b>	<b>86.3%</b>	<b>\$ 4,296,213</b>	<b>\$ (66,635)</b>	<b>\$ 4,229,578</b>	<b>88.0%</b>

As shown in the table above, all but two entities expended more than 79 percent of their GTLF grants, all of which were awarded in September 2015. However, the Lincoln County School District expended \$13,270, or 8.9 percent of its \$149,428 total GTLF grant award and the Northeastern RPDP, which was awarded a GTLF grant in the amount of \$50,257 expended \$7,547 in FY 2016.

The Department indicates the GTLF grants awarded in FY 2016 were used to provide a variety of activities, including:

- Direct mentorship to administrators on instructional leadership (University of Nevada, Las Vegas, 2016) selected from one district;
- Creation of a Nevada Educator Performance Framework online evaluation tool to be used in the Clark County School District along with training for those tasked with implementation;
- Development of a science curriculum around the Next Generation Science Standards and training for implementation;
- Support to increase the number of educators seeking National Board certification; and
- An online campaign to recruit teachers to Nevada followed by mentorship for those selected.

#### GTFL Grant Awards FY 2017

As approved by the SBE on March 17, 2016, priorities for which grants of money may be awarded from the GTLF in FY 2017 must address one or more of the following:

- Teacher preparation and recruitment
- Professional development for science
- Professional development for leadership development

According to the Department, GTLF grant awards in FY 2016 were distributed up front, but in FY 2017, the GTLF grant awards will be distributed on a reimbursement basis. For FY 2017, the Department reports there were 29 GTLF applications requesting grant funds totaling over \$10 million, with just under \$4.9 million awarded. The review team recommended the following amounts for each priority in FY 2017:

- Teacher preparation and recruitment – \$1.1 million (23%)
- Professional development for science – \$2.0 million (42%)
- Professional development for leadership development – \$1.7 million (35%)

Additionally, based on the carryover of unexpended FY 2016 grant awards in the amount of \$724,970, the Department initiated a phase II application for GTLF grants in FY 2017. The table that follows identifies the entities that applied for GTLF grants in both the phase I and phase II application, the grant amount requested and the amount of each grant awarded for FY 2017.

2016-17 Great Teaching and Leading Fund Grant Awards									
Name of Entity	Phase I			Phase II			Total		
	Amount Requested	Amount Funded	% Funded	Amount Requested	Amount Funded	% Funded	Amount Requested	Amount Funded	% Funded
Carson City School District	\$ 484,220	\$ 484,220	100.0%	\$ -	\$ -	0.0%	\$ 484,220	\$ 484,220	100.0%
Clark County Education Association	\$ 458,987	\$ 458,987	100.0%	\$ -	\$ -	0.0%	\$ 458,987	\$ 458,987	100.0%
Doral Academy of Nevada	\$ 371,739	\$ 173,353	46.6%	\$ 173,353	\$ 5,582	3.2%	\$ 545,092	\$ 178,935	32.8%
Elko Institute	\$ -	\$ -	0.0%	\$ 88,125	\$ 88,125	100.0%	\$ 88,125	\$ 88,125	100.0%
High Desert Montessori	\$ -	\$ -	0.0%	\$ 60,969	\$ -	0.0%	\$ 60,969	\$ -	0.0%
Lincoln County School District	\$ 87,450	\$ 87,450	100.0%	\$ -	\$ -	0.0%	\$ 87,450	\$ 87,450	100.0%
Northwest RPDP/Washoe County School District	\$ 893,333	\$ 893,333	100.0%	\$ -	\$ -	0.0%	\$ 893,333	\$ 893,333	100.0%
Pinecrest Academy	\$ 393,840	\$ -	0.0%	\$ 206,988	\$ -	0.0%	\$ 600,828	\$ -	0.0%
Public Education Foundation	\$ 255,500	\$ 190,500	74.6%	\$ 237,500	\$ -	0.0%	\$ 493,000	\$ 190,500	38.6%
So. Nevada Public TV	\$ -	\$ -	0.0%	\$ 219,759	\$ 210,759	95.9%	\$ 219,759	\$ 210,759	95.9%
Teach for America	\$ 970,000	\$ 279,524	28.8%	\$ 100,000	\$ 100,000	100.0%	\$ 1,070,000	\$ 379,524	35.5%
TNTP (The New Teacher Project)	\$ 973,295	\$ 408,985	42.0%	\$ 429,829	\$ 120,204	28.0%	\$ 1,403,124	\$ 529,189	37.7%
University of Nevada, Las Vegas	\$ 250,881	\$ 250,881	100.0%	\$ 653,038	\$ 200,300	30.7%	\$ 903,919	\$ 451,181	49.9%
<b>TOTAL</b>	<b>\$ 5,139,245</b>	<b>\$ 3,227,233</b>	<b>62.8%</b>	<b>\$ 2,169,561</b>	<b>\$ 724,970</b>	<b>33.4%</b>	<b>\$ 7,308,806</b>	<b>\$ 3,952,203</b>	<b>54.1%</b>

In response to a follow-up question regarding why the Lincoln County School District (LCSD) was awarded an additional GTLF grant in the amount of \$87,450 in FY 2017, given the school district expended only \$13,270, or 8.9 percent of its total FY 2016 grant award of \$149,428, the Department indicates that in FY 2016, the Department disbursed GTLF grant awards up front to each entity. Since the year-end grant reports had not been submitted to the Department by the time the FY 2017 grants were awarded, the grant review team was unaware of LCSD's unexpended grant funds at the time FY 2017 grants were awarded. The Department revised the distribution of grant funding for FY 2017 to be on a reimbursement basis. The Department further notes that LCSD's unexpended funds were due to the inability to hire a full-time licensed coach, which was the majority of the district's proposed project.

During the March 16, 2017, budget hearing, Subcommittee members questioned whether in considering the priorities set by the SBE for GTLF grant funds, the review team prioritizes or considers projects that will have a long-term benefit to the state as opposed to projects that address an immediate need. In response, the Department indicated that whether a project would have a long-term benefit to the state was one of several criteria the review team considered when making recommendations to the State Superintendent and the SBE of which projects to fund. Other criteria considered included whether funds would remain in the state, to what extent priorities established by the SBE would be addressed, the number of educators/students that would be impacted, geographic distribution and prior demonstrated history of success.

Fiscal staff would note that on April 27, 2017, the SBE approved the priorities for each year of the 2017-19 biennium for GTLF, conditional upon the approval of the grant funding by the money committees. The Department indicates the SBE took action at this time in order to expedite the grant process. The approved priorities for FY 2018 and FY 2019 are:

- Teacher preparation, recruitment, and leadership;
- Updated and newly-adopted Nevada Academic Content Standards;
- School leadership development;
- Nevada Educator Performance Framework (NEPF) observations and student learning goals; and
- Effective models of school improvement

#### External Evaluation

Section 1 of NRS 391A.515 requires the Superintendent of Public Instruction, to the extent funding is available, to contract for an independent evaluation of the effectiveness of the grants made from the Fund. The recommendations for the GTLF presented below are included in the external evaluation report, which can be found at the following link:

<http://www.leg.state.nv.us/Division/Research/Library/Documents/ReportsToLeg/2015-2017/290-17.pdf>

#### External Evaluator Recommendations

- Continued funding for the GTLF program.
- Review processes that ensure that professional development activities are evidenced based.
- Consider multi-year funding opportunities with renewal accountability as well as standardized processes for grant programs in general. For this program, several funded projects returned a significant amount of the allocated funds due to challenges finding staff to fulfill the roles (without being able to make long-term commitments) or teachers' inability to participate in activities because of their schedules. In addition, several first-year programs sought additional funding in the second year, but not all received funding for the continuation.
- The Nevada Department of Education should consider the following key questions as it thinks about goals it would like included in future funding efforts:
  - a. Are there areas of need that have been funded where evidence could be collected on effectiveness of funded programs? Could this evidence be used to develop a statewide approach to addressing this common issue?
  - b. What issues exist around teaching and leading that need to be further explored in this open fashion?
  - c. What issues exist around teaching and leading that would be better addressed at the local (e.g. district, region) level than at the state level?

At the March 16, 2016, budget hearing, the Superintendent of Public Instruction testified that based on the recommendations of the external evaluator, the Department will consider modifications to the GTLF program to ensure the GTLF grants are centered around alignment with the professional development standards and the use of evidenced-based practices to measure outcomes for students rather than just inputs.

As noted in the Overview section, the GTLF is eligible to earn interest on money and unexpended appropriations in the Fund; however, The Executive Budget does not include projected interest earnings for the upcoming biennium. Based on information obtained from the Department, Fiscal staff entered a technical adjustment to add projected interest earnings of \$40,776 in each year of the 2017-19 biennium, which is reflected in the closing document.

2. Regional Professional Development Programs (SUMMARY, K-12 EDUCATION-26-27): The Executive Budget recommends \$7.6 million in each year of the 2017-19 biennium for continued support of the three RPDPs for the professional development of teachers and administrators, representing no change from the legislatively approved funding for the 2015-17 biennium. The three RPDPs provide professional development to the school districts assigned to each region as follows:

Southern Nevada Regional Professional Development Program (SNRPDP)	Northwest Regional Professional Development Program (NWRPDP)	Northern Nevada Regional Professional Development Program (NNRPDP)
Clark Esmeralda Lincoln Mineral Nye	Carson City Chrchill Douglas Lyon Storey Washoe	Elko Eureka Humboldt Lander Pershing White Pine

The table below outlines legislatively approved funding for the 2015-17 biennium for each RPDP region, which is recommended to continue at the same funding level for the 2017-19 biennium:

	Leg. Approved S.B. 515		2015-17 Biennium	% of Total
	FY 2016	FY 2017		
SNRPDP	\$ 3,983,356	\$ 3,983,356	\$ 7,966,712	52.7%
NNRPDP	\$ 1,335,736	\$ 1,335,736	\$ 2,671,472	17.7%
NWRPDP	\$ 2,141,856	\$ 2,141,856	\$ 4,283,712	28.3%
Subtotal	\$ 7,460,948	\$ 7,460,948	\$ 14,921,896	98.7%
Administrator Training	\$ 100,000	\$ 100,000	\$ 200,000	1.3%
<b>Total RPDPs</b>	<b>\$ 7,560,948</b>	<b>\$ 7,560,948</b>	<b>\$ 15,121,896</b>	<b>100.0%</b>

In addition to the annual funding allocation for each of the three RPDPs, identified in the table above, each RPDP may apply for grants from the GTLF. In FY 2016, the NNRPDP and the NWRPDP applied for GTLF grants and combined, were awarded a total of \$661,717. Additionally, the NWRPDP applied for and was awarded a GTLF grant in the amount of \$893,333 in FY 2017.

**Fiscal staff recommends this budget be closed as recommended by the Governor, with the noted technical adjustment and with authority for staff to make other technical adjustments as necessary.**

**The Subcommittee recommended approval of this budget as recommended by the Governor with the noted technical adjustment and with authority for staff to make other technical adjustments as necessary.**

**Additional Information – No Action Required**

Senate Bill 300 makes an appropriation of \$2 million in each year of the 2017-19 biennium for the Clark County School District to carry out a program of peer assistance review of teachers. Senate Bill 300 was heard in the Senate Committee on Finance on April 10, 2017.

Nevada Legislative Counsel Bureau  
 Budget Closing Action Report  
 K-12 / Higher Education / CIPs Joint Subcommittee  
 W02 - WORKING VERSION 2

Title: NDE - SCHOOL REMEDIATION TRUST FUND

Budget Page: K-12 EDUCATION-28,  
 Volume I

Account: 101 - 2615

Revenues	2015-16 Actual	2016-17 WP	% Chg	2017-18 GOV REC	% Chg	2018-19 GOV REC	% Chg
GENERAL FUND	160,873,244	187,331,674	16.45	100	(100.00)	100	
OTHER FUND	478,127	56,018	(88.28)				
BALANCE FORWARD	(8,787,921)	8,864,705	(200.87)	4,999,900	(43.60)	4,999,900	
REVERSIONS	(254,609)						
<b>Total Revenues</b>	<b>152,308,841</b>	<b>196,252,397</b>	<b>28.85</b>	<b>5,000,000</b>	<b>(97.45)</b>	<b>5,000,000</b>	

**Total FTE**

**Adjustments to Revenue**

Dec Unit	Cat	GL	Description	2017-18	2018-19
B000	00	2501	Budget Amendment A171672615 to correct amount of FDK transfer.	(28,401)	(43,133)
E225	00	2501	Eliminate decision unit per Subcommittee closing action in 5-18-17	(478,127)	(478,127)
E225	00	4326	Eliminate decision unit per Subcommittee closing action in 5-18-17	478,127	478,127
E280	00	2501	Redirect funding per Subcommittee closing 5-18-17	(7,500,000)	(7,500,000)
E900	00	2501	Budget Amendment A171672615 to correct amount of FDK transfer.	28,401	43,133
E905	00	2501	Redirect funding per Subcommittee closing 5-18-17	84,950,000	84,950,000
<b>Sub-total</b>				<b>77,450,000</b>	<b>77,450,000</b>
<b>Line Item Changes to Revenues</b>				<b>77,450,000</b>	<b>77,450,000</b>

**Adjustments to Expenditures**

Dec Unit	Cat	GL	Description	2017-18	2018-19
B000	34	8000	Budget Amendment A171672615 to correct amount of FDK transfer.	(28,401)	(43,133)
E280	12	8000	Eliminate decision unit per Subcommittee closing action 5-18-17	(7,500,000)	(7,500,000)
E900	34	8000	Budget Amendment A171672615 to correct amount of FDK transfer.	28,401	43,133
E905	12	8000	Eliminate transfer per Subcommittee closing action 5-18-17	10,000,000	10,000,000
E905	15	8000	Eliminate transfer per Subcommittee closing action 5-18-17	46,336,180	46,336,180
E905	16	8000	Eliminate transfer per Subcommittee closing action 5-18-17	3,613,820	3,613,820
E905	17	8000	Eliminate transfer per Subcommittee closing action 5-18-17	25,000,000	25,000,000
<b>Sub-total</b>				<b>77,450,000</b>	<b>77,450,000</b>
<b>Line Item Changes to Expenditures</b>				<b>77,450,000</b>	<b>77,450,000</b>

<b>Total</b>	<b>0</b>	<b>0</b>
--------------	----------	----------

<b>Grand Total General Fund Impact of Closing Changes</b>	<b>76,971,873</b>	<b>76,971,873</b>
---	-------------------	-------------------

<b>Grand Total Highway Fund Impact of Closing Changes</b>	<b>0</b>	<b>0</b>
---	----------	----------

## **Overview**

The Account for Programs for Innovation and the Prevention of Remediation (*Nevada Revised Statutes* [NRS] 387.1247), referred to as the School Remediation Trust Fund, was created by the 2005 Legislature to support improvement plans developed by schools and school districts to improve the achievement of students. This budget currently provides funding for the support of the New Teachers Incentives program, English Learner (EL) programs, including the Zoom Schools program (Clark and Washoe School Districts) and the EL grant program for rural school districts and charter schools sponsored by the State Public Charter School Authority (SPCSA), the Special Education Contingency program and the state-funded Full-Day Kindergarten (FDK) program. The primary funding source for this budget is General Fund appropriations. Unexpended appropriations in the School Remediation Trust Fund earn interest and do not revert to the State General Fund at the end of a fiscal year unless statutory language for a specific program requires funding to revert at the end of a biennium.

## **Major Closing Issues**

1. Repurpose School Remediation Trust Fund Budget
2. Addition of Special Education Teachers to the New Teacher Incentives Program

## **Discussion of Major Closing Issues**

1. Repurpose School Remediation Trust Fund Budget (E-225, E-226, E-905 K-12 EDUCATION-28-30): Section 24 of Senate Bill 508 (codified in NRS 388.5243), approved by the 2015 Legislature, creates the Contingency Account for Special Education Services and requires the State Board of Education to adopt regulations for the application, approval and disbursement of money to reimburse school districts and charter schools for extraordinary program expenses and related services for pupils with significant disabilities. To fund the reimbursement of extraordinary expenditures for students with disabilities, the 2015 Legislature approved a \$5.0 million General Fund appropriation in FY 2017. Beginning with the 2017-19 biennium, the Governor proposes to repurpose the School Remediation Trust Fund to the Contingency Account for Special Education Services. It should be noted that during the 2015 Legislative Session, a separate budget was not created for the \$5.0 million appropriation, but rather, the funding was placed in the School Remediation Trust Fund budget.

As background, the 2005 Legislature approved the creation of the Account for Programs for Innovation and the Prevention of Remediation (School Remediation Trust Fund) to provide grant funding to schools to support programs of education excellence, including programs for school improvement, remediation and innovation. However, there are no statutory requirements restricting the use of funding in this account to a certain program or specific purpose.

Senate Bill 518 is the measure to effectuate the change to repurpose the School Remediation Trust Fund to the Contingency Account for Special Education Services. Senate Bill 518, as amended, was heard in the Senate Committee on Finance on May 4, 2017. The bill proposes to remove the provision authorizing interest and income earned on money in the Contingency Account for Special Education Services (established pursuant to NRS 388.5243) be credited to the account. It should be noted that the bill in its current form only eliminates the provision for the Contingency Account for Special Education Services to earn interest, but does not eliminate the School Remediation Trust Fund established pursuant to NRS 387.1247.

As an alternative to the Governor's recommendation to repurpose the School Remediation Trust Fund, the Subcommittee could establish a new budget for the Contingency Account for Special Education Services, transfer the associated funding for the Special Education Contingency program from this budget to the new budget, and retain the School Remediation Trust Fund intact. The benefit of selecting this action would be to continue to have a statutorily created account that is not program

specific, but rather, would allow the money committees to approve certain program funding to be carried forward and not revert to the State General Fund at the end of a biennium.

➤ Transfer of Programs to the Other State Education Programs Budget

The Governor recommends the transfer of General Fund appropriations totaling \$169.9 million over the 2017-19 biennium for the New Teacher Incentives (\$20.0 million), EL (\$99.9 million) and Victory Schools (\$50.0 million) programs from this budget to the Other State Education Programs budget with no change in purpose **(E-905, K-12 EDUCATION-30)**.

Fiscal staff would note that funding for several of the programs in the Other State Education Programs budget is available for both years of a biennium, while all of the programs in that budget revert unexpended funding to the State General Fund at the end of a biennium. As previously mentioned, unexpended funding in the School Remediation Trust Fund does not revert at the end of a fiscal year unless statutory language for a specific program requires funding to revert at the end of a biennium. The programs recommended by the Governor for transfer from this budget to the Other State Education Programs budget have different reversion and spending provisions, as reflected in the following table:

<b>Program to be Transferred</b>	<b>Funding Available Both Years of Biennium</b>	<b>Funding Reverts at the End of Biennium</b>	<b>Authority</b>
New Teacher Incentives	Y	N	Section 34 (3) S.B. 515 (2015)
English Learner (Zoom & Rural)	Y	Y	Section 27 (6) & (7) S.B. 515 (2015)
Victory Schools	Y	Y	Section 28 (3) & (4) S.B. 515 (2015)

As the table shows, funding for the New Teacher Incentives program is not required to revert at the end of a biennium so unexpended funding is carried forward to the subsequent biennium. In response to follow-up questions, the Department of Education (Department) indicates that unexpended funding for the New Teacher Incentives program should continue to be carried forward to the subsequent biennium and not revert to the State General Fund. The Department’s goal, with the support of the New Teacher Incentives program and other programs, is to fill all teacher vacancies. The Department notes that since this goal has yet to be realized, any remaining funds for the New Teacher Incentives program allowed to be carried forward to future biennia would increase the number of first and second year teachers that school districts could recruit or retain.

➤ Funding Structure Change

State funding for special education, including the funding for the Special Education Contingency program, is subject to federal maintenance of effort (MOE) requirements. As a result, in order to avoid obligating additional General Fund appropriations to the federal MOE for special education, the Governor recommends a modification to the funding structure for the Special Education Contingency program for the upcoming biennium.

In conjunction with the proposed repurposing of this budget to the Contingency Account for Special Education Services, The Executive Budget recommends the elimination of the Treasurer’s Interest earnings in the amount of \$478,127 in each year of the 2017-19 biennium and replaces the interest income with General Fund appropriations **(E-225, K-12 EDUCATION-28-29)**.

For the 2017-19 biennium, the Governor recommends the elimination of all but \$100 of the \$5.0 million General Fund appropriation for the support of the Special Education Contingency program with the remaining \$4,999,900 to be funded with a carry forward of unexpended funding

from the prior year, for total available funding each year of \$5.0 million each year. As such, if the Special Education Contingency program funding is fully expended at the end of a fiscal year in either year of a biennium, the Department would request funding from the Interim Finance Committee Contingency Account to replenish the expended program funds to the legislatively approved level of \$5.0 million and to maintain compliance with federal MOE requirements for special education (E-226, SUMMARY, K-12 EDUCATION-29-31).

**Options for the Consideration by the Subcommittee:**

**A. Approve the Governor's recommendation to repurpose the School Remediation Trust Fund to the Contingency Account for Special Education Services, contingent upon the passage and approval of Senate Bill 518, which should be amended to eliminate the School Remediation Trust Fund.**

If this option is selected, the Subcommittee should approve:

- Decision Unit E-905 to transfer General Fund appropriations totaling \$169.9 million over the 2017-19 biennium for the New Teacher Incentives (\$20.0 million), EL (\$99.9 million) and Victory Schools (\$50.0 million) programs from this budget to the Other State Education Programs budget with no change in purpose.
- Decision Unit E-225 to eliminate the Treasurer's Interest earnings in the amount of \$478,127 in each year of the 2017-19 biennium
- Decision Unit E-226 to eliminate all but \$100 of the \$5.0 million General Fund appropriation for the support of the Special Education Contingency program with the remaining \$4,999,900 to be funded with a carry forward of unexpended funding from the prior year, for total available funding each year of \$5.0 million each year.

**B. Do not approve the Governor's recommendation to repurpose the School Remediation Trust Fund to the Contingency Account for Special Education Services, but rather, retain the School Remediation Trust Fund intact and create a new budget for this purpose and provide Fiscal staff with authority to transfer the funding for the Contingency Account for Special Education Services to the newly created budget.**

If this option is selected, the Subcommittee should approve:

- Decision Unit E-226 to eliminate all but \$100 of the \$5.0 million General Fund appropriation for the support of the Special Education Contingency program with the remaining \$4,999,900 to be funded with a carry forward of unexpended funding from the prior year, for total available funding each year of \$5.0 million each year.

The Subcommittee should *not* approve:

- Decision Unit E-225 to eliminate the Treasurer's Interest earnings in the amount of \$478,127 in each year of the 2017-19 biennium.
- Decision Unit E-905 to transfer General Fund appropriations totaling \$169.9 million over the 2017-19 biennium for the New Teacher Incentives (\$20.0 million), EL (\$99.9 million) and Victory Schools (\$50.0 million) programs from this budget to the Other State Education Programs budget with no change in purpose.

The Subcommittee recommended approval of Option B, to not approve the Governor's recommendation to repurpose the School Remediation Trust Fund to the Contingency Account for Special Education Services, but rather, retain the School Remediation Trust Fund intact and create a new budget for the Contingency Account for Special Education Services and provided Fiscal staff with authority to transfer the funding for the Contingency Account for Special Education Services to the newly created budget.

The Subcommittee also approved Decision Unit E-226 to eliminate all but \$100 of the \$5.0 million General Fund appropriation for the support of the Special Education Contingency program with the remaining \$4,999,900 to be funded with a carry forward of unexpended funding from the prior year, for total available funding each year of \$5.0 million each year.

Finally, the Subcommittee did not approve Decision Unit E-225 to eliminate the Treasurer's Interest earnings in the amount of \$478,127 in each year of the 2017-19 biennium and did not approve Decision Unit E-905 to transfer General Fund appropriations totaling \$169.9 million over the 2017-19 biennium for the New Teacher Incentives (\$20.0 million), EL (\$99.9 million) and Victory Schools (\$50.0 million) programs from this budget to the Other State Education Programs budget with no change in purpose.

2. Addition of Special Education Teachers to the New Teacher Incentives Program (BASE, K-12 EDUCATION-28): The 2015 Legislature approved S.B. 511, which among other actions, appropriated \$10.0 million over the 2015-17 biennium to create a new grant program to provide incentive pay for newly hired teachers who are employed to teach in certain at-risk schools during their first two years of employment. Schools considered at-risk include Title I schools and 1 and 2 star schools, the two lowest ratings indicating underperformance of a public school, as determined by the Department pursuant to the statewide system of accountability for public schools for the preceding year. Senate Bill 515, known as the 2015 education funding bill, appropriated an additional \$10.0 million to increase the available funding for this new grant program to \$20.0 million over the 2015-17 biennium.

The Governor recommends the transfer of \$15.0 million of existing funding from the New Teacher Incentives program to increase funding for recruitment and retention incentives in both the Zoom Schools program and the EL grant program (**E-275; K-12 EDUCATION-20-21**). The recommendation to transfer \$15.0 million of existing funding from the New Teacher Incentives program to increase funding for recruitment and retention incentives in both the Zoom Schools program and the EL grant program is discussed in the Other State Education Programs budget (BA 2699), in Decision Unit E-275.

Pursuant to Section 12, subsection 3 of S.B. 511 (2015), new teacher incentives may be provided to increase the base salary of a teacher for the 2015-2016 and 2016-2017 school years in an amount not to exceed \$5,000 per school year. A teacher who receives such an incentive is not entitled to continue to receive such an incentive after the 2016-2017 school year, and the board of trustees of a school district is not required to pay such an incentive after that school year.

According to the Department, S.B. 511 required that incentive funds be linked to the Program of Performance Pay and Enhanced Compensation for the Recruitment and Retention of Licensed Teachers and Administrators (NRS 391A.450). The Department determined that charter schools are not eligible to receive funding from the New Teacher Incentives program because charter schools are not subject to the requirements of the Program of Performance Pay and Enhanced Compensation for the Recruitment and Retention of Licensed Teachers and Administrators program.

Information provided by the Department indicates that the new teacher incentives grants awarded to 13 school districts in FY 2016 totaled \$9.9 million based on 2,455 projected new hires as eligible teachers. Actual incentive expenditures for FY 2016 totaled \$7.1 million for 1,753 new hires, with the unexpended incentive funding carried forward to be included in the FY 2017 incentive grant awards. Three school districts did not apply for the grant, as they did not have any eligible teachers.

The Department notes that a significant challenge encountered in the first year of the implementation of the New Teachers Incentives program was that school districts were unable to market the incentive to new teachers during the peak hiring period (January through June) due to the legislative timeline of funds not being available until July 1, 2015.

Based on the Governor's recommendation to transfer \$7.5 million in each fiscal year from the New Teachers Incentives program to the EL programs (Zoom and rural and charter schools), available funding remaining for new teacher incentive grants would be \$2.5 million in each year of the 2017-19 biennium. Testimony provided by the Department at the budget hearing on March 1, 2017, indicates that due to recruiting challenges in finding a sufficient number of special education teachers, the Department proposes a policy change to allow incentive funds from the New Teacher Incentives program for the recruitment of special education teachers at any school.

In response to follow-up questions, the Department indicates that teachers with an appropriate license to teach in Special Education in any school, not just certain at-risk schools, would be eligible for incentives. The Department notes that the requested policy change would have a significant positive impact in assisting schools with filling one of the highest need areas. The Department further indicates that if the Governor's recommendation to transfer \$7.5 million of New Teacher Incentive program funding in each fiscal year to the Zoom Schools and rural and charter school EL grant program is approved, the Department recommends the remaining \$2.5 million in each year be utilized to support the recruitment efforts of teachers at non-Zoom schools.

**Does the Subcommittee wish to approve a policy change to allow incentive funds from the New Teacher Incentives program to be utilized for the recruitment of special education teachers at any school during their first two years of employment, in addition to newly hired teachers who are employed to teach in certain at-risk schools?**

**The Subcommittee recommended approval of a policy change to allow incentive funds from the New Teacher Incentives program to be utilized for the recruitment of special education teachers at any school during their first two years of employment, in addition to newly hired teachers who are employed to teach in certain at risk schools.**

#### **Other Closing Items**

1. **English Learner Programs (BASE, K-12 EDUCATION-28):** The Executive Budget continues existing General Fund appropriations of \$49.95 million in each fiscal year for the support of the Zoom Schools program and the EL grant program for rural school districts and SPCSA-sponsored charter schools for the 2017-19 biennium. The number of students identified as EL in FY 2016 totaled 79,108, an increase of 4.6 percent or 3,502 students compared to the EL count of 75,606 students in FY 2015. The Department reports that the preliminary count of EL students in FY 2017 is 83,966; however the Department indicates it could decrease as much as 3 percent based on data validation.

For the 2017-19 biennium, the Governor recommends additional General Fund appropriations totaling \$27.0 million to increase support of the Zoom Schools and EL grant programs for rural school districts and SPCSA-sponsored charter schools. In addition, the Governor recommends the transfer of

\$15.0 million of existing funding from the New Teacher Incentives program to increase funding for recruitment and retention incentives in both the Zoom Schools program and the EL grant program **(E-275; K-12 EDUCATION-20-21)**. The recommendation to increase funding for the Zoom Schools and EL grant programs is discussed in the Other State Education Programs budget (BA 2699), the budget in which the Decision Unit E-275 is recommended.

The 2013 Legislature first approved funding for the support of EL when it appropriated approximately \$25 million each fiscal year of the 2013-15 biennium. The 2015 Legislature approved additional General Fund appropriations to increase funding allocated to designated schools in the Clark County School District (CCSD) and the Washoe County School District (WCSD), known as Zoom Schools, and EL grant programs for the rural school districts and SPCSA-sponsored charter schools, bringing the total funding for all EL programs to \$50.0 million in each fiscal year.

Of the total \$99.9 million appropriated for the support of EL students over the 2015-17 biennium, funding allocated for the Zoom Schools program totaled \$92.7 million, with \$78.7 million over the biennium allocated to the CCSD and \$14.0 million allocated to the WCSD. The EL grant program awarded a total of \$7.2 million over the 2015-17 biennium to the rural school districts and the SPCSA-sponsored charter schools. Fiscal staff would note that the Zoom Schools program is based on a whole school intervention for high-concentration EL and low-performing schools in the CCSD and the WCSD, whereas the EL grant program allocates per-pupil funding based on the number of pupils identified as EL in each school district or SPCSA-sponsored charter school. Over the 2015-17 biennium, the CCSD operated 57 elementary, 8 middle and 2 high schools in the Zoom Schools program, while the WCSD operated 34 elementary and 5 middle Zoom Schools.

The Department indicates that the combined total number of students served through both the Zoom Schools and the EL grant programs totaled 34,379 students in FY 2016 and 45,800 students are projected to be served in FY 2017. The table on the following page identifies the specific funding allocations and actual expenditures by entity for FY 2016, as well as the revised FY 2017 funding allocations, which include the carryover of each entity's unexpended funding from FY 2016.

Funding for English Learners (EL)	Total 2015-17 Biennium	Percent of Total	FY 2016 Funding Allocation	FY 2016 Actual Expenditures	Carryover Funds for FY 2017 <sup>2</sup>	FY 2017 Preliminary Funding Allocation	FY 2017 Revised Funding Allocation
Clark (Zoom)	\$ 78,700,684	78.78%	\$ 39,350,342	\$ 38,223,257	\$ 1,127,085	\$ 39,350,342	\$ 40,477,427
Washoe (Zoom)	\$ 13,971,676	13.99%	\$ 6,985,838	\$ 6,070,995	\$ 914,843	\$ 6,985,838	\$ 7,900,681
<b>Total Zoom Program</b>	<b>\$ 92,672,360</b>	<b>92.77%</b>	<b>\$ 46,336,180</b>	<b>\$ 44,294,252</b>	<b>\$ 2,041,928</b>	<b>\$ 46,336,180</b>	<b>\$ 48,378,108</b>
Carson	\$ 1,723,363	1.73%	\$ 915,016	\$ 595,845	\$ 319,171	\$ 808,347	\$ 1,127,518
Churchill	\$ 331,311	0.33%	\$ 182,343	\$ 138,280	\$ 44,063	\$ 148,968	\$ 193,031
Douglas	\$ 424,825	0.43%	\$ 220,661	\$ 123,784	\$ 96,877	\$ 204,164	\$ 301,041
Elko	\$ 1,407,561	1.41%	\$ 739,280	\$ 260,979	\$ 478,301	\$ 668,281	\$ 1,146,582
Esmeralda	\$ 18,678	0.02%	\$ 8,589	\$ -	\$ 8,589	\$ 10,089	\$ 18,678
Eureka	\$ 9,899	0.01%	\$ 3,964	\$ -	\$ 3,964	\$ 5,935	\$ 9,899
Humboldt	\$ 591,819	0.59%	\$ 304,565	\$ 226,000	\$ 78,565	\$ 287,254	\$ 365,819
Lander	\$ 119,671	0.12%	\$ 62,102	\$ 54,241	\$ 7,861	\$ 57,569	\$ 65,430
Lincoln	\$ 15,644	0.02%	\$ 7,928	\$ 7,928	\$ -	\$ 7,716	\$ 7,716
Lyon	\$ 647,685	0.65%	\$ 346,187	\$ -	\$ 346,187	\$ 301,498	\$ 647,685
Mineral	\$ 44,859	0.04%	\$ 9,249	\$ 8,762	\$ 487	\$ 35,610	\$ 36,097
Nye	\$ 450,255	0.45%	\$ 243,124	\$ 191,070	\$ 52,054	\$ 207,131	\$ 259,185
Pershing	\$ 63,693	0.06%	\$ 31,051	\$ 31,025	\$ 26	\$ 32,642	\$ 32,668
Storey	\$ 1,255	0.00%	\$ 661	\$ -	\$ 661	\$ 594	\$ 1,255
White Pine	\$ 41,981	0.04%	\$ 21,802	\$ -	\$ 21,802	\$ 20,179	\$ 41,981
SPSCA <sup>1</sup>	\$ 1,335,141	1.34%	\$ 517,298	\$ 265,136	\$ 252,162	\$ 817,843	\$ 1,070,005
<b>Total EL Grant Program</b>	<b>\$ 7,227,640</b>	<b>7.23%</b>	<b>\$ 3,613,820</b>	<b>\$ 1,903,050</b>	<b>\$ 1,710,770</b>	<b>\$ 3,613,820</b>	<b>\$ 5,324,590</b>
<b>Total</b>	<b>\$ 99,900,000</b>	<b>100.00%</b>	<b>\$ 49,950,000</b>	<b>\$ 46,197,302</b>	<b>\$ 3,752,698</b>	<b>\$ 49,950,000</b>	<b>\$ 53,702,698</b>

<sup>1</sup>State Public Charter School Authority

<sup>2</sup> Pursuant to Section 27 of S.B. 515 Section, unexpended funding in FY 2016 must be added to the allocations for FY 2017; and any unexpended funding at the end of FY 2017 must revert to the State General Fund.

2. **Victory Schools Program (BASE; K-12 EDUCATION-28):** As recommended by the Governor, the 2015 Legislature approved a new Victory Schools grant program to provide additional services to underperforming elementary, middle and high schools identified as one or two star schools in the highest poverty zip codes of a school district. Testimony provided by the Department during the 2015 Legislative Session indicated that data from the Victory Schools funding initiative would be utilized to calculate a per-pupil funding weight for at-risk pupils that would eventually be incorporated in the K-12 funding formula. The 2015 Legislature approved General Fund appropriations totaling nearly \$50.0 million over the 2015-17 biennium to fund an estimated 33 schools that would be known as Victory Schools.

The Governor recommends additional General Fund appropriations of \$10.0 million in FY 2018 and \$20.0 million in FY 2019 to expand the Victory Schools program to support an estimated 30 additional underperforming schools. Inclusive of the recommended funding enhancement, total funding for the Victory Schools program would be \$80.0 million over the 2017-19 biennium, which represents a 60 percent increase when compared to the \$50.0 million legislatively approved for the 2015-17 biennium (**E-277, K-12 EDUCATION-21**). The recommendation to increase funding for the Victory Schools program is discussed in the Other State Education Programs budget (BA 2699), the budget in which the Decision Unit E-277 is recommended.

According to the Department, the actual number of Victory Schools funded in each year of the 2015-17 biennium is 35. Each school received an allocation of approximately \$1,137.45 per pupil to support student achievement levels and become college and career ready. Actual expenditures of Victory Schools funding in FY 2016 totaled \$22.3 million of the \$24.5 million appropriated, which equates to an actual per-pupil expenditure of \$1,013.96 based on total student enrollment of 21,982 at the Victory Schools served. It should be noted that any funding not expended during FY 2016 must be carried over to FY 2017. The table that follows identifies the number of Victory Schools in each school district by type and the total allocation and actual Victory Schools expenditures in FY 2016:

Victory Schools Program	School Type			Total	FY 2016 Allocation	FY 2016 Actual Expenditures*
	Elementary	Middle	High			
Clark	19	3	2	24	\$ 20,945,004	\$ 19,727,147
Washoe	3	0	1	4	\$ 2,601,350	\$ 1,574,146
Elko	2	1	1	4	\$ 1,102,189	\$ 815,785
Nye	1	0	0	1	\$ 103,508	\$ 74,622
Humboldt	1	1	0	2	\$ 97,821	\$ 97,261
<b>Total</b>	<b>26</b>	<b>5</b>	<b>4</b>	<b>35</b>	<b>\$ 24,849,872</b>	<b>\$ 22,288,961</b>

\* School Districts not able to implement a full year of Victory plans due to the start-up period needed for the Department and school districts to meet the requirements of S.B. 432.

Senate Bill 432, approved by the 2015 Legislature, outlined the instruction, programs, and services that shall or may be provided by a Victory School and requires the Department to contract with an independent evaluator to evaluate the effectiveness of programs and services provided. Additionally, S.B. 432 authorized the State Board of Education to require a Victory School that demonstrates unsatisfactory pupil achievement and school performance to take corrective action. The State Board of Education is also authorized to direct the Department to withhold money if unsatisfactory pupil achievement and school performance continues.

In response to how often pupil achievement and school performance data of Victory Schools is reviewed by the State Board of Education, the Department indicates that school districts prepare an annual report and submit the report to the Department and the Legislative Committee on Education on or before November 30 of each year. The Department forwards these reports to the State Board of Education for review annually. As a new program this current biennium, sufficient data is not yet available for the State Board of Education to make a determination whether a Victory School is demonstrating unsatisfactory pupil achievement and school performance in order to require such a school to take corrective action.

3. Transfer of Full-Day Kindergarten Program (E-900, K-12 EDUCATION-29): The 2015 Legislature approved the expansion of the state's Full-Day Kindergarten (FDK) program to all school district and charter school kindergartens by FY 2017, at a targeted student-to-teacher ratio of 21:1. The state-funded FDK program continues to be optional. As such, school districts and charter schools may elect to continue operating some half-day kindergarten programs. With the enactment of S.B. 508 (2015), effective July 1, 2017, students in kindergarten will be funded as a 1.0 full-time student in the average daily enrollment for all students in grades 1 to 12, instead of as a 0.60 weighted part-time student.

In order to comply with the provisions of S.B. 508 (2015), The Executive Budget proposes to transfer General Fund appropriations in the amount of \$83.8 million in FY 2018 and \$85.8 million in FY 2019 for the state-funded FDK program to the DSA budget. This recommendation funds FDK beginning in FY 2018 through the Nevada Plan formula funding as opposed to funding FDK through a categorical grant program, as has been the practice since the program's inception.

On March 10, 2017, the Governor's Finance Office submitted Budget Amendment A171672615 to adjust the FDK funding proposed for transfer to the DSA. The budget amendment reduces General Fund appropriations by \$28,401 in FY 2018 and by \$43,133 in FY 2019 to adjust the funding in the transfer unit included in The Executive Budget to the correct amount. **This recommendation, inclusive of the noted budget amendment, appears reasonable.**

4. Special Education Contingency Program (SUMMARY, K-12 EDUCATION-30): As previously discussed, the 2015 Legislature approved a \$5.0 million General Fund appropriation in FY 2017 to establish a program to reimburse school districts and charter schools for extraordinary expenses related to the education of pupils with significant disabilities. The establishment of a contingency account for exceptionally high-cost students with disabilities was one of the recommendations of the Task Force on K-12 Public Education Funding, which convened during the 2013-2014 Interim pursuant to Senate Bill 500 (2013) to develop a plan for revising and implementing the state's public education funding formula. Task Force members were supportive of the creation of a contingency account, particularly to assist small school districts and charter schools with high-cost students with disabilities.

The Task Force recommendation to establish a contingency account for exceptionally high-cost students with disabilities was based upon a recommendation included in the report titled "Study of a New Method of Funding for Public Schools in Nevada" published by the American Institutes for Research (AIR) on September 25, 2012. In that report, AIR indicates that this type of contingency fund serves as an insurance provision to protect districts against extraordinarily high special education costs that may arise and are particularly difficult for small districts to sustain. Because of the number of small districts in Nevada, the establishment of this type of fund would be especially important.

According to AIR, most states establish a threshold per-pupil cost based on a multiple of the average cost of a regular education student to define what constitutes a high-cost student, and these multiples range from 1.1 to 5.0. Kansas reimburses expenditures over a base of \$25,000 per student (Parrish, Harr, Anthony, Merickel, and Esra, 2003). The percentage of spending above this threshold covered by states also varies from 65 percent to 80 percent. The contingency fund should be designed to be used rarely, to be transparent and simple, and to be low cost to administer. The consultant further indicates there should be some district responsibility (copay) for the excess costs for these high-cost students.

As required by NRS 388.5243, which establishes the Contingency Account for Special Education Services, the State Board of Education developed regulation R032-16 (adopted September 9, 2016) to outline the qualifications and guidelines for the reimbursement of extraordinary expenditures from the account. Section 2 of regulation R032-16 defines "pupil with significant disabilities" as a pupil with a disability for whom the cost of services exceeds the total funding otherwise available to the school district or charter school for the pupil.

The regulation further states a school district or charter school may request reimbursement from the Contingency Account for Special Education Services by submitting an application to the Department which: 1) Identifies the services for which reimbursement is requested; and 2) Includes documentation of all services and their respective expenses and any other information required by the Department. The Department shall review and approve or deny a completed application for reimbursement and give notice of its decision to the applicant. The Department may deny an application, wholly, or in part, if it determines that the expense requested for reimbursement is excessive, unsubstantiated or not eligible for reimbursement. The Department's decision with respect to an application for reimbursement is not subject to administrative or judicial review. As of this writing, there have been no expenditures recorded in the state's accounting system for the Special Education Contingency program.

In response to follow-up questions, the Department indicates that several applications for reimbursement of extraordinary expenditures related to the education of pupils with significant disabilities have been submitted to date in FY 2017. Concerning the review, approval or denial of an application for reimbursement from the Special Education Contingency program funds, the Office of Special Education reviews the applications and makes recommendations to the Superintendent of Public Instruction regarding approval or denial of the reimbursement request.

5. Elimination of Funding for Kindergarten Portable Classrooms (BASE, K-12 EDUCATION-28): The 2015 Legislature approved General Fund appropriations of \$1.0 million in each fiscal year of the 2015-17 biennium to assist school districts with the purchase of portable classrooms needed to continue the expansion of the FDK program. With the statewide expansion of the FDK program completed in FY 2017, The Executive Budget eliminates the General Fund appropriations totaling \$2.0 million over the 2017-19 biennium for the purchase of portable classrooms.

**Fiscal staff recommends all Other Closing Items be closed as recommended by the Governor, inclusive of Budget Amendment A171672615, and with authority for staff to make other technical adjustments as necessary.**

<p><b>The Subcommittee recommended all Other Closing Items be closed as recommended by the Governor, inclusive of Budget Amendment A171672615, and providing authority for staff to make other technical adjustments as necessary.</b></p>
--



Nevada Legislative Counsel Bureau  
 Budget Closing Action Report  
 K-12 / Higher Education / CIPs Joint Subcommittee  
 W02 - WORKING VERSION 2

Title: NDE - STATE SUPPLEMENTAL SCHOOL SUPPORT ACCOUNT  
 Account: 101 - 2617

Budget Page: K-12 EDUCATION-32, Volume I

Revenues	2015-16 Actual	2016-17 WP	% Chg	2017-18 GOV REC	% Chg	2018-19 GOV REC	% Chg
OTHER FUND	167,351,187	159,212,000	(4.86)	185,334,000	16.41	190,757,000	2.93
Total Revenues	167,351,187	159,212,000	(4.86)	185,334,000	16.41	190,757,000	2.93

**Total FTE**

Adjustments to Revenue					
Dec Unit	Cat	GL	Description	2017-18	2018-19
B000	00	3335	Adjustment due to May 2017 re-projection of revenues	(351,000)	259,000
B000	00	4326	Adjustment due to May 2017 re-projection of revenues	73,000	76,000
<b>Sub-total</b>				(278,000)	335,000
<b>Line Item Changes to Revenues</b>				(278,000)	335,000
Adjustments to Expenditures					
Dec Unit	Cat	GL	Description	2017-18	2018-19
B000	08	8000	Adjustment due to May 2017 re-projection of revenues	(278,000)	335,000
E130	08	8000	Adjustment due to May 2017 re-projection of revenues	278,000	(335,000)
E130	08	9000	Adjustment due to May 2017 re-projection of revenues	(278,000)	335,000
<b>Sub-total</b>				(278,000)	335,000
<b>Line Item Changes to Expenditures</b>				(278,000)	335,000
<b>Total</b>				0	0
<b>Grand Total General Fund Impact of Closing Changes</b>				0	0
<b>Grand Total Highway Fund Impact of Closing Changes</b>				0	0

**Overview**

The State Supplemental School Support Account was created as a result of Initiative Petition 1 (IP 1), which was approved by the 2009 Legislature. Pursuant to *Nevada Revised Statutes* (NRS) 244.33561, in any county with a population of 300,000 or more (Clark and Washoe), the board of county commissioners shall impose a tax of 3 percent on the gross receipts from the rental of transient lodging (Room Tax) in that county. For the period of July 1, 2009, through June 30, 2011, the proceeds of this Room Tax were to be credited to the State General Fund. Pursuant to the petition, beginning on July 1, 2011, the proceeds of the Room Tax were to be credited to the State Supplemental School Support Account to be distributed to school districts and charter schools to improve the achievement of students and to attract and retain qualified teachers and non-administrative employees (NRS 387.191). The 2011, 2013, and 2015 Legislatures have approved the transfer of IP 1 Room Tax revenues to the Distributive School Account (DSA) as a state funding source for the 2011-13 biennium, the 2013-15 biennium and the 2015-17 biennium, respectively. The transfer of IP 1 Room Tax revenues to the DSA, as approved by the 2015 Legislature, is scheduled to sunset on June 30, 2017.

**Major Closing Item**

There are no major closing items.

**Other Closing Item**

**Continued Transfer of IP 1 Room Tax Revenues (E-130; K-12 EDUCATION-32):** The proceeds from the IP1 Room Tax revenues, inclusive of interest, are forecast in The Executive Budget at \$185.3 million for FY 2018, an increase of 3.5 percent when compared to projected FY 2017 revenues of \$179.1 million and \$190.8 million for FY 2019, an increase of 2.9 percent over FY 2018. Of the total \$376.1 million IP 1 Room Tax revenues projected over the 2017-19 biennium, the Governor recommends \$25.5 million continue to

be transferred to the DSA as a state funding source and \$350.6 million be transferred to the Other State Education Programs budget to fund several education programs that were supported in the 2015-17 biennium with General Fund appropriations.

The table that follows illustrates the actual Room Tax proceeds collected FY 2010 through FY 2016 since the 2009 Legislature approved IP 1, projected FY 2017 proceeds, as well as the legislatively approved distribution of the funds from FY 2012 through FY 2017, and the Governor recommended distribution in FY 2018 and FY 2019.

State Supplemental School Support Account	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2018*	FY 2019*
Revenues	Actual							Projected	Governor Recommended		Revised Gov.Recommended	
Proceeds of 3% Room Tax (w/Interest)	\$ 97,671,733	\$112,567,350	\$ 126,518,028	\$128,848,849	\$141,236,516	\$150,556,077	\$ 167,351,188	\$ 179,556,000	\$185,334,000	\$ 190,757,000	\$ 185,056,000	\$ 191,092,000
Percentage Change		15.3%	12.4%	1.8%	9.6%	6.6%	11.2%	7.3%	3.2%	2.9%	3.1%	3.3%
Expenditures	Provisions of IP 1		Legislatively Approved Distribution					Governor Recommended		Revised Gov.Recommended <sup>1</sup>		
Deposited to State General Fund	\$ 97,671,733	\$112,567,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to Distributive School Account	\$ -	\$ -	\$ 126,518,028	\$128,848,849	\$141,236,516	\$150,556,077	\$ 167,351,188	\$ 179,556,000	\$ 21,983,738	\$ 3,506,738	\$ 185,056,000	\$ 191,092,000
Transfer to Other State Educ. Programs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$163,350,262	\$ 187,250,262	\$ -	\$ -
State Supplemental School Support Acct.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

<sup>1</sup> Reflects budget amendment to redirect all IP1 Room Tax revenues and interest earnings to the DSA as a state funding source.

\* Percentage change in FY 2018 compared to FY 17 projected; percentage change in FY 2019 compared to FY 2018.

On March 17, 2017, the Governor’s Finance Office submitted a budget amendment (A171332610A) to direct all of the IP 1 Room Tax revenues (inclusive of interest earnings) to the DSA budget as a state funding source for the 2017-19 biennium. Since the total amount of the recommended expenditure transfer in this budget does not change, a budget amendment is not necessary for this budget. Fiscal staff notes that the budget amendment submitted has no overall General Fund impact, as it swaps existing resources from one budget account to the other.

On May 1, 2017, the Economic Forum convened to re-project the state’s General Fund revenues. Similarly, the IP 1 Room Tax revenues have also been re-projected for the upcoming biennium. Based on updated revenue forecasts, the IP 1 Room Tax revenues, inclusive of interest earnings, have been re-projected at \$185.1 million for FY 2018 and \$191.1 million for FY 2019, representing a nominal, cumulative, increase of \$57,000 when compared to the projected IP 1 Room Tax revenues and interest earnings included in The Executive Budget. The technical adjustment to increase the IP 1 Room Tax revenues and interest earnings based on the re-projection is reflected in the closing document.

If the transfer of IP 1 Room Tax revenues, inclusive of interest earnings, were to sunset as originally scheduled and remain in the Supplemental School Support Account, additional General Fund appropriations totaling \$376.1 million would be required to support the Governor’s recommended funding level in the DSA for the 2017-19 biennium. If the transfer of IP 1 Room Tax revenues to the DSA is approved, Fiscal staff requests approval to include back language in the 2017 K-12 education funding bill to extend the sunset through June 30, 2019, similar to the Legislature’s actions in previous biennia.

**Fiscal staff recommends this budget be closed as recommended by the Governor, inclusive of the technical adjustment to update the projected IP 1 Room Tax revenues and interest earnings, and with approval to include back language in the 2017 K-12 education funding bill to extend the sunset of the IP 1 Room Tax transfer through June 30, 2019. Fiscal staff also requests authority to make other technical adjustments, as necessary.**

**The Subcommittee recommended approval of this budget as recommended by the Governor, inclusive of the technical adjustment to update the projected IP 1 Room Tax revenues and interest earnings, and with approval to include back language in the 2017 K-12 education funding bill to extend the sunset of the IP 1 Room Tax transfer through June 30, 2019, and with authority for Fiscal staff to make other technical adjustments, as necessary.**



Nevada Legislative Counsel Bureau  
 Budget Closing Action Report  
 K-12 / Higher Education / CIPs Joint Subcommittee  
 W02 - WORKING VERSION 2

**Title:** NDE - TEACH NEVADA SCHOLARSHIP PROGRAM  
**Account:** 101 - 2718

**Budget Page:** K-12 EDUCATION-34, Volume I

Revenues	2015-16 Actual	2016-17 WP	%	2017-18 GOV REC	%	2018-19 GOV REC	%
GENERAL FUND	2,500,000	2,500,000		3,000,000	20.00	3,000,000	
BALANCE FORWARD	(374,883)	374,883	(200.00)				
<b>Total Revenues</b>	<b>2,125,117</b>	<b>2,874,883</b>	<b>35.28</b>	<b>3,000,000</b>	<b>4.35</b>	<b>3,000,000</b>	

**Total FTE**

**Adjustments to Revenue**

Dec Unit	Cat	GL	Description	2017-18	2018-19
B000	00	3290	Technical Adjustment to add estimated Treasurer's Interest Earnings	13,892	13,892
E285	00	2501	Eliminate decision unit per Subcommittee closing action 5-11-17	(500,000)	(500,000)
<b>Sub-total</b>				<b>(486,108)</b>	<b>(486,108)</b>
<b>Line Item Changes to Revenues</b>				<b>(486,108)</b>	<b>(486,108)</b>

**Adjustments to Expenditures**

Dec Unit	Cat	GL	Description	2017-18	2018-19
B000	10	8000	Technical Adjustment to add estimated Treasurer's Interest Earnings	13,892	13,892
E285	10	8000	Eliminate decision unit per Subcommittee closing action 5-11-17	(500,000)	(500,000)
<b>Sub-total</b>				<b>(486,108)</b>	<b>(486,108)</b>
<b>Line Item Changes to Expenditures</b>				<b>(486,108)</b>	<b>(486,108)</b>
<b>Total</b>				<b>0</b>	<b>0</b>

<b>Grand Total General Fund Impact of Closing Changes</b>	<b>(500,000)</b>	<b>(500,000)</b>
---	------------------	------------------

<b>Grand Total Highway Fund Impact of Closing Changes</b>	<b>0</b>	<b>0</b>
---	----------	----------

**Overview**

The 2015 Legislature approved Senate Bill 511 (codified in *Nevada Revised Statutes* (NRS) 391A.550-590), to establish the Teach Nevada Scholarship program to encourage students to enter the teaching profession to address the long-term plan for recruiting future teachers. The Teach Nevada Scholarship Program Account (Account) was created in the State General Fund pursuant to NRS 391A.575. Section 2 of NRS 391A.575 provides that interest and income earned on money in the Account and unexpended appropriations must be credited to the Account and any money and unexpended appropriations remaining in the Account do not revert and the balance must be carried forward to the next fiscal year.

Any public or private university, college, or other provider of an alternative licensure program is eligible to apply to the State Board of Education (SBE) for Teach Nevada Scholarship funds. Scholarships may be awarded up to \$3,000 per semester or \$24,000 in the aggregate per student. Students will receive 75 percent of the value of the scholarship each semester of attendance while the remaining 25 percent must be deposited into a trust account established for the student by the provider. Once the student has successfully completed the teacher preparation program and teaches in Nevada for five consecutive years following graduation, the student is entitled to request the 25 percent portion of the scholarship, as long as it is requested within 120 days of fulfilling all program and employment requirements. Should the student

not request the 25 percent portion within the 120-day timeframe, the eligible entity keeps the remaining 25 percent scholarship funds.

Pursuant to NRS 391A.590, if a scholarship recipient does not complete the program for which the scholarship was awarded for any reason, the provider must pay the SBE: a) any amount of money placed in a trust account on behalf of the scholarship recipient; 2) any amount of money the provider has received but has not yet disbursed to the scholarship recipient; and c) an amount of money equal to the total amount of money disbursed to the scholarship recipient or \$1,000, whichever is less. Subsection 2 of NRS 391A.590 requires the SBE to retain \$1,000 per student to be awarded to the providers for each successful completer of the teacher preparation program, which must be used by the provider to support the costs of providing a teacher preparation program.

### **Major Closing Issue**

Funding Increase for the Teach Nevada Scholarship Program

### **Discussion of Major Closing Issue**

Funding Increase for the Teach Nevada Scholarship Program (E-285, K-12 EDUCATION-34): The Governor recommends General Fund appropriations of \$500,000 in each year of the 2017-19 biennium to fund additional scholarships for the Teach Nevada Scholarship program, which would bring total recommended funding for the program to \$3.0 million in each fiscal year of the 2017-19 biennium. Based on the maximum allowable scholarship of \$24,000 per scholarship, plus the \$1,000 amount to be awarded to providers for successful completers of a teacher preparation program, it appears the additional \$500,000 each year would support a minimum of 20 new scholarships each year depending on the program cost for each provider.

### **Scholarships for FY 2016**

In FY 2016, the first year of implementation of the Teach Nevada Scholarship program, the SBE limited the providers of scholarships to those that offer Alternative Route to Licensure (ARL) programs. According to information obtained from the Department of Education's (Department) website, the Commission on Professional Standards has approved 19 ARL providers statewide, 8 of which are school districts. The SBE further required all FY 2016 scholarship recipients to be eligible for initial licensure and hire by the fall of 2016.

According to the Department, 134 scholarships were initially awarded to 6 providers of ARL programs in FY 2016; however, the Department requested SBE approval to award an additional 8 scholarships, resulting in a total of 142 scholarships awarded in FY 2016. The total cost of the scholarships funded in FY 2016 was \$2.3 million with an additional \$142,000 retained by the Department to be awarded to providers for successful completers of a teacher preparation program. The amount per scholarship awarded to each entity in FY 2016 varied depending on each provider's ARL program cost and ranged from a low of \$9,200 per scholarship for the Humboldt County School District to a high of \$24,000 per scholarship for the Washoe County School District and the University of Nevada, Las Vegas. The Department indicates that the cost of ARL programs is higher than the cost of a traditional teacher preparation program since ARL programs are, by definition, post undergraduate or graduate-level coursework. The table that follows outlines the number of scholarships funded by provider, as well as the resulting performance outcomes for FY 2016.

2015-16 Teach Nevada Scholarships								
Name of Provider	No. Scholarships Funded	Licensed & Hired	License Earned / Pending Hire	2015-16 Successful Completers	% Completers to No. Scholarships Funded	Pending Testing / Coursework	Dropped / Other	% Non-Completers to No. Scholarships Funded
Humboldt County School District	5	5	-	5	100.0%	0	0	0.0%
National University	19	7	1	8	42.1%	6	5	26.3%
Sierra Nevada College	22	9	-	9	40.9%	3	9	40.9%
University of Nevada, Las Vegas	55	29	16	45	81.8%	1	8	14.5%
Washoe County School District	21	18	-	18	85.7%	2	1	4.8%
Western Governor's University*	20	9	4	13	65.0%	1	6	30.0%
<b>TOTAL</b>	<b>142</b>	<b>77</b>	<b>21</b>	<b>98</b>	<b>69.0%</b>	<b>13</b>	<b>29</b>	<b>20.4%</b>

\* Dropped / Other - 2 candidates not eligible for Alternative Route to Licensure Program

As shown in the table above, a total of 98 scholarship recipients successfully completed an ARL teacher preparation program and were hired in the fall of FY 2016, representing 69 percent of the total number of scholarship recipients. There were also 42 candidates that did not complete and did not qualify for the ARL license by August 2016, although 13 candidates were pending examination results and were still eligible for hire in the fall of 2016. A total of 29 scholarship recipients did not complete the ARL programs, representing 20.4 percent of the total scholarship recipients in FY 2016. Follow-up information provided by the Department indicates that of the 13 candidates pending examination results, 8 have since been hired.

Upon successful completion of a teacher preparation program, a scholarship recipient may be hired at an eligible school. The Department indicates the SBE determined that all teaching experience must occur at high-vacancy schools based on staffing data provided by school districts and charter schools each year. The lists of eligible schools identified in FY 2016 and FY 2017 can be found on the Department's website at the following address: [http://www.doe.nv.gov/Legislative/Teach Nevada Scholarships and Incentives/](http://www.doe.nv.gov/Legislative/Teach_Nevada_Scholarships_and_Incentives/).

#### Scholarships for FY 2017

In FY 2017, the SBE continued to limit the providers of scholarships to those that offer ARL preparation programs, which would result in scholarship recipients being eligible for initial licensure and hire by December 2016. The SBE further directed that Teach Nevada Scholarship grant awards be prioritized by scholarship recipients identified in the program areas of Elementary, Secondary Language Arts, Math, Science and Special Education and to recipients who demonstrate they are veterans or spouses of veterans, economically disadvantaged or are a racial/ethnic minority. In addition, the SBE directed that schools who receive Teach Nevada scholarships have the intent to grow their teacher preparation programs and increase the number of students participating in such programs year over year. The table that follows summarizes the provider, the number and the amounts of scholarships awarded in FY 2017.

2016-17 Teach Nevada Scholarships			
Name of Provider	No. Scholarships Funded	Scholarship Per Recipient	Amount Funded (Rurals funded at 100% and others at 72%)
Clark County School District	18	\$ 24,000	\$ 432,000
Humboldt County School District	4	\$ 9,200	\$ 36,800
Lincoln County School District	5	\$ 12,000	\$ 60,000
TNTP (The New Teacher Project) Nevada Teacher Corps*	-	\$ -	\$ -
Sierra Nevada College	14	Elem. - \$21,760 Sec. - \$19,090 Special Ed - \$23,340	\$ 345,600
University of Nevada, Las Vegas	36	Elem/Sec. - \$24,000 Special Ed. - \$21,000	\$ 864,000
Washoe County School District	18	\$ 24,000	\$ 432,000
Western Governor's University	14	\$ 12,343	\$ 172,800
<b>TOTAL</b>	<b>109</b>		<b>\$ 2,343,200</b>

\*Became approved Alternative Route to Licensure in May 2016, so not eligible for first round of FY 2017 scholarships.

According to the Department, 109 scholarships were initially awarded to 8 providers of ARL programs in FY 2017; however, the Department subsequently requested SBE approval to award an additional 3 scholarships, resulting in a total of 112 scholarships awarded in FY 2017. The total cost of the scholarships funded in FY 2017 is \$2.3 million with an additional \$112,000 retained by the Department to be awarded to providers for successful completers of a teacher preparation program. Based on a recommendation from the Department, the SBE at its September 1, 2016, meeting, approved allowing both traditional and ARL providers to apply for the Teach Nevada Scholarship grants in FY 2017.

In response to a follow-up question regarding the number of ARL completers hired in December 2016, the Department indicates 47 scholarship recipients have been hired, 6 dropped out of the program, several others are completing coursework or testing requirements prior to being eligible for hire, while others have pending offers for the 2017-18 school year. Of the total ARL completers to be hired in December 2016, 8 were identified as veterans, 13 identified as economically disadvantaged, and 20 identified as minorities, while the remaining 6 recipients did not identify with any of those categories.

Concerning the procedure for ensuring unexpended scholarship funds for scholarship recipients that do not complete a teacher preparation are returned to the state, the Department requires program providers to submit a spreadsheet to the Department each semester to provide status updates for scholarship recipients. Information provided includes, but is not limited to, a) total scholarship amount per recipient; b) 25 percent retention amount to be retained for five years; c) 75 percent amount to be paid to the recipient; d) actual funds disbursed to the recipient; e) amount paid for current semester tuition; and f) remaining funds available for recipient tuition. Program providers update their scholarship recipient status on a semester basis. According to the Department, when a scholarship recipient does not complete the program, program providers are required to return unexpended funding to the Department within 3 to 5 weeks of the account reconciliation.

Fiscal staff inquired whether there is any means testing applied to scholarship recipients or if scholarships are available to students of any income level. In response, the agency indicates that while the SBE requests that providers take income level into consideration in prioritizing awards, the SBE allows each program provider, at its own discretion, to determine whether to impose an income cap. In addition, the Department indicates that since there is no statewide grade point average (GPA) requirement to maintain eligibility in the preparation program, it is left to the discretion of the program provider whether to establish a minimum GPA to maintain scholarship eligibility.

Fiscal staff would note that the Washoe County School District has recently indicated in press releases that there could be a hiring freeze implemented in the upcoming school year as a result of budgetary constraints. Given a hiring freeze could potentially occur in any of the 17 school districts or charter schools at some time or another, it is unclear how a successful completer of a teacher preparation program would fulfill the five consecutive years of employment requirement in order to access the 25 percent of Teach Nevada Scholarship funds, held in trust for the participant by the provider. In response to Fiscal staff inquiries concerning this matter, the Department indicates that the proposed regulation R031-16P (discussed below) would address these types of circumstances.

According to the minutes of the September 1, 2016, meeting of the SBE, the Department indicated it was in the process of developing regulations for the Teach Nevada Scholarship program (R031-16); however, the regulation has not yet been approved. The Department indicates it has been working in collaboration with program providers and school districts to develop regulations to assist with improving the implementation and outcomes for this program. With respect to the status of the proposed regulation R031-16 for the Teach Nevada Scholarship program, the Department plans to hold a public workshop on June 16, 2017, with submission of this regulation to the Legislative Commission following the end of the 2017 Legislative Session.

**Does the Subcommittee wish to approve General Fund appropriations of \$500,000 in each year of the 2017-19 biennium to fund additional scholarships for the Teach Nevada Scholarship program, which would bring total recommended funding for the program to \$3.0 million in each fiscal year of the 2017-19 biennium?**

**The Subcommittee did not recommend approval of the Governor's recommendation to add General Fund appropriations of \$500,000 in each year of the 2017-19 biennium to fund additional scholarships for the Teach Nevada Scholarship program. Instead, the Subcommittee requested that Fiscal staff provide, for the Full Committee's consideration, options related to the 25 percent holdback for scholarship recipients, which is currently distributed to the provider of the teacher preparation program to hold in trust for the scholarship recipient until the recipient successfully completes the teacher preparation program and five consecutive years of employment. Specifically, the Subcommittee expressed a desire to modify current statute to allow the Department to retain the 25 percent holdback until such time as the scholarship recipient is eligible to access the remaining scholarship funds.**

**Other Closing Item**

Base Budget Technical Adjustment (BASE, K-12 EDUCATION-34): The Teach Nevada Scholarship Account is eligible to earn interest on money and unexpended appropriations in the budget; however, The Executive Budget does not include projected interest earnings for the upcoming biennium. Based on information obtained from the Department, Fiscal staff entered a technical adjustment in this closing document to add projected interest earnings of \$13,892 in each year of the 2017-19 biennium.

**Fiscal staff recommends approval of the noted technical adjustment in the Other Closing Item and requests authority for other technical adjustments as necessary.**

**The Subcommittee recommends approval of the noted technical adjustment in the Other Closing Item with authority for Fiscal staff to make other technical adjustments as necessary.**



Title: NDE - TEACHERS' SCHOOL SUPPLIES REIMBURSEMENT  
 Account: 101 - 2717

Budget Page: K-12 EDUCATION-38, Volume I

Revenues	2015-16 Actual	2016-17 WP	% Chg	2017-18 GOV REC	% Chg	2018-19 GOV REC	% Chg
GENERAL FUND	2,500,000	2,500,000		2,500,000		2,500,000	
OTHER FUND	117						
BALANCE FORWARD	(558,977)	558,978	(200.00)				
Total Revenues	1,941,140	3,058,978	57.59	2,500,000	(18.27)	2,500,000	

**Total FTE**

**Adjustments to Revenue**

Dec Unit	Cat	GL	Description	2017-18 Gov Rec	2018-19 Gov Rec
<b>Sub-total</b>				0	0
<b>Line Item Changes to Revenues</b>				0	0

**Adjustments to Expenditures**

Dec Unit	Cat	GL	Description	2017-18 Gov Rec	2018-19 Gov Rec
<b>Sub-total</b>				0	0
<b>Line Item Changes to Expenditures</b>				0	0

**Total**

**Grand Total General Fund Impact of Closing Changes**

0 0

**Grand Total Highway Fund Impact of Closing Changes**

0 0

**Overview**

Through the passage of Senate Bill 133 (codified in *Nevada Revised Statutes* NRS 387.1251), the 2015 Legislature created the Teachers' School Supplies Reimbursement Account in the State General Fund and appropriated \$2.5 million in each fiscal year of the 2015-17 biennium to reimburse teachers (up to \$250 annually) for out-of-pocket expenses. An eligible teacher is defined as a licensed employee of a school district who devotes the majority of his or her working time providing direct educational services to pupils. The term does not include a substitute teacher. Pursuant to Section 2 of NRS 387.1253, all interest and income earned on the money in the Account must be credited to the Account. Section 4 of NRS 387.1253 requires any money remaining at the end of a fiscal year be carried forward to the subsequent fiscal year and not revert to the State General Fund.

**Major Closing Issues**

There are no major closing issues.

**Other Closing Item**

**Teachers' School Supplies Reimbursement Program (SUMMARY, K-12 EDUCATION-38-39):** To continue the Teachers' School Supplies Reimbursement program, the Governor's budget includes General Fund appropriations of \$2.5 million in each year of the 2017-19 biennium, representing no change from the funding level approved by the 2015 Legislature for the 2015-17 biennium.

According to the Department of Education (Department), each fiscal year, grant awards are based on the number of teachers employed as of the end of August. The Department requires school districts and charter schools to certify that the teachers receiving reimbursement meet the definition of a teacher eligible to participate in the program per NRS 387.1251. In addition, prior to the disbursement of funds, the Department verifies that a teacher has not previously submitted a claim for reimbursement for the current fiscal year.

The Department indicates that in FY 2016, the teacher school supplies reimbursement grants were awarded to school districts and charter schools in advance of expenditures being incurred. In order to provide increased oversight, the Department modified the grant award process in FY 2017 to require school districts and charter schools to submit claims for reimbursement. In order to receive reimbursement, a district/charter must provide documentation to show a listing with each teacher's name and dollar amount reimbursed.

The table that follows includes details of the FY 2016 grant awards, actual expenditures, and number of teachers that received reimbursement.

<b>Teachers' Supplies Reimbursement Program</b>	<b>FY 2016 Certified Eligible Teachers</b>	<b>FY 2016 Grant Award</b>	<b>FY 2016 No. Teachers Reimbursed</b>	<b>FY 2016 Percent of Teacher Participation</b>	<b>FY 2016 Actual Expenditures</b>	<b>FY 2016 Average Amt. Reimbursed</b>	<b>Unexpended Funding Available to Balance Forward to FY 2017</b>
Carson City	440	\$ 45,201.20	209.0	47.5%	\$ 20,634.64	\$ 98.73	\$ 24,566.56
Churchill	173	\$ 1,772.29	74.0	42.8%	\$ 6,882.64	\$ 93.01	\$ 10,889.65
Clark	16,317	\$ 1,676,245.41	14,654.0	89.8%	\$ 1,505,576.20	\$ 102.74	\$ 170,669.21
Douglas	373	\$ 38,318.29	139.0	37.3%	\$ 13,994.46	\$ 100.68	\$ 24,323.83
Elko	613	\$ 62,973.49	161.0	26.3%	\$ 33,353.25	\$ 207.16	\$ 29,620.24
Esmeralda	6	\$ 616.38	6.0	100.0%	\$ 616.38	\$ 102.73	\$ -
Eureka	27	\$ 2,773.71	5.0	18.5%	\$ 914.77	\$ 182.95	\$ 1,858.94
Humboldt	198	\$ 20,340.54	105.0	53.0%	\$ 19,490.04	\$ 185.62	\$ 850.50
Lander	70	\$ 7,191.10	34.0	48.6%	\$ 3,017.03	\$ 88.74	\$ 4,174.07
Lincoln	82	\$ 8,423.86	42.0	51.2%	\$ 4,276.83	\$ 101.83	\$ 4,147.03
Lyon	487	\$ 50,029.51	236.0	48.5%	\$ 22,305.77	\$ 94.52	\$ 27,723.74
Mineral	39	\$ 4,006.47	33.0	84.6%	\$ 3,321.48	\$ 100.65	\$ 684.99
Nye	277	\$ 28,456.21	99.0	35.7%	\$ 9,807.67	\$ 99.07	\$ 18,648.54
Pershing	57	\$ 5,855.61	27.0	47.4%	\$ 3,444.52	\$ 127.57	\$ 2,411.09
Storey	33	\$ 3,390.09	16.0	48.5%	\$ 2,119.79	\$ 132.49	\$ 1,270.30
Washoe	3,586	\$ 368,410.33	1,064.0	29.7%	\$ 180,985.38	\$ 170.10	\$ 187,424.95
White Pine	84	\$ 8,629.32	26.0	31.0%	\$ 2,756.26	\$ 106.01	\$ 5,873.06
<b>Subtotal Districts</b>	<b>22,862.2</b>	<b>\$ 2,332,633.81</b>	<b>16,930.0</b>	<b>74.1%</b>	<b>\$ 1,833,497.11</b>	<b>\$ 108.30</b>	<b>\$ 515,136.70</b>
<b>Charter Schools</b>	<b>1,471.70</b>	<b>\$ 167,187.73</b>	<b>902.0</b>	<b>61.3%</b>	<b>\$ 92,127.64</b>	<b>\$ 103.06</b>	<b>\$ 59,060.09</b>
<b>Statewide Total</b>	<b>24,333.9</b>	<b>\$ 2,499,821.54</b>	<b>17,832.0</b>	<b>73.3%</b>	<b>\$ 1,925,624.75</b>	<b>\$ 108.03</b>	<b>\$ 574,196.79</b>

As shown in the table above, the statewide average reimbursement per teacher in FY 2016 was slightly over \$108, with the average teacher reimbursement per school district/charter school ranging from \$88.74 in Lander County School District to \$207.16 in Elko County School District. Statewide, a total of

17,832 teachers received reimbursement for school supplies purchased, for a total cost of \$1.9 million in FY 2016. In FY 2017, a total of 24,961.4 teachers have been certified as eligible teachers for school supply reimbursement. Based on total available funding of \$3.07 million in FY 2017, the average school supply reimbursement is projected at approximately \$123 per eligible teacher.

In response to Fiscal staff’s inquiry regarding the Department’s plan to improve the participation rate of teachers in the program, the Department anticipates increased participation as teachers become more aware of the program through local administration by the school districts and charter schools. In addition, the Department plans to send a reminder to each school district and charter school with unexpended funding a few months before the end of the fiscal year to encourage teachers to request reimbursement for eligible expenditures. Further, the Department indicates that as part of the grant monitoring process, the Department will request school districts and charter schools provide documentation of program communications with teachers to ensure communication between teachers and school district or charter school administration is occurring.

Compliance Review

In accordance with Section 5 of NRS 387.1257, a teacher must submit receipts for any supplies purchased to the principal of the school or charter school, as applicable. A principal is only required to maintain such receipts until the end of the next fiscal year and make them available for inspection upon request of the Department. The Department is currently in the process of reviewing FY 2016 grant activity. According to the Department, school districts and charter schools are randomly selected for review (via random generator process using Excel) based on the following criteria:

District/Charter	Selection Basis	Sample Population
>1,000 FTE Licensed Teachers	Selected Every Year	2% of teachers participating in program during monitoring period, not to exceed 25 teachers per entity.
<1,000 FTE Licensed Teachers	20% selected each year	10% of teachers participating in program during monitoring period (minimum 2 teachers).

Based upon the criteria outlined above, five districts and eight charter schools were randomly selected for the FY 2016 review. A preliminary review of three school districts and two charter schools indicates that reimbursements have been made in accordance with NRS 387.1251. The Department requires schools to demonstrate compliance by providing documentation that verifies:

- A documented policy/procedure exists for reimbursements that is consistent with NRS requirements;
- Communication of the program to all eligible teachers;
- Teachers reimbursed under this grant meet the definition of a “teacher” pursuant to NRS 387.1251;
- The amount reimbursed to each teacher did not exceed \$250; and
- Receipts support the amounts reimbursed to teachers and expenditures are incurred in connection with purchasing necessary school supplies for the pupils instructed.

**Fiscal staff recommends this budget be closed as recommended by the Governor with authority for staff to make other technical adjustments as necessary.**

**The Subcommittee recommended approval of this budget as recommended by the Governor with authority for staff to make technical adjustments as necessary.**



Title: NDE - INCENTIVES FOR LICENSED EDUCATION PERSONNEL Budget Page: K-12 EDUCATION-40, Volume I  
 Account: 101 - 2616

Revenues	2015-16 Actual	2016-17 WP	% Chg	2017-18 GOV REC	% Chg	2018-19 GOV REC	% Chg
GENERAL FUND	2,000,000	2,000,000		1,000,000	(50.00)	1,000,000	
BALANCE FORWARD	(966,125)	966,126	(200.00)				
Total Revenues	1,033,875	2,966,126	186.89	1,000,000	(66.29)	1,000,000	

Total FTE

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2017-18 Gov Rec	2018-19 Gov Rec
Sub-total				0	0
Line Item Changes to Revenues				0	0

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2017-18 Gov Rec	2018-19 Gov Rec
Sub-total				0	0
Line Item Changes to Expenditures				0	0
Total				0	0
Grand Total General Fund Impact of Closing Changes				0	0
Grand Total Highway Fund Impact of Closing Changes				0	0

**Overview**

Staff is responsible for developing closing recommendations for this budget. The Subcommittee has not previously reviewed this budget.

*Nevada Revised Statutes* 391.166 creates a Grant Fund for Incentives for Licensed Educational Personnel and requires each school district to establish a program of incentive pay for licensed educational personnel designed to attract and retain those employees. Financial incentives must not exceed \$3,500 per year. Assembly Bill 1 of the 23<sup>rd</sup> (2007) Special Session repealed the statutory language of NRS 391.165, which required the purchase of retirement credits for teachers in at-risk schools, psychologists, and teachers in the fields of mathematics, science, special education and English as a second language. However, A.B. 1 provided an option for those employees participating in the program prior to July 1, 2007, to continue the purchase of retirement credits until they have received an additional one full year of retirement credit at which time they would be eligible to participate in the new program of teacher incentive pay set forth in NRS 391.166. The 2013 Legislature did not continue funding for the program of incentive pay for licensed educational personnel beginning in the 2013-15 biennium, but continued to fund outstanding retirement credit purchase liabilities.

## **Major Closing Issues**

There are no major closing issues.

## **Other Closing Item**

The Executive Budget recommends General Fund appropriations of \$1.0 million in each fiscal year to continue funding the estimated outstanding liability of the 1/5 Retirement Credit Purchase program for the 2017-19 biennium. The Governor continues a change implemented by the 2009 Legislature to approve funding the cost of the 1/5 Retirement Credit Purchase program in the year following the obligation being incurred.

Under the grandfathered provisions of the 1/5 Retirement Credit Purchase program, the enabling legislation refers to participation in the program ending once an employee receives one full year of retirement service credit, rather than ending after a specific timeframe to earn the retirement service credit. Therefore, the 1/5 Retirement Credit Purchase program will need to be funded until such time as all eligible employees participating in the program prior to July 1, 2007, have received an additional one full year of retirement service credit. Of the original 5,449 eligible participants opting in to continue the purchase of retirement credits, an estimated 436 participants would continue to be eligible to earn retirement service credits for the 2017-19 biennium.

According to information provided by the Department of Education (Department), the cost of retirement credits earned in FY 2015 and purchased in FY 2016 totaled approximately \$1.04 million for 235 eligible participants, at an average cost of \$4,435 per credit. The Department has not yet finalized the FY 2017 payments for the purchase of retirement service credits earned in FY 2016, but projects the cost to be \$1.1 million for 238 eligible participants, an average cost of \$4,588 per credit.

To ensure sufficient funding is available to fund the purchase retirement service credits, including those associated with any unanticipated increase in the number of eligible teachers claiming retirement service credits earned, the Subcommittee may wish to consider continuing to provide the Department with authority to transfer appropriations for the purchase of retirement service credits earned between fiscal years of the 2017-19 biennium. The 2015 Legislature approved the Department to transfer appropriations between fiscal years for this purpose through Section 39 of S.B. 515, the K-12 Public Education funding bill for the 2015-17 biennium.

**Fiscal staff recommends this budget be closed as recommended by the Governor, with authority for staff to include language in the K-12 education funding bill to allow appropriation transfers between fiscal years of the 2017-19 biennium for the purchase of retirement service credits earned, as needed. Fiscal staff also requests authority to make technical adjustments as necessary.**

**The Subcommittee recommended approval of this budget as recommended by the Governor with authority for Fiscal staff to include language in the 2017 K-12 education funding bill to allow appropriation transfers between fiscal years of the 2017-19 biennium as needed for the purchase of retirement service credits earned, and with authority for staff to make technical adjustments as necessary.**