

**MINUTES OF THE MEETING OF
THE COMMITTEE TO STUDY A NEW METHOD
FOR FUNDING PUBLIC SCHOOLS
Senate Bill 11, 2011 Legislature
August 28, 2012**

The fifth meeting of the Committee to Study a New Method for Funding Public Schools was held at 9:00 a.m., on Tuesday, August 28, 2012, at the Grant Sawyer State Office Building, 555 East Washington Avenue, Room 4401, Las Vegas, and videoconferenced to the Nevada Legislative Building, 401 South Carson Street, Room 4100, Carson City, Nevada.

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Assemblyman Marcus Conklin, Chair
Senator Moises Denis, Vice Chair
Senator Shirley A. Breeden
Assemblywoman Marilyn Dondero Loop

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Senator Greg Brower
Assemblyman Ira Hansen

STAFF:

Mark Krmpotic, Senate Fiscal Analyst, Fiscal Analysis Division
Julie Waller, Senior Program Analyst, Fiscal Analysis Division
Brenda Erdoes, Legislative Counsel, Legal Division
Eileen O'Grady, Chief Deputy Legislative Counsel, Legal Division
Kristin Roberts, Senior Principal Deputy Legislative Counsel, Legal Division
Mindy Martini, Senior Research Analyst, Research Division
Becky Lowe, Committee Secretary, Fiscal Analysis Division

EXHIBITS:

[Exhibit A](#) Meeting Packet and Agenda

[Exhibit B](#) Committee to Study a New Method for Funding Public Schools in Nevada,
Work Session Document

A. ROLL CALL.

Chairman Marcus Conklin called the meeting to order at 9:17 a.m. The secretary called roll. All members were present except for Senator Brower who would join the meeting in progress.

B. PUBLIC COMMENT.

Richard Stokes, Superintendent, Carson City School District introduced himself and indicated he was also speaking as the President of the Nevada Association of School Superintendents (NASS). Mr. Stokes expressed his appreciation to both the Legislature and the Committee for taking steps to study the funding mechanism of education in the State of Nevada. Mr. Stokes stated NASS would like to be considered as active partners in any plan or future study about school funding in the state. He said NASS pledged its support and resources in any process that would lead to further work and consideration on this topic.

Mr. Stokes said Nevada school superintendents were aware of the additional costs associated with educating students who are not considered “mainstream.” The superintendents also recognized that the concept of weighting of students in the funding mechanism was important. However, he cautioned that implementation of this study could result in divisiveness, and individual districts could become winners or losers with regard to funding.

Mr. Stokes noted that funding adequacy was another important aspect to consider. He said NASS suggested the state first determine the amount of funding required from an educational standpoint, and then identify a way to provide the funding.

In conclusion, Mr. Stokes expressed his appreciation for the opportunity to speak, and encouraged the Committee to utilize the school districts as a resource. He said the school districts had a professional understanding of the Distributive School Account (DSA) and knowledge of the Nevada Plan, and would like to be part of the process.

Chairman Conklin thanked Mr. Stokes for his testimony and the NASS’ willingness to work with the Committee.

Lindsay Anderson, Government Affairs, Washoe County School District (WCSD) thanked the Committee for the opportunity to review the final report in detail. After a thorough review, Ms. Anderson stated that the district agreed wholeheartedly with the formula that considered student characteristics. Ms. Anderson indicated that WCSD believed the recommendations made in the report were valid and should be discussed by the state and local school districts. She said the WCSD was aware of the varying needs of students within its district, and looked forward to future opportunities to participate in drafting the details of the proposed formula. She stated WCSD utilized DSA money to best support subpopulations, including children impacted by poverty, mobility, language, special education and gifted students.

Ms. Anderson stated that if the Committee intended to make recommendations about the specifics within the formula, WCSD encouraged additional analyses to determine the value of the weights and the price index. She said the WCSD appreciated that the study provided examples of how a weighted funding formula could affect school districts

across the state. She stated that it would be very difficult to support any formula that redistributed funding away from WCSD, which has endured tremendous cuts in the past.

Ms. Anderson said it was painfully obvious in touring the WCSD classrooms that additional resources were needed to support students. Perhaps as new revenues became available, the WCSD could support moving funds through a weighted student funding formula; however, the WCSD would request the ability to participate in the determination of the weights and cost factors.

In closing, Ms. Anderson reiterated that the WCSD could not embrace a proposal that intended to reduce allocations for the WCSD.

Ray Bacon, Executive Director, Nevada Manufacturers Association reported that he and Judy Osgood, the Governor's Senior Policy Analyst, attended a meeting of the Alliance for Excellent Education in San Francisco before the start of the 2011 Legislative Session. At the meeting, Melinda Gates spoke extensively about the common core and the impact of technology on education. She commented that the Khan Academy, a nonprofit that provides free online math education, had 4.5 million unique users per month. Mr. Bacon said Ms. Gates believed as the common core moved forward, a similar offering of English classes would be available online.

Mr. Bacon noted that the consultant's report did not address the use of technology. He believed the proper use of technology similar to the Khan Academy would provide a high quality education and level the playing field significantly.

On behalf of the Clark County School District (CCSD), Joyce Haldeman, Associate Superintendent, Community and Government Relations, thanked the Committee for having conducted the study. She said the CCSD sensed inequities in the funding formula, and the study identified those inequities.

Ms. Haldeman noted that when the Nevada Plan was originally implemented 95 percent of the students in the state were Caucasian. However, in 2011 there were 68,281 English language learner (ELL) students enrolled in the CCSD, which would be the equivalent to the third largest school district in the State of Nevada. Ms. Haldeman said there were 150 languages spoken within the district. She said the ELL students were very capable of learning, and often out-performed their peers once they were able to speak English well.

Ms. Haldeman said, as dramatic as the change in demographics has been, the increased poverty faced by the students in Clark County was even more dramatic. She said in the 2011 school year, 185,905 students - 60 percent of the district's enrollment - were eligible for free or reduced price lunch. She said it was important that all children be provided with a proper education, whether they came to school from poverty, or speaking another language than the other children in the classroom. She said, with the appropriate funding, all children would be educated effectively.

Ms. Haldeman said the CCSD remained committed to not taking money away from other counties, and said that was never the district's goal. She said the CCSD full-heartedly supported the comments of the WCSD about not redistributing existing resources.

Ms. Haldeman indicated CCSD Superintendent Dwight Jones was very committed to doing more with less. She explained that, during the 2011 Legislative Session, Superintendent Jones did not ask for much, because he wanted to make sure that the current funding was being used properly before additional funding requests were made. She said the CCSD could only do more with less for so long, the CCSD needed more resources to do the job, and it was time to talk about how that would be accomplished.

Ms. Haldeman reported that in 2012, the CCSD had 1,000 fewer teaching positions than in 2011. That was not due to a reduced student population; rather, it was because CCSD had to cut teaching positions in order to make the budget work. This meant that in Clark County, which already had the largest class sizes in the nation, class sizes would be even larger.

Ms. Haldeman restated that CCSD was committed to working with the other counties. She said CCSD was mindful of the difficulties faced by the other school districts. She said the school districts had been working together on education issues through the years, whether the school district was urban, rural or suburban, and Clark County contained all of those.

C. REVIEW OF SENATE BILL 11 APPROVED BY THE 2011 LEGISLATURE AND THE RESPONSIBILITIES OF THE COMMITTEE TO STUDY A NEW METHOD FOR FUNDING PUBLIC SCHOOLS IN NEVADA.

Julie Waller, Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), referred to S.B. 11, which directed the Legislative Commission to form a committee to study a new method for funding public schools in Nevada. The legislation stated that any such method proposed by the Committee must be consistent with the constitutional responsibility of the Legislature to provide for a uniform system of common schools, and account for and be based on differences in the needs and characteristics of individual students. The Committee shall submit a report on its findings, including any proposed methods for funding public schools in the state, and any recommendations for legislation to the 77th Session of the Nevada Legislature.

D. DISCUSSION REGARDING THE FINAL REPORT ON A NEW METHOD OF FUNDING PUBLIC SCHOOLS PREPARED BY AMERICAN INSTITUTES FOR RESEARCH.

Ms. Waller stated that the American Institutes for Research (AIR) presented its draft preliminary report on August 14, 2012. At that meeting, the Committee approved the draft report with certain provisions reworked in the report. The final report was included in the meeting packet (page 7, [Exhibit A](#)). Ms. Waller indicated that Dr. Jay Chambers and Dr. Teresa Jordan were present to address questions the Committee may have regarding the final report.

Senator Brower inquired about Recommendation 12, Hold Districts Harmless and Phase in Changes Slowly Over Time (page 121, [Exhibit A](#)). He stated that the report recommended a phase-in of any selected funding alternative over a three to five-year period. Additionally, the recommendation stated, “One way to accomplish this phasing in of change is to hold districts that incur losses under the new funding regime harmless and only provide increases to those districts that gain under the new formula.” Senator Brower asked for an explanation as to how this recommendation would be implemented.

Dr. Jay Chambers, Senior Research Fellow and Managing Director, AIR, stated that the opportunity would be provided as the economy recovered over time, and revenue sources increased. First, those districts would require an increase in order to achieve the equity that was suggested in the report, while holding the other districts harmless, so that the children who received services in the districts that would incur losses of revenues under a new funding formula would be impacted slowly over a three to five-year period. The extent to which that could be accomplished would depend on how well and quickly the economy recovered, said Dr. Chambers.

Dr. Teresa Jordan, Professor Emeritus, University of Nevada, Las Vegas, stated that she agreed with Dr. Chambers’ assessment. She noted if there were no new resources, it would be difficult to determine a fair way to implement a system when districts were already suffering from past reductions.

Senator Brower said if the decrease in funding for some counties might be accomplished by phasing in, likewise the increase in funding for the other counties could also take place over a period of time.

Dr. Chambers stated that a phase-in period would allow districts an opportunity to plan the most effective way to utilize resources.

Senator Brower stated that was a vexing problem due to funding challenges. He noted that, according to the recommended new formula, Washoe County and the rural counties would experience a significant reduction in funding. He did not view the new formula as being equitable or inequitable; rather, it was a way to change the funding formula.

Senator Brower said the rural counties would probably not agree that they were getting more than their fair share of funding. Rather, they would simply point out that it typically cost more to educate pupils in the rural counties, which was reflected in the per-pupil share. He reported that he has visited the rural county school districts, and said they were not getting anything that the Clark County schools were not getting. Senator Brower stated the recommendation would not address an inequity, rather, it was an interesting way of reallocating resources.

Dr. Jordan responded there was a problem in the state related to the concept of vertical equity. Nevada had not demonstrated in its funding formula that it had met the differentiated needs of students. If an equity study were conducted, it would find the state funding was inequitable.

Chairman Conklin recalled, when this topic was discussed at the previous meeting it was not an “us versus them” issue. There was no claim that one county received more money than another. He said different student populations had different needs to be met in order for each student to be provided a fair and equitable education, and costs are associated with some of those needs. If those costs are not recognized, the state could be held liable for not fairly or equitably providing for the education of the entire student population.

Senator Brower agreed with Chairman Conklin and appreciated the clarification. He said there were other ways of designing the formula that were potentially better than the current method.

On behalf of AIR, Dr. Chambers stated that the report did not claim the rural districts were getting more than their fair share of funding. He said AIR’s charge was to show the existing inequities in the way that resources were distributed. Dr. Chambers wanted to make it clear that AIR was charged with a certain requirement to present a fiscally neutral impact without regard for the potential insufficiency of resources that may exist.

Dr. Chambers noted another type of study on Nevada education funding was conducted a few years ago by Augenblick, Palaich and Associates, Inc. The adequacy study compared the costs of serving different children. The study would require further work, but this was an important study to have been conducted.

Chairman Conklin stated he was certain it was not Senator Brower’s charge that the report submitted by AIR was anything less than outstanding and unbiased. Unfortunately, a document like that can be interpreted in different ways.

Senator Moises Denis thanked AIR for the report. He said the Committee received the information it was seeking, and appreciated AIR’s thoroughness.

SENATOR DENIS MOVED THAT THE COMMITTEE ACCEPT THE FINAL REPORT AS SUBMITTED.

THE MOTION WAS SECONDED BY ASSEMBLYWOMAN DONDERO LOOP.

THE MOTION CARRIED UNANIMOUSLY.

E. WORK SESSION – DISCUSSION REGARDING A NEW METHOD OF FUNDING FOR PUBLIC SCHOOLS IN NEVADA, INCLUDING TAKING INTO ACCOUNT THE DIFFERENCES IN THE NEEDS AND CHARACTERISTICS OF INDIVIDUAL STUDENTS AND THE NEEDS AND CHALLENGES OF SCHOOL DISTRICTS WITH SMALL SCHOOLS IN REMOTE AREAS.

Ms. Waller said the work session document, dated August 28, 2012 ([Exhibit B](#)) was designed to assist Committee members in making decisions concerning the final report and determining which recommendations would be forwarded to the 2013 Session of the Nevada Legislature.

On the first page ([Exhibit B](#)), Ms. Waller noted that eight issues had been identified by the report. After each issue, there was a discussion of options for consideration by the Committee.

Issue 1

Ms. Waller said Issue 1 dealt with the documentation of data elements that supported the state's public school finance formula, including special education. She stated that AIR found documentation of the data elements supporting the model, including definitions, some of the procedures, and in some cases rationale along with the documentation for special education unit allocation to be either lacking or in some cases non-existent.

Ms. Waller stated the first recommendation from AIR was the creation of an independent stand-alone document that defined all of the data modules and procedures of the DSA Equity Allocation Model in order to improve maintenance, transparency and implementation of the funding model. AIR found that a majority of other states' public school finance formulas were included in statute. Ms. Waller noted that except for a broad conceptual framework of the Nevada Plan, and limited information pertaining to special education outlined in Chapter 387 of the *Nevada Revised Statutes* (NRS), the mechanics of the DSA Equity Allocation Model and special education funding were not prescribed in statute.

Ms. Waller reported that Option (a) recommended legislation to amend NRS 387 to include the definition of data modules (12 calculation modules) that are part of the DSA Equity Allocation Model, the manner in which the data was used in the model and the basis for the allocation of special education funding. In addition, AIR recommended that a stand-alone procedures manual for administration of the state's school finance model and special education funding be developed by the Department of Education and made available on its website.

Ms. Waller reported that Option (b) would not require that the formula elements be placed in statute, but suggested a letter be drafted to the Governor recommending that the Department of Education create an independent, stand-alone document that defined the procedures of the data modules and the allocation methodology of special education unit funding.

Assemblyman Hansen asked why the funding formula had not previously been placed in statute. He asked if placing the funding formula in statute would result in a reduction in flexibility for the school districts.

Brenda Erdoes, Legislative Counsel, LCB, responded that over the years she has watched the Legislature attempt to identify the fine line between providing enough detail in statute to allow the school districts to know the amount of funding to plan for, and not making the formula so restrictive that changes cannot be made during the interim. In addition, if the formula were in statute, it could be removed by the Legislature during the next session, because one Legislature's decisions do not bind another's.

Senator Denis recommended that the Committee support Option (a) under Issue 1 (page 2, [Exhibit B](#)). Senator Denis stated this would provide continuity and transparency. He said a set standard would be applied, but it would not be so prescriptive that the school districts would not have flexibility.

SENATOR DENIS MOVED THAT THE COMMITTEE RECOMMEND OPTION (A), TO AMEND NRS 387 TO INCLUDE THE DSA ALLOCATION MODEL AND REQUIRE THAT A STAND-ALONE PROCEDURES MANUAL FOR THE ADMINISTRATION OF THE STATE'S SCHOOL FINANCE MODEL AND SPECIAL EDUCATION FUNDING BE DEVELOPED BY THE DEPARTMENT OF EDUCATION AND BE POSTED TO ITS WEBSITE.

THE MOTION WAS SECONDED BY ASSEMBLYWOMAN DONDERO LOOP.

Senator Greg Brower said that he appreciated Senator Denis' motion, but preferred Option (b) and assumed the reason it was in the work session document was that staff believed it was a viable option. Senator Brower indicated that Option (b) would provide the Governor, the Department of Education, and the new Superintendent of Public Instruction the flexibility to implement a change in policy without unnecessarily constraining the Executive Branch with a new law.

Chairman Conklin said that statutes did not include all of the details; however, by placing the requirement in statute the Legislature and the citizenry of Nevada would be assured that the DSA funding formula was being reviewed on a regular schedule.

There were no further questions on the motion.

THE MOTION CARRIED WITH SENATOR BROWER AND ASSEMBLYMAN HANSEN IN OPPOSITION.

Issue 2

Ms. Waller indicated that the next topic under consideration would be the periodic review of the state's public school finance model.

Ms. Waller reported that AIR's analysis showed the underlying data modules used in the DSA Equity Allocation Model had not been updated since 2004. There were no statutory or regulatory requirements for the state's finance formula to be reviewed periodically, or for the data modules to be updated. Ms. Waller reported that several of the data modules were last reviewed in 2006 by an evaluation team that was comprised of financial representatives from school districts and Department of Education representatives. In the final report, AIR noted that few of the elements within the formula's data and calculations changed rapidly over time. However, over longer periods, such as five years, it was important that the elements be updated to reflect changes in enrollments and services. Consequently, AIR recommended that the underlying data modules utilized within the DSA Equity Allocation Model be reviewed and updated no less frequently than every five years.

Based on that information, Ms. Waller stated that the Committee could consider Option (a), which recommended legislation to amend NRS 387 to require the Department of Education to review and update the underlying data modules utilized within the DSA Equity Allocation Model and special education funding every five years; or Option (b), which proposed drafting a letter to the Governor recommending that the Department of Education adopt a five-year review to update the underlying data modules of the DSA Equity Allocation Model and special education.

Chairman Conklin said he believed the data modules should be reviewed and updated on a regular basis. He asked Dr. Chambers how AIR chose the five year period as opposed to longer period of time.

Dr. Chambers responded that five years seemed to be a reasonable period for review. He noted that significant changes in enrollment and staffing could take place over an eight-year period.

Senator Denis asked how other states reviewed school funding formulas. Dr. Jordan responded that states reviewed their funding formulas in different ways. For example, the State of New Mexico had a standing committee of legislative staffers that was responsible for reviewing and updating the formula. In other states, reviews were conducted by the Departments of Education.

Assemblywoman Dondero Loop noted that if the review were to be conducted every five years, it would sometimes occur before a legislative session and sometimes after a legislative session.

Dr. Jordan responded that the Committee might consider a six-year review to avoid that situation. She said the standard review period for most states was from five to seven years.

Assemblyman Hansen recalled that the Governor's Blue Ribbon Task Force informed the Education Committee during the 2011 Legislative Session that a flowchart of authority existed within the Department of Education wherein virtually no one was held accountable. The Task Force clearly indicated that the majority of the responsibility should be placed with the Governor, so there was always someone to be held accountable for education issues.

Assemblyman Hansen noted that both of the issues presented to the Committee included a recommendation that the requirements become mandatory by being placed in statute. He was concerned that placing the requirement in statute would diminish the flexibility of the school districts. He noted that Ms. Erdoes pointed out that when requirements were set in statute there is a danger that critical items could be omitted.

Assemblyman Hansen recommended that the Committee provide the Governor with some flexibility. He did not want the review of modules mandated on a five-year basis which was what Option (a) has recommended. Assemblyman Hansen said the public wanted maximum accountability to a single individual. He said that if education was not functioning, if there were problems with the formula, or if certain school districts believed they were being short-changed, someone would be held accountable.

Chairman Conklin responded that he viewed the situation differently. He said the Legislature and the Governor were accountable collectively. He noted that the Governor's job was to enforce the law, but the Legislature's exclusive prerogative was to create the law. He said there was no greater accountability than to pass a law and require its enforcement. Chairman Conklin stated that was how it was done across the country, in every state, including Congress.

Chairman Conklin expressed concern that a recommendation for Option (b) would potentially result in a one-time review. He indicated by supporting Option (a), which recommended amending NRS, the current Governor, and every subsequent Governor, would be mandated to perform a review of the data modules on a regular basis. He said a regular review period was vital to ensure the needs of the state were being met. He believed there was plenty of flexibility in determining the outcomes. He said it was incumbent upon the Committee members as leaders to recommend the requirement be placed in statute so that the government, in its totality, was consistently doing what was necessary to meet the needs of the people.

Senator Denis agreed with Assemblyman Hansen that the Committee would not want to prescribe the requirement so specifically in statute that there would not be room for flexibility. However, accountability and a guarantee that the data modules would be reviewed on a regular basis are more important. He believed the only way to ensure the review occurred would be to place it in statute.

Chairman Conklin added that if the requirement were placed in statute, over the long run, it would probably make a committee such as this less likely to be necessary in the future. He said each successive new Governor would have consistent updates, and choose whether to include them in the next biennial education funding formula.

Dr. Chambers noted that there were two issues: the review, and the updating of data. He said the data should be no older than seven years. He indicated the updating of the data should be an automatic process that could be handled by the Department of Education without appointing a committee or a study.

Dr. Jordan said that if the requirement for review was not in statute, and there were budget cuts, the review could be postponed or eliminated.

Assemblywoman Dondero Loop clarified that supporting Option (a) would not imply that the Committee recommended taking flexibility away from the Governor's Office. Rather, the Committee was making a recommendation to ensure that the data and the process were consistent for the future.

Senator Denis said historically the data has been very inconsistent. In the future, he thought the data should be collected and reviewed on a regular basis.

SENATOR DENIS MOVED THAT THE COMMITTEE ACCEPT OPTION (A), RECOMMENDING TO AMEND NRS 387 TO REQUIRE THE DEPARTMENT OF EDUCATION TO REVIEW AND UPDATE THE UNDERLYING DATA MODULES UTILIZED WITHIN THE DSA EQUITY ALLOCATION MODEL AND SPECIAL EDUCATION FUNDING WITH A REVIEW PERIOD OF EVERY SIX YEARS.

THE MOTION WAS SECONDED BY SENATOR BREEDEN.

Senator Breeden stated that by recommending Option (a), the Committee would convey to the constituents that the Legislature was serious about the data, and about having a transparent process.

Ms. Waller clarified that the Committee would want for the Department of Education to update the data modules for the DSA Equity Allocation Model and special education funding each year.

Chairman Conklin restated that the Committee would recommend that the Department of Education review whether the data modules were serving as originally intended. He noted the data would be updated on a much more frequent basis. Chairman Conklin indicated that Senator Denis had made a motion to accept Option (a) as it pertained to the review and update of the data modules within the DSA Equity Allocation Model and special education every six years, between legislative sessions.

Senator Brower said he was opposed to this motion, not because it is was unimportant, but because the Governor and the state Department of Education needed flexibility in this area. He said it was clear that there were areas in which the Legislature needed to step in and set forth policy by way of statute. However, he believed the Legislature micro-managed state education policy in statute. He suggested that the Legislature needed to defer to the state Department of Education and the local school districts by giving them maximum flexibility and accountability to do what they determined was right for the students.

Senator Brower stated that for each of the issues being discussed, he believed the Committee should choose the option that would allow the Governor and the state Department of Education maximum flexibility and accountability. He noted that if any member of the Legislature perceived in the coming months that the Governor and the Department of Education were not doing their jobs, legislation could be introduced to put the requirement into statute.

Senator Brower said the Committee had done a lot of great work on a very difficult topic, and received a very comprehensive detailed report from experts in the field. He said making recommendations to the Governor made sense, but locking the process to specific statutory recommendations, for the most part, did not make sense at this time.

Chairman Conklin clarified that the Committee's recommendation would merely result in a bill being drafted. The bill would need to be presented to the full body of the Legislature, be debated, testified to, passed and then signed by the Governor in order to become law. He noted that making a recommendation to put the requirement into statute might raise more discussion between individual legislators, the Legislature, and the Governor about the appropriate way to proceed.

There was no further discussion on the motion.

THE MOTION CARRIED WITH OPPOSITION FROM SENATOR
BROWER AND ASSEMBLYMAN HANSEN.

Issue 3

Ms. Waller explained that the DSA Equity Allocation Model was comprised of 12 calculation modules. One of the 12 modules was the teacher allotment table, a critical component that was last reviewed several years ago. She said the teacher allotment table provided the foundation for adjustments that accounted for the variation in the relative costs of services across the districts. In addition to AIR's recommendation to adopt a systematic review of all data modules, they also suggested that a panel be organized to: a) review the existing school-level data on enrollments and actual teacher allocations and compare current pupil teacher ratios with those suggested by the existing teacher allotment table; b) review the structure and underlying concepts upon which the attendance areas were built and how full-time equivalent (FTE) allocations generated by the teacher allotment table are affected by choice of

attendance areas. Based upon the review of the attendance areas module, the panel would evaluate whether the teacher allotment table should be applied to school catchment areas or zones rather than the larger attendance areas; and, c) review the criteria for grouping districts for the calculations contained within the DSA Equity Allocation Model.

Ms. Waller reviewed the options for the Committee's consideration. Option (a) recommended drafting a letter to the Governor recommending that the Department of Education review the teacher allotment table, attendance areas and district groupings, as directed in Issue 3, Items (a) through (c) (page 3, [Exhibit B](#)). She stated that Option (b) recommended including a statement of support in the Committee's final report to create a panel of education stakeholders to review the teacher allotment table, attendance areas and district groupings, as directed in Issue 3, Items (a) through (c).

In summary, Ms. Waller indicated that Option (a) would task the Department of Education with handing the recommendation to review the tables and modules or Option (b) recommended a panel comprised of members of the Department of Education, as well as outside education stakeholders, to conduct a review of these important components of the DSA Equity Allocation Model.

Chairman Conklin asked whether this module would be reviewed with the modules included in Issue 2, Option (a).

Ms. Waller responded that going forward this would be part of the same six-year review. However, because there has not been a review for a significant period, the tables are recommended to be evaluated within a shorter timeframe to ensure that they are updated and functioning as intended.

Chairman Conklin commented that the language in the bill draft for Issue 2 should require that the review be performed immediately, and every subsequent six years thereafter. He asked Dr. Chambers when the teacher allotment table, attendance areas and district groupings modules were last reviewed.

Dr. Chambers responded that the review should be given fairly immediate attention, and should occur over the next 6 to 12 months. He said the teacher allotment table was a significant component of the DSA, and had a tremendous impact on the allocation of resources. In his research for the final report, Dr. Chambers said it was not clear to him why a school was part of one attendance area rather than another.

Dr. Jordan indicated that if the modules were not accurate, adding the weights would exacerbate the existing problem.

Senator Denis said he was inclined to support Option (a) as it would provide the Governor with some flexibility and could be accomplished sooner rather than later.

Assemblyman Hansen agreed with Senator Denis. He said Option (a) suggested that the Department of Education conduct the review on the recommendation of the Governor, whereas Option (b) recommended creating another panel. He believed it was unnecessary to create another panel, because the Department of Education was available to perform the review. He indicated that Option (a) was the logical choice to streamline the process and have the review completed sooner rather than later.

Dr. Chambers suggested the formation of an advisory group that included representatives from the various districts and communities to begin an analysis of the data. He said it was important that the advisory group membership represent all school districts, large and small.

Assemblyman Hansen thought the decision to appoint an advisory group should be left to the Governor.

Chairman Conklin noted that Option (b) recommended the Committee include a statement of support in the final report. He said he was inclined to be more proactive with a recommendation for Option (a).

ASSEMBLYMAN HANSEN MOVED THAT THE COMMITTEE ACCEPT OPTION (A) UNDER ISSUE 3, TO DRAFT A LETTER TO THE GOVERNOR RECOMMENDING THAT THE DEPARTMENT OF EDUCATION REVIEW THE TEACHER ALLOTMENT TABLE, ATTENDANCE AREAS AND DISTRICT GROUPINGS.

THE MOTION WAS SECONDED BY SENATOR DENIS.

Chairman Conklin said his intent would be to incorporate some of the justification from the report into the letter to the Governor recommending the review.

Assemblyman Hansen concurred with Chairman Conklin's comments.

THE MOTION CARRIED UNANIMOUSLY.

Issue 4

Ms. Waller stated that Issue 4 dealt with the implicit wage differential adjustment in the existing school finance formula. The current DSA Equity Allocation Model attempted to adjust for labor market differences through the model's grouped average levels of compensation of school personnel. AIR reported that the grouping of these averages +reduced the ability of any particular district to impact the average on which its own funding was determined. However, using the implicit average compensation indices that drove the basic support ratios in the current DSA at least partially reflected district decisions regarding personnel, rather than the external factors that affect the supply of labor, and thereby the market price of comparable staff.

Ms. Waller reported that AIR recommended that the state consider replacing the implicit wage differential adjustment in the existing DSA Equity Allocation Model with a more objective measure to capture differences in the prices of educational resources. She stated that one example of a more objective measure was the Comparable Wage Index (CWI). This index intended to capture the variations in the market price of hiring and retaining educational staff across different regions in Nevada. The CWI provides estimates of wages of non-education workers who have comparable characteristics in educational attainment, while controlling for regional differences in the composition of industries. Using an objective measure has the benefit of excluding the preferences of districts in these hiring decisions.

Ms. Waller said, based on the recommendation provided by AIR, the following options were presented for the Committee's consideration: Option (a) recommends legislation to replace the implicit wage differential adjustment in the existing DSA Equity Allocation Model with the CWI; Option (b) recommends drafting a letter to the Governor recommending that the Department of Education replace the implicit wage differential adjustment in the existing DSA Equity Allocation Model with the CWI.

In response to a question from Chairman Conklin, Ms. Waller explained that this component impacted the equity allocation model. She said this was one way that increases or decreases in the average basic support per pupil to the various districts were determined. The recommendation was that a more objective index would be a true measure of those regional cost differences, as opposed to using average salaries.

Senator Denis requested clarification as to how the wage differential was used to determine cost. Ms. Waller explained that currently within the DSA Equity Allocation Model, one of the modules attempted to adjust for regional differences in price among the districts in the state. This was accomplished by grouping the average compensation of those districts together. If the average compensation of a district was higher or lower than the average, the amount of basic support would be adjusted accordingly.

Ms. Waller indicated that the recommendation was to use a more objective measure to make those calculations, rather than embedding a district decision in the consideration. Ms. Waller explained that, depending on the resources available, different districts were able to collectively bargain higher or lower wages. That decision was made by each individual district. Therefore, the wages were part of the cost to attract labor to their district, but not necessarily the reason for that wage. Using an index that compares other educational occupations with similar characteristics and similar educational requirements was more objective than the average compensation method currently utilized.

Chairman Conklin thought a review of the modules should be required by statute. However, he questioned whether the statute should require the use of a specific index. He explained that, in the future, another index might be better prepared to deal with the issues. He asked Dr. Chambers for his recommendation.

Dr. Chambers understood Chairman Conklin's concern; however, he still thought that using the CWI was the best method. He reported that over the last ten years he has conducted studies in numerous states using the CWI, and had lots of confidence in that index. He suggested that a CWI be developed that was specific to Nevada. In closing, Dr. Chambers stated at the very least, the current approach using average teacher wage differentials should be removed from the DSA calculation as it created inequities.

Chairman Conklin stated that he was uncomfortable with recommending a specific index in statute. He would prefer to provide direction and allow the department, the Governor and others to determine which index meets the criteria for Nevada.

Dr. Chambers responded that the major criteria would be an index that reflected the cost to recruit teachers with "comparable" characteristics in different locations. He said the index should be driven by supply-side factors. Those factors affected the willingness of labor to supply its services in different communities. He said that could be impacted by difference in the price of living and differences in amenities available, or other characteristics of the region.

Chairman Conklin said he was still uneasy drafting a bill that would specify which index must be used. He stated that he was more comfortable drafting a bill that indicated certain factors must be considered when building the allocation module. He thought that may lead the Governor and the Department of Education to use the CWI, but it would not limit them to the CWI if they preferred to use another index that met the same criteria.

Senator Denis suggested there be further discussion on this topic during the 2013 Legislative Session to provide a better understanding the issue.

Chairman Conklin responded that recommending legislation would certainly provide the opportunity for further discussion. Chairman Conklin said if statute specifically required that a certain index must be used, the Legislature would limit itself and deny the Executive Branch a certain amount of flexibility.

Senator Denis said if the Governor recommended to the Department of Education that the issue be reviewed, the Department of Education would brief the Legislature on the issue during the 2013 Legislative Session. He noted that the Department of Education could recommend that the CWI be included in statute.

Assemblyman Hansen said it must be assumed that the Department of Education staff were reasonable people, and they may choose to use the CWI. He recommended that the Committee adopt Option (b).

Chairman Conklin suggested drafting a letter to the Governor requesting that the Department of Education review and make a recommendation to the 2013 Legislature as to which index should be used, based on the findings of the report. Assemblyman Hansen agreed.

ASSEMBLYMAN HANSEN MOVED TO RECOMMEND OPTION (B), TO DRAFT A LETTER TO THE GOVERNOR ASKING THAT THE DEPARTMENT OF EDUCATION REVIEW THE STUDY AND REPORT TO THE 2013 LEGISLATURE ON THE WAGE DIFFERENTIAL ADJUSTMENT, AND WHAT OPTIONS MIGHT BE AVAILABLE TO MEET THE CRITERIA OF THIS STUDY.

THE MOTION WAS SECONDED BY SENATOR DENIS.

MOTION CARRIED UNANIMOUSLY.

Issue 5

Ms. Waller stated that Issue 5 dealt with the recommendation for a weighted adjustment. She said the issue was that the state's existing public school finance model did not address the differentiated needs of various types of students throughout the state. The current funding system addressed the vertical equity needs of special education pupils, but not the other needs of other pupils.

Ms. Waller reported that AIR conducted a 50-state school finance survey to gather information on how other states determined funding for low-income/at-risk pupils, ELL students and various other groups of students. Most states reported using a weighted approach to provide supplemental funding for low-income/at-risk students and ELL students. She reported that 34 states supplement the general state finance system for low-income students. Nevada was one of the states that did not provide additional state funding for at-risk students. The weights for low-income/at-risk students varied from 0.05 in Mississippi to 0.097 in Maryland; however, Ms. Waller indicated that most states provided an additional 0.20 to 0.205 in funding per pupil beyond the base funding allocation.

Ms. Waller reported that 42 states provided additional support for ELL students, while 8 states, including Nevada, did not. AIR's survey found that funding was provided through a variety of methods, including weighted approaches, block grants, per-pupil funding, and lump sum general state appropriations. Again, weights varied widely from 0.10 in Texas to 0.99 in Maryland, with the average weight at .387 percent in additional funding.

Ms. Waller noted that 32 states recognized size and/or sparsity of small schools or districts. Twenty-five states provided adjusted funding for small size, 15 states provided support to isolated school districts, and others utilized an adjustment for both. She also noted that Nevada's current adjustment for differences in educational costs for the scale of operations was larger than the ten most aggressively funded state profiles. AIR mentioned that the state might want to examine the level of scale adjustment that would ultimately be appropriate for Nevada. Ms. Waller indicated that determining where that funding adjustment should reside would be a policy decision.

Ms. Waller said other notable areas in which states provided weights or adjustments to the base funding were gifted and talented education (33 states), career and technical education (28 states, including Nevada), and for different grade levels, which was the most prevalent type of funding weight used across all the states.

Ms. Waller stated that AIR strongly recommended that adjustments be incorporated into the current funding system to account for these student needs and cost factors.

However, Ms. Waller stated that AIR cautioned that changes in the way funds were distributed, especially under this fiscally neutral environment, would have significant implications for individual districts. That was why AIR recommended using a phase-in of any selected funding alternative over a three to five-year period to reduce the severity of the impact on students served and existing programs.

Ms. Waller stated that in addition to the recommendation to move forward with adding weighted adjustments to the state's funding formula, there were other policy decisions outlined by AIR that should be considered. Those policy decisions included the following:

- Identification of the specific student needs or characteristics for which funding adjustments should be provided.
- The specific weights that should be adopted.
- Whether the state's existing size/sparsity adjustment should be modified or replaced with a weighted adjustment.
- Development of eligibility criteria and ways to minimize incentives for over-classification.
- How to count pupils that might fit into multiple need categories.
- The timeframe and the manner of implementation.

Based upon AIR's recommendation, Ms. Waller asked if the Committee wished to recommend that weighted adjustments for low-income/at-risk and ELL pupils be incorporated into the state's public school finance model. If so, would the Committee prefer to do this through legislation by amending NRS 387 to incorporate the weighted adjustments, or to draft a letter to the Governor recommending the Department of Education adopt, by policy, a provision to incorporate the weighted adjustments. Ms. Waller stated that in either of these situations the Committee should discuss the related policy decisions to be included in the legislation or the letter.

Senator Denis stated that the Committee intended to review the weighted adjustments to see what the needs were. He indicated that he is particularly interested in this issue, because all of the schools in his district are low-income and ELL. He did not know whether the Committee should recommend legislation at this time, because the subject was so complex.

Senator Brower asked whether a change to the formula would require a change to statute. Eileen O'Grady, Chief Deputy Legislative Counsel, responded that a change to the formula would not necessarily involve a statutory change. She explained that the weights could be referred to in statute, or the weights could be outlined in the education funding bill.

Senator Brower asked how legislators would know that the additional funds provided due to the weighted formula would be used for the greater need that underlies the change in the formula.

Dr. Chambers said the objective was to move education funding away from the "compliance" or "bean counter" mentality. He explained that districts are pushed in a direction of insuring that a particular set of dollars are going to a particular set of children, rather than being held accountable for the schools' performance. Performance could be gauged by increased achievement scores, increased attendance rates or any other measure deemed appropriate to determine the success of the education system.

Senator Brower stated that if he understood correctly, the recommended new formula would not focus on "bean counting," but would assume that with additional resources, children with special needs would benefit, and that would be reflected in performance over the long term. Dr. Chambers concurred.

Dr. Jordan said there are usually additional costs for oversight when changes are implemented. She said, historically, many of the increases in education funding over time have come from legislative mandates. She stated that Nevada already had an accountability system. She suggested that it be left to the discretion of the Governor and the Department of Education to stipulate how districts would show, within the existing accountability process, that they had addressed the needs of the student subpopulations. She said the Nevada Department of Education could develop regulations regarding this funding as they see fit to ensure the probability that outcomes would be enhanced. She said that would be a very simple, low cost way to account for how the districts are meeting the students' needs.

Assemblyman Hansen asked Dr. Jordan if she was recommending that the change should be made through policy rather than through a change in statute.

Chairman Conklin said the recommendation was for the general requirement to be put into statute, but for the finer details of the process to be left to the Department of Education to implement.

Dr. Jordan stated that she believed the optimal process would be to put in statute a very general statement that Nevada's funding formula would address the vertical equity needs of the children in the state, and then let the Department of Education and the Governor's Office determine how that would be accomplished.

Chairman Conklin suggested that the weighted adjustments for low-income/at-risk and ELL pupils be incorporated into the state's existing public school finance model, as recommended by AIR.

Assemblyman Hansen said any legislation requested by the Committee should be as general and as broad as possible. He preferred that a letter be drafted to the Governor, which would allow the policy to be handled by the Department of Education.

Chairman Conklin said that if the Committee accepted the premise that the weights needed to be included in the DSA, he would return to Issue 1, Option (a) which states that the modules in the DSA needed to be in statute. That would become part of the recommendation. The actual details of those modules would not be included in statute. Rather, the details would be in the Nevada Administrative Code or in another policy that the Department of Education and the Governor's Office put in place. Assemblyman Hansen agreed.

Senator Brower recalled earlier in this process the consultants' report suggested other weights, for example, gifted and talented students. He said only two or three of the weights were included in the work session document.

Ms. Waller responded that the specific recommendation from the consultant, was that low-income/at-risk and ELL weights be incorporated into the state's funding model; however, the report also provided information about other student populations and characteristics for which other states provided additional or weighted funding. Again, this option was specific to the recommendation; however, that did not limit the Committee from exploring other options available to provide additional weighting for other populations.

Senator Brower asked if Ms. Waller could summarize what the other populations were that the Committee might consider. Ms. Waller responded that the request for proposal (RFP) was specific to individual student needs and characteristics. The 50-state survey reported primarily that the funding adjustments were provided for ELL, and low-income/at-risk pupils. She indicated that AIR reported on other notable areas where states provided additional funding. Thirty-three states provided additional funding for gifted and talented students and 28 states provided additional funding for career and technical education (CTE). Ms. Waller stated that the most prevalent type of funding amongst states was for different grade levels, so that funding was weighted for elementary versus middle and high school students.

Chairman Conklin asked if weights for gifted and talented education and CTE were included in the recommendations.

Dr. Jordan answered that the RFP specifically directed AIR to review low-income/at-risk and ELL. Based on changing demographics over time, those areas had the most pressing needs in the state. Dr. Jordan said the report did not intend to recommend

weights should not be given to gifted and talented education or CTE, but the RFP requested AIR to specifically respond to ELL and low-income/at-risk.

Chairman Conklin stated that it was generally accepted that ELL and poverty created equity issues. He asked whether gifted and talented education and CTE presented the same issues, or whether the weights were just another way to address the specific needs of the community.

Dr. Jordan responded that would be a policy decision in terms of what was most critical to meet the needs of Nevada's student population. For example, there were laws stipulating that the state must address the needs of the lower part of the distribution, but there is no law that requires the state to address the needs of the upper end of the distribution. She asked whether it made sense to ignore the best and brightest who are most likely to provide an economic return to the state.

Dr. Jordan stated that CTE was similar. Nevada was one of the states with a low percentage of students that go on to higher education. She asked whether it made sense to assume that not every child was going to attend college. She suggested these policy issues might be discussed when economic conditions are suitable.

Chairman Conklin asked if those programs were typically funded by weighting. He noted that Nevada's CTE was supported by categorical funding.

Dr. Jordan responded that for CTE, the majority of states that provide funding use categorical funding. She explained states could fund CTE either way, and she did not know which was more prevalent.

Dr. Chambers explained that these characteristics of children were essentially beyond local control. Whether a student was an English language learner, or low-income was not a matter of choice. He said the same argument could be made for the categories of "gifted" students. He indicated that CTE programs were driven by choices made by students. He did not mean that that the state should not allocate resources to those programs. He said the low-income students do not choose their parents, the situation into which they are born, or the disadvantages, or lack of advantage, to which they may be subjected.

Assemblyman Hansen noted that according to S.B. 11, the study was to "...account for, and be based on, differences in the needs and characteristics of individual students..." There was no question that low-income/at-risk and ELL students were a big portion of that, but gifted and talented and CTE students should be included as well. Assemblyman Hansen said the focus cannot be solely on the kids at the lower end of the economic spectrum.

Ms. Waller reminded the Committee that early on the scope of the study was narrowed due to the limited timeframe. The scope of work was limited to ELL, at-risk students, and special education with a charge to the consultant that they report on other notable

trends in states with regard to other student characteristics or other populations. She reiterated that the focus of the study that the Committee approved was specifically at-risk, special education, and ELL students.

Assemblyman Hansen stated that while the study may have been limited by the Committee, the substantial needs of a good portion of students should not be left out of the policy discussion.

Senator Brower stated that this discussion proved that this Committee probably should not attempt to determine which factors should be part of a new weighted formula. He suggested that the Committee recommend consideration of a new formula that contemplates various weights.

Chairman Conklin said the Committee might want to recommend that weighted adjustments for low-income/at-risk and ELL pupils be incorporated into the state's existing public school finance model, without requesting a bill draft. That would let the rest of the Legislature know that the Committee considered the issue, determined that it needed to be addressed, but did not offer specific recommendations as to how it should be addressed.

Senator Brower thought the Committee was prepared to recommend to the Legislature that the state should adopt a weighted formula for the education funding budget. Senator Brower indicated that he would be supportive of such a recommendation.

Assemblyman Hansen noted that the Committee was recommending that the Department of Education adopt by policy to incorporate the weighted adjustments. He said the Committee might also suggest that the weighted adjustment category be expanded to include gifted and talented education and CTE. AIR was requested to survey how other states handled other kinds of weighted averages. He reiterated, as reported by AIR, that 33 states provided additional funding for gifted and talented education, and 28 states provided funding for CTE. He did not think those facts should be ignored in the Committee's recommendation. He asked whether gifted and talented students were categorized as special education students.

Chairman Conklin confirmed that gifted and talented education was budgeted with the special education funding, and the upcoming agenda items address special education, which includes gifted and talented. Additionally, CTE was addressed in categorical grants under Item 8. He asked whether the CTE funding should be addressed by weighting, when it was far more likely to be funded as a categorical grant.

Assemblyman Hansen wanted it to be clear to the Department of Education, the Governor and the Legislature that the Committee perceived gifted and talented education and CTE to be equally important, and should be included either by weighting or categorical funding.

Dr. Jordan recommended that the Committee consider focusing on the two critical weights that are outside the control of the districts and students. In the future, as the economy strengthens, additional weights for gifted and talented education and CTE programs could be added. She worried that if all of the requests were made at once, none would be adopted due to lack of funding.

Assemblyman Hansen said everyone recognized that the state was troubled financially. He said all of the recommendations were for a future date when the economy recovered. He pointed out that Ms. Haldeman, Clark County School District, said she would not want these weights implemented if it meant taking monies from other districts. He noted that the revenue sources have not changed; therefore, the only way for the recommendations to be implemented in the immediate future would be to take money from other districts. Therefore, adding two additional weighted categories would not do anything to throw the recommendations off track.

Chairman Conklin noted that, because state funds were very limited, the study was funded using non-General Fund money. In order to get a quality study with a limited amount of funds, the Committee narrowed the focus of the study, to ask very specific questions.

Chairman Conklin indicated that he understood Assemblyman Hansen's concern. However, he was uncomfortable that there was no in-depth study or data on the additional recommendations regarding programs for gifted and talented education and CTE. Chairman Conklin said he understood the need for CTE and gifted and talented programs.

Assemblyman Hansen agreed that the Committee did not have in-depth details for these two categories. However, the Committee was reviewing the broader policy, and the details of the gifted and talented education and CTE programs could be reviewed by the Department of Education. The AIR study showed that other states include gifted and talented education and CTE in their weighted formulas.

Chairman Conklin suggested that the Committee recommend that weighted adjustments for low-income/at-risk and ELL pupils be incorporated into the state's existing public school finance policy and that additional consideration be given to the gifted and talented education and CTE components.

Senator Brower suggested that the Committee recommend moving to a weighted formula to include, but not be limited to, the following potential weighted factors, including gifted and talented education and CTE programs. Senator Brower said that the Committee members agreed that using weights to determine the school district budgets was a reasonable approach. He said unanimous support by the Committee would show the Legislature that the Committee deemed the issue worthy of legislative consideration.

Chairman Conklin suggested recommending a weighted formula considering the characteristics of the student population be used to determine the DSA, without naming specific weighted areas. Senator Brower agreed, but preferred that the state “consider” adopting a weighted formula.

SENATOR BROWER MOVED THAT THE COMMITTEE RECOMMEND THAT THE STATE CONSIDER ADOPTING A WEIGHTED FORMULA FOR THE DSA THAT CONSIDERS UNIQUE STUDENT CHARACTERISTICS AND NEEDS.

THE MOTION WAS SECONDED BY ASSEMBLYMAN HANSEN.

Senator Denis asked how the recommendation would be presented to the Legislature. Chairman Conklin explained that the recommendation would be included in a report to be delivered to the Legislature at the beginning of the 2013 Legislative Session. He said the recommendation would indicate that the Committee supported a weighted formula, without providing details about the specific characteristics and needs that might be considered in that weight.

Assemblyman Hansen said the Committee learned that the 1967 formula was no longer equitable, and that it did not meet the needs for which it was intended. He suggested that the recommendation be as broad as possible to allow the people that are going to make these decisions the flexibility to identify the weighted averages and categories.

There was no further discussion. Chairman Conklin called for a vote on the motion.

THE MOTION CARRIED UNANIMOUSLY.

Issue 6

Ms. Waller stated that Issue 6 dealt with special education funding policy recommendations. She said that since 1973 the state has provided a unit funding mechanism for allocating special education funding to school districts in order for them to provide services for their students with disabilities. *Nevada Revised Statutes* 387.1221 defines a unit as “an organized unit of special education and related services which includes full-time services of persons licensed by the Superintendent of Public Instruction.” She said that might include a teacher as well as a licensed speech therapist or occupational therapist. The total legislatively approved number of special education units statewide for FY 2012 was 3,049, with a value of \$39,768 per unit. Each district was assigned a certain number of units and the State Board of Education was assigned a total of 40 discretionary units for which school districts and charter schools may apply.

Ms. Waller noted that the state’s special education funding was handled outside of the state’s DSA Equity Allocation Model. One reason for treating it as a separate funding source was for the state to be able to demonstrate its maintenance of effort (MOE) in

funding special education services in compliance with the federal Individuals with Disabilities Education Act (IDEA).

Ms. Waller stated that AIR identified two main issues with the state's existing approach. The first issue was that unit funding has not kept pace with the actual number of units or the growth in salaries and benefits of licensed teachers and professionals.

The second issue was that AIR was unable to determine the rationale for the assignment of special education units to school districts. Based on the population of students with special needs, the state's current method results in a disproportionate distribution of special education units between districts.

Ms. Waller indicated that the 50-state school finance survey conducted by AIR revealed that 6 states, including Nevada, used the instructional unit approach to pay for special education and related services. She said 7 states used a cost reimbursement mechanism; 9 states used a census-based approach; 20 states use a per-pupil weighted allocation methodology; and 16 states reported other funding approaches that may be used in combination or singularly.

Ms. Waller said AIR proposed that the state consider adopting one of four alternative options for funding special education ([Exhibit B](#), page 8). The first option offered was a fixed allocation per pupil, which would divide the special education funding by the number of students identified as special needs. Each school district would then receive a proportionate allocation based on the number of students in the district that qualified.

Ms. Waller said the second option offered was weighted pupil funding, in which a student weight would be applied based on a specific learning disability, multiplied by the proportion of students by disability category for each district. Ms. Waller said those weights varied by state. Some of the disadvantages of using a weighted approach to funding special education included that while weights treated special education students equitably, the method did not provide incentives for efficiency, and could result in over identification of students in high-cost disability categories.

Ms. Waller said a modified approach to weighted pupil funding would be to use group averages. This approach would somewhat mitigate the incentive for over identification.

Finally, Ms. Waller said the fourth option was a census-based approach combined with a contingency fund. This approach would provide funding based on an overall percentage of total students in a school district, assuming that over reasonably large geographic areas the incidence of disabilities was relatively uniformly distributed. AIR noted that the census-based approach was commonly combined with a catastrophic aid or contingency fund to help support the costs of severely disabled children who require extraordinarily high-cost services to reduce the likelihood that one or more high-cost children with disabilities could cause excessive financial strain or bankruptcy for small school districts that are unable to absorb those costs. She said one of the advantages of this approach was that it provided flexibility in deciding how

special education funding was used. In addition, it reduced, or eliminated, incentives for over identification or inappropriate classification of students with disabilities into high-cost categories.

Ms. Waller noted that AIR also reported that implementing any one of the four alternative methods for allocating special education funding would have an impact to the funding available to the districts; and, therefore AIR provided a table in the report (page 109, [Exhibit A](#)) showing the cost of holding harmless each district. If the state moved forward with implementing one of the four alternative funding models for special education immediately, as opposed to phasing in any one of the new methods, the costs for holding the districts harmless would range from \$7.3 million under the fixed per-pupil allocation approach to \$12.5 million for the census-based approach.

Ms. Waller noted those figures would result if there was a redistribution of special education funding as a result of implementing one of these different methodologies for allocating funding. Ms. Waller noted the districts had maintenance of effort (MOE) requirements for special education funding, and it was likely that any change would be accompanied by a hold harmless provision to protect the districts from incurring MOE violations.

Ms. Waller said, as with its other recommendations, AIR strongly believed a phase-in approach over a three to five-year period should be used to minimize the impact that those funding changes would have on the districts, regardless of which method was selected.

Ms. Waller said AIR's final report also included several other policy recommendations related to special education funding. One recommendation was to separate funding for gifted and special education students to follow the federal IDEA law supporting funding for students with disabilities. The second considered the integration of special education funding into the formula funding model instead of providing a separate funding source. The final recommendation suggested assessing the cost of serving students with disabilities.

Ms. Waller clarified that years ago, the funding for gifted and talented students was included along with the special education units; however, there was a change in 1999 carving out five units of the special education funding to provide additional funding for technology needs of gifted and talented students. That funding was treated as a categorical line item within the same budget account as the formula funding. She said representatives of the Department of Education confirmed that the discretionary units that were thought to be available for gifted and talented students actually have not been distributed as such. Rather, they are currently all going toward regular special education purposes.

Ms. Waller asked whether, given the in-depth review of the alternatives to allocating special education funding, and the policy considerations for those alternatives, did the Committee wish to recommend in its final report that a panel of education stakeholders

be convened to further study and evaluate the recommended alternative special education funding models, and other recommended policies for special education?

Chairman Conklin stated that his preference was for a census-based approach with a contingency fund. He said the census-based approach was rather scientific, not open to interpretation, and provides the option of dealing with cases that are outside the bounds of standard population distributions, especially in the rural areas.

Assemblyman Hansen agreed with AIR's recommendation that the Committee recommend that a group of education stakeholders be assigned to study the recommendations for special education funding and policy. He agreed that the census-based approach was the best.

Chairman Conklin reminded the Committee that including this recommendation in the report to the Legislature does not limit the exploration of other options; it was simply a recommendation of this Committee and nothing more.

Senator Denis, Assemblywoman Dondero Loop and Senator Brower agreed that they preferred the census-based approach.

ASSEMBLYWOMAN DONDERO LOOP MOVED TO RECOMMEND THAT THE STATE CONSIDER A CENSUS-BASED APPROACH, WITH A CONTINGENCY FUND, AND STUDY THE DETAILS AND IMPLEMENTATION OF SUCH A PROGRAM.

THE MOTION WAS SECONDED BY ASSEMBLYMAN HANSEN.

THE MOTION CARRIED UNANIMOUSLY.

Issue 7

Ms. Waller said Issue 7 dealt with alternatives for determining enrollment for funding allocations. Currently, statute requires that the weighted pupil enrollment in the Nevada Plan be determined by a single count day on the last day of the first month of school for a school year. In its report, AIR noted that this method for determining enrollment for funding allocations does not provide fiscal incentive to reduce absenteeism. As a result, AIR recommends that Nevada policymakers consider alternative options to the single count day approach. One of the options provided for consideration was known as "average daily membership." Under this approach, the state would establish multiple count days through the school year, which would allow the state to adjust funding through the course of the year to reflect changes in enrollment over time. She said New Mexico used average daily membership and counted enrollments on the 40th, 80th, and the 120th days of the school year.

Ms. Waller reported that AIR suggested a second option for consideration wherein the state would count students on the basis of average daily attendance, which was an approach used by a number of states.

Ms. Waller stated that using either one of these alternatives, the schools would be incentivized to find ways to maintain or increase enrollment. Another benefit in utilizing these approaches was that it tracked enrollment more closely and would permit the state to make adjustments to the funding allocation based on the attendance of students.

Ms. Waller reported that the first option recommends legislation to amend NRS 387 to modify the state's approach to determining the enrollment on which school funding is allocated. If this option were to be selected, the Committee would need to determine whether it preferred the average daily membership or average daily attendance approach.

Ms. Waller said the second option would be for the Committee to draft a letter recommending that the Department of Education modify the state's approach. However, she noted that the count day was in statute. Therefore, a statutory amendment would be necessary if the Governor and the Department of Education determine that the single count day approach should be modified.

Senator Brower asked if there was a reason for using the one-day count approach. He said it seemed to make more sense to hold a count on multiple days.

Dr. Jordan explained that when the funding formula was put into place in 1967 the Department of Education did not have the technology to track and communicate this information throughout the state. The single count date was a simple and efficient way to collect that information. Since then, processes have been put into place for districts to easily report attendance information to the state. Therefore, counting on multiple days would be very simple.

Chairman Conklin expressed concern about using the average daily attendance approach. He noted that transiency in Clark County might have a substantial effect on the enrollment count. He said enrollment could change dramatically from the first day to the thirtieth or sixtieth day. He questioned the wisdom of changing this count day method for a population with a high level of transience.

Senator Brower believed that was a good argument for this Committee to not make a detailed recommendation to the Legislature. Rather, he suggested that the Committee draft a letter to the Governor and the Department of Education asking for a review of the enrollment count method.

SENATOR BROWER MOVED THAT THE COMMITTEE DRAFT A LETTER TO THE GOVERNOR RECOMMENDING THAT THE DEPARTMENT OF EDUCATION STUDY THE ENROLLMENT COUNT METHOD CURRENTLY IN STATUTE, AND MAKE A RECOMMENDATION TO THE 2013 LEGISLATURE.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Issue 8

Ms. Waller stated that Issue 8 dealt with the flexibility of categorical funding. She explained that, in addition to the per-pupil expenditures provided in the Nevada Plan, the Legislature has historically allocated categorical funding earmarked for specific educational purposes such as class-size reduction, early childhood education, the Regional Professional Development Program (RPDP), CTE and full-day kindergarten.

Ms. Waller indicated that there are several advantages and disadvantages to providing categorical funding. The advantages are that the funds earmarked must be spent for the intended purposes, and categorical funding was relatively easy to add to existing state legislation. Ms. Waller stated that some of the disadvantages are that categorical funding was outside of the basic support guarantee and, therefore, could easily be eliminated. Ms. Waller also noted that the states' education funding levels are ranked based on the formula funding, not including categorical funding. She said Nevada provides a good portion of funding outside of the funding formula, which may not be recognized in some of the rankings. In addition, she noted that categorical funding was outside of the equity allocation model, and was sometimes distributed in even amounts to all the districts based on a grant formula. She explained that this distribution of funding can sometimes disadvantage small school districts that do not have the staffing necessary to keep up with the grant requirements.

Ms. Waller recalled that during the 2011 Legislative Session when funding to the school districts was reduced, some of the districts requested flexibility in using funding for other purposes than what had been earmarked. The Executive Branch proposed to put a majority of the categorical funding into a block grant to allow the districts flexibility in using the funding. AIR disagreed with the timing of the concept, because the large reduction in funding would impact programs too severely. It was suggested that it would be an option for consideration during economic downturns. AIR noted that another disadvantage to the proposal was that the categorical funding approach promoted a mentality of compliance as opposed to outcome, performance and accountability. The recommendation provided in AIR's final report was that a panel be convened to review how categorical funding might be used more flexibly and require greater accountability.

Ms. Waller presented two options for consideration by the Committee. Option (a) was to draft a letter to the Governor recommending that the Department of Education review how categorical funding was currently used and make suggestions to recommend more flexibility along with greater accountability and improvement outcomes. Option (b) was to include a statement of support in the Committee's final report recommending that a panel of education stakeholders meeting to discuss how the state's categorical funding might be used more flexibly, with greater accountability.

Assemblyman Hansen said he preferred Option (a).

Chairman Conklin was unsure whether he liked either option. He said most categorical grants were policy statements by the Legislature or a Governor decided in the political arena to meet the needs of a specific population. He was not sure that sending a letter would encourage the Governor to do anything he was not already doing in the best interest of the school districts and the deliverance of education in the State of Nevada.

Dr. Chambers said he thought this approach would imply that the central authority knew better than the local community what was needed, which was not always the case. He suggested that the districts be allowed flexibility to meet the needs of the local community in the best way they know how and holding the school districts accountable for results.

Dr. Jordan agreed with Dr. Chambers and added that categorical funding was very attractive because of the political issues. In reality, it does not provide flexibility to the districts to serve the population in the best way they see fit. It causes the school districts to spend the very scarce taxpayer dollars on things they might not really need. She said most educators have unused materials locked in away in a cupboard because they were required to spend the money for specific purposes.

Dr. Jordan suggested allowing the school districts to determine how best to serve those needs within their unique context and requiring accountability from the outcomes.

Dr. Chambers added that categorical funding could potentially sidetrack the equity intended by the formula funding.

Chairman Conklin said he did not disagree with Dr. Chambers or Dr. Jordan, particularly on the need to provide flexibility and require accountability. However, he would have difficulty drafting a letter to the Governor asking him to do something that he was already doing.

Chairman Conklin suggested a recommendation to the Governor and the Legislature that flexibility, greater accountability and that measured improvement be tied to any categorical grants provided for education. He said any categorical grants that exist today would need to be reapproved with the next budget.

Ms. Waller clarified that, unless the Legislature included a time limit, the categorical funding that was appropriated would be rolled over to the base budget in the Other Education account (BA 2699).

Chairman Conklin agreed, and added that it would still need to be approved as a line item outside of the base funding formula.

Dr. Chambers said he would recommend putting dollars into adequately and equitably funding educational services first, before funding categorical programs.

Dr. Jordan asked the Committee to consider requiring a review process to demonstrate that the categorical funding does not violate the equity of the overall funding system. She cautioned that if the categorical funding undermined the equity of the funding formula, the state could be vulnerable to litigation, which should be avoided at all costs.

ASSEMBLYMAN HANSEN MOVED TO DRAFT A LETTER TO THE GOVERNOR RECOMMENDING THAT THE DEPARTMENT OF EDUCATION REVIEW HOW THE STATE'S EXISTING CATEGORICAL FUNDING MIGHT BE USED MORE FLEXIBLY, WITH GREATER ACCOUNTABILITY, AND TIED TO IMPROVEMENT IN OUTCOMES FOR SPECIFIC SUBPOPULATIONS OF STUDENTS.

THE MOTION WAS SECONDED BY ASSEMBLYWOMAN DONDERO LOOP.

THE MOTION CARRIED UNANIMOUSLY.

F. PUBLIC COMMENT

Mr. Ray Bacon, President, Nevada Manufacturers Association, asked that the Committee keep in mind that studies from education advocates on the left and on the right indicate that poverty was the single biggest factor influencing educational performance.

Second, Mr. Bacon noted that the author of *The Bell Curve*, Charles Murray, said that there is a moral imperative to challenge our academically talented children as much or more as we do those that are talented in the arts, athletics, music or any other field. Mr. Bacon said the technology exists now that allows us to provide that to any kid in any place.

Mr. Bacon's third comment was for the Committee members to be mindful that subsequent Governors may decide to set a new precedent or change the formula. He suggested adding criteria to the funding plan to limit decisions to the period between each Governor's first and second legislative session.

Mr. Bacon suggested that the changes be implemented by regulation first and then hardened into law once it is determined they will work.

For his next point, Mr. Bacon noted that in Clark County the career technical education (CTE) schools and the CTE programs were the highest performing schools in terms of graduation rates and the rate of graduates attending college. He recommended that the Committee members place a focus on CTE education.

On the topic of student count days, Mr. Bacon noted that for 30 years there was only growth, with no reduction in the number of students, except for in Esmeralda or Eureka counties.

In conclusion, Mr. Bacon noted that program funding had been used in the past to avoid letting money go into the collective bargaining pool, whether we like to admit it or not.

Clark County School Board member Erin Cranor said he was speaking as the Legislative Chair for the Nevada Association of School Boards, on which he served on the Executive Committee. He asked that school board members who have been elected by constituents around this state be included in the process of education funding reform.

Chairman Conklin thanked the consultants at AIR for providing a fine product with many good recommendations. He thanked the WCSD, the CCSD and all the other districts for their efforts in providing information and helping to generate resources for such a study. He also thanked the LCB staff for their work behind the scenes. Finally, he thanked the members of the Committee and said they could be proud of work they did for their constituencies.

Senator Denis thanked Chairman Conklin for chairing the Committee.

G. ADJOURNMENT

The meeting was adjourned at 1:08 p.m.

Respectfully submitted,

Becky Lowe, Secretary

APPROVED:

Assemblyman Marcus Conklin, Chairman

Date: _____