

**MINUTES OF THE MEETING OF
THE TASK FORCE ON K-12 PUBLIC EDUCATION FUNDING
Senate Bill 500, 2013 Legislature
January 31, 2014**

The first meeting of the Task Force on K-12 Public Education Funding was held at 9:00 a.m. on Friday, January 31, 2014, at the Grant Sawyer State Office Building, 555 East Washington Avenue, Room 4401, Las Vegas, with videoconference to the Nevada Legislative Building, 401 South Carson Street, Room 4100, Carson City, Nevada.

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Senator Moises Denis
Senator Michael Roberson
Assemblywoman Lucy Flores
Denette Corrales
Dale Erquiaga
Marc Hechter
James McIntosh
Stephanie Smith

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Assemblyman Pat Hickey
Bob Burnham
Andrew Fromdahl
Pedro Martinez
Tom McCormack
Dawn Miller
Judy Osgood

COMMITTEE MEMBERS ABSENT:

None

STAFF:

Mark Krmpotic, Senate Fiscal Analyst, Fiscal Analysis Division
Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division
Julie Waller, Senior Program Analyst, Fiscal Analysis Division
Wayne Thorley, Program Analyst, Fiscal Analysis Division
Eileen O'Grady, Chief Deputy Legislative Counsel
Kristin Roberts, Senior Principal Deputy Legislative Counsel
Donna Thomas, Committee Secretary

EXHIBITS:

- Exhibit A** Task Force on K-12 Public Education Funding (Senate Bill 500) Meeting Packet
- Exhibit B** New Method for Funding Public Schools – Bulletin No. 13-07, January 2013
- Exhibit C** Nevada K-12 Funding – Nevada Plan – Julie Teska, Nevada Department of Education

I. ROLL CALL.

Julie Waller, Senior Program Analyst, Fiscal Analysis Division called the meeting to order at 9:10 a.m. She said that she would briefly chair the committee until a presiding officer was elected. The secretary called roll; all members were present.

II. PUBLIC COMMENT.

There was no public comment.

III. SELECTION OF PRESIDING OFFICER.

Ms. Waller directed the committee to page 5 of the meeting packet, Task Force on K-12 Public Education Funding, Senate Bill 500, 2013 Legislature ([Exhibit A](#)). She said that Subsection 4, Section 2, indicated that the Task Force members shall elect a chairman, who must either be a Senator or an Assemblyman or Assemblywoman. She accepted nominations for chairman of the Task Force on K-12 Public Education Funding.

ASSEMBLYWOMAN FLORES NOMINATED SENATOR DENIS AS CHAIRMAN OF THE TASK FORCE ON K-12 PUBLIC EDUCATION FUNDING. THE MOTION WAS SECONDED BY MS. SMITH.

THE MOTION CARRIED UNANIMOUSLY.

IV. OPENING REMARKS.

Chairman Denis thanked the committee for the opportunity to chair the Task Force on K-12 Public Education Funding and to help do what is best for the children in Nevada. He recalled that 25 years ago, his daughter started kindergarten in Nevada. He attended a meeting at her school and there was discussion about what parents could do to help the education process. He stated that his philosophy was that he could not complain about anything unless he was willing to do something about it and get involved; therefore, his advocacy for education began with his involvement in the education process. He volunteered on the Parent Teacher Association (PTA) and soon realized that he had to fight for all children in the education system. After his involvement, he became aware of how the state funded education and realized that it was not going to be an easy or short process. Chairman Denis said that now, 25 years

later, they were still talking about how the state funded the education system in Nevada. Chairman Denis was thankful the committee members accepted the opportunity to serve on the Task Force and appreciated their willingness to help. He valued the committee's expertise in their various capacities and wanted them to feel welcome to share their thoughts. He said that the work of the committee was something that would make a difference in the lives of the children in the state.

Chairman Denis asked the members and staff to introduce themselves.

Chairman Denis said that the committee had an all-star lineup and staff from LCB were the "cream of the crop." He added that the Director of State Charter Schools or his or her designee was also a member of the Task Force. The Director of the State Charter Schools position was vacant and Tom McCormack, Interim Director, was currently attending the meeting.

Chairman Denis stated that Senate Bill 500, which created the Task Force on K-12 Public Education Funding, allowed for the Task Force to meet not more than six times each year at the call of the chair. Pursuant to Senate Bill 500, Chairman Denis would appoint a technical advisory committee (TAC) consisting of persons who have knowledge, experience or expertise in K-12 public school finance. The TAC will meet apart from the Task Force and provide updates on its work throughout the study. He said that the TAC would be able to meet more often if needed and take care of all the technical issues in the funding model. The Task Force must also prepare a written report to the Governor and the Director of the Legislative Counsel Bureau for transmittal to the 78th Session of the Nevada Legislature, which includes recommendations for implementing changes to the *Nevada Plan* no later than June 30, 2014.

Chairman Denis appointed Assemblywoman Flores as Vice Chairman of the Task Force on K-12 Public Education Funding.

V. REVIEW OF THE DUTIES AND RESPONSIBILITIES OF THE TASK FORCE, PURSUANT TO SENATE BILL 500 (CHAPTER 500, STATUTES OF NEVADA 2013).

Ms. Waller explained that Senate Bill 500 approved by the 2013 Legislature required the creation of a Task Force on K-12 Public Education Funding. The Task Force consists of 4 Legislative members and 11 non-legislative members appointed by the Governor, legislative leadership and various other organizations. Senate Bill 500, Subsection 4 of Section 2, directed the Task Force to hold its first meeting as soon as practicable on or after July 1, 2013, upon the call of the Governor. On December 12, 2013, the Governor issued his call for the first meeting to be held in January 2014 by sending a letter to the Director's Office of the Legislative Counsel Bureau. Subsection 5 indicates that the Task Force was allowed to meet up to six times each year; however, the Task Force does not have to meet six times; it was dependent on the workload required. Senate Bill 500, Subsection 7, states that the chair may appoint such subcommittees

from within or outside the membership of the Task Force as the chair determines necessary to carry out the duties of the Task Force. Subsection 8 required the chair to appoint a TAC consisting of persons who have knowledge, experience or expertise in K-12 public school finance. Ms. Waller stated that there was no membership limit for the TAC, but it must include at least one representative of the Clark County School District, one representative from the Washoe County School District, and one representative of a county school district other than Clark County or Washoe County. Any other persons who have knowledge, experience, or expertise in the area of K-12 public school finance may serve on the TAC as appointed by the chair of the Task Force. Subsection 9 of Senate Bill 500 indicates the members of the Task Force, a subcommittee of the Task Force and the TAC shall serve without compensation. Ms. Waller indicated that there was no funding appropriated for continuation of the Interim Study on K-12 funding so members would serve without compensation. Section 3, Subsection (a) discussed the duties of the Task Force, and indicated that the Task Force must conduct a review of the report entitled, *Study of a New Method of Funding for Public Schools in Nevada* published by the American Institutes for Research (AIR) on September 25, 2012, (page 21 of [Exhibit B](#)) which was the culmination of the work done in the 2011-12 Interim, by the Committee to Study a New Method for Funding Public Schools (Senate Bill 11, 2011 Legislature). She said that all members received a copy of the report, which was also on the Task Force website, in addition to copies that are available to the public at the meeting. Subsection (b) indicated that the Task Force must survey the weighted pupil public education funding formulas used in other states. Ms. Waller said that AIR conducted a 50-state survey specifically looking at other states weighted funding for a specific student population, such as, English Language Learners (ELL), at-risk students, students with disabilities, and gifted and talented students. The 50-state survey started on page 147 of [Exhibit B](#) and provided specific information on the types of weights other states used and the funding mechanisms. There were weights included in a funding formula, and weights could be included in categorical funding as well, providing several options related to the funding formulas used in other states. She thought the Task Force would continue the work of the 2011-12 Interim Committee on the New Method for Funding Public Schools and dig a little deeper to determine the best practice for revising Nevada's funding formula. Subsection (c) directed the Task Force to develop a plan for revising and implementing Nevada's public education funding formula – the *Nevada Plan*, in a manner which equitably accounts for the needs of, and the costs to educate pupils based upon the individual educational needs and demographic characteristics of students, including, students from low-income families, students with disabilities and students who have limited proficiency in the English language. Subsection (d) states that the Task Force must prepare a written report no later than June 30, 2014, to the Governor and the Director of the Legislative Counsel Bureau for transmittal to the 78th Session of the Nevada Legislature, which includes recommendations for implementing the plan developed by the Task Force for Nevada's public education funding formula in The Executive Budget prepared for the 2015-17 biennium.

Concluding, Ms. Waller said that the Task Force, a subcommittee of the Task Force or the TAC of the Task Force may seek the input, advice and assistance of persons and organizations with knowledge, interest or expertise relevant to the duties of the Task Force.

Chairman Denis asked the committee members if they had questions on the overview and the duties of the Task Force.

Mr. Burnham said that recognizing the limitations of the statute, he hoped the Task Force would look at the challenges that the education system faced in as broad a manner as possible within the limits of the statute.

Chairman Denis appreciated the comments. He said that committee had a very focused charge, but it would be easy to look at some of the broader issues as they moved forward in the important work to be done.

VI. REVIEW OF THE ACTIVITIES AND RECOMMENDATIONS OF THE 2011-12 INTERIM STUDY ON THE NEW METHOD FOR FUNDING PUBLIC SCHOOLS, INCLUDING AN OVERVIEW OF THE CONSULTANT'S REPORT ENTITLED "STUDY OF A NEW METHOD OF FUNDING FOR PUBLIC SCHOOLS IN NEVADA" PUBLISHED BY THE AMERICAN INSTITUTES FOR RESEARCH ON SEPTEMBER 25, 2012.

Ms. Waller stated that Senate Bill 11, 2011 Legislature, directed the Legislative Commission to appoint a committee to conduct an interim study concerning the development of a new method for funding public schools in Nevada. The Legislative Commission appointed three members of the Assembly and three members of the Senate to the Committee to Study a New Method for Funding Public Schools. Although no state funding was appropriated by the Legislature to conduct the study, the Clark County School District was successful in raising approximately \$125,000 from various donors throughout the state to enable the committee to proceed with its work. In total, the committee met five times beginning on January 24, 2012, and concluded with a final work-session meeting on August 28, 2012. The enabling legislation tasked the committee with developing a new method for funding public schools in Nevada to continue, improve and advance the purpose of the state's public education system. With limited funding and a short timeframe in which to conduct the study, the committee approved narrowing the scope of the study to examine how other states incorporate individual student needs and characteristics and the needs and challenges of school districts with small schools in remote areas into their finance models. The individual student needs and characteristics to be examined were students with disabilities, ELL, and at-risk students, as defined by such metrics as free and reduced priced meals.

Continuing, Ms. Waller said that the focus of the study was not the adequacy of public school funding, but whether the funding for public schools was equitably distributed to meet the educational needs of students, which was an important fact to remember because of the limited funding and timeframe to conduct the study. Ms. Waller stated

that Senate Bill 500 was basically a continuation of the work accomplished by the New Method for Funding Public Schools committee during the 2011-12 Interim. She indicated that Task Force members were provided a copy of the New Method for Funding Public Schools, Bulletin No. 13-07, which also included the AIR report dated September 25, 2012. At the final interim committee meeting on August 28, 2012, the committee adopted four recommendations pertaining to the existing school finance model or the *Nevada Plan*, and four recommendations for modification of Nevada's school finance model. The recommendations pertaining to the *Nevada Plan* were:

1. Include a definition of the data modules of the school finance model and the basis for the allocation of special education funding. The consultant, American Institutes for Research (AIR) found that documentation of the data elements supporting Nevada's public school finance model, including definitions, procedures, and in some cases rationale, along with documentation supporting the basis for the allocation of special education funding, was either lacking or in some cases non-existent.
2. Amend NRS 387 to require the Department of Education to review and update the underlying data modules utilized within the school finance model and special education funding every six years, in the period between legislative sessions. These two recommendations were combined into Senate Bill 477 (2013 Legislature) which did not pass. Background for these recommendations was that the consultant noted that several of the modules utilized in the state finance model had not been updated since 2004. Therefore, the committee recommended that the Department of Education review and update the finance model as necessary.
3. Draft a letter to the Governor recommending the Department of Education review the teacher allotment table, attendance areas and district groupings.
4. Draft a letter to the Governor recommending that the Department of Education review the consultant's report with respect to the implicit wage differential adjustment in the school finance model, and recommend to the 77th Session of the Legislature, options for objective indices that meet the criteria outlined in the report.

Ms. Waller stated that recommendations pertaining to modifications of Nevada's school finance model were:

1. Include a letter of recommendation in the Committee's final report that the state consider moving to a weighted funding formula that considers unique student population needs, and characteristics.

Through its study, AIR reported that Nevada's current funding system does not include funding adjustments for the additional costs associated with individual student needs and characteristics. Based on best practice, AIR recommended that funding adjustments be incorporated into the state's current finance model to account for student need and cost factors. Currently, the state funds special

education through a unit system and the other individual student characteristics that the committee studied were ELL and at-risk students. The 2013 Legislature approved state funding for the first time for ELL, although, it was not incorporated into the funding formula through a weighted mechanism. The ELL funding was provided through a categorical funding mechanism, which was targeted funding for that specific purpose.

2. With respect to funding for special education, include a letter of recommendation in the committee's final report that Nevada consider a census-based approach with a contingency fund and that the state study specific details of the program and implementation of this approach. AIR stated that one of the advantages of the census-based approach is the flexibility it provides in how special education funding is used and greatly reduces, if not eliminates, any incentives for over identification or inappropriate classification of students with disabilities into high-cost categories.

Ms. Waller stated that among the issues identified with the way the state funded special education was that the unit methodology only allowed the state funding to be used for a teacher and districts had to use out-of-pocket general fund to fund the requirement to have teacher aids in the classroom for students with disabilities.

3. Draft a letter to the Governor recommending that the Department of Education review the state's method of determining the count of enrollment on which school funding is allocated, and report to the 2013 Legislature whether the state's approach of using a single count day should be modified, and if so, the approach recommended. AIR reported to the committee that in Nevada, weighted pupil enrollment is currently determined by a single count day. The consultant recommended Nevada policymakers consider alternative options to the single count day approach to determining the enrollment on which school funding is allocated. In the report, AIR discussed average daily membership and attendance as two options for consideration.
4. 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 tied to improvement in outcomes for specific subpopulations of students.

Ms. Waller indicated that the Governor sent a response to Vice Chairman Denis on February 15, 2013, to the committee's letter of recommendations and indicated,

"As the study suggests more work is needed to be done before significant changes are made to Nevada's method for funding public schools. Successful implementation of any changes requires thorough examination of the issues raised in the study and additional input from school districts and other stakeholders. To that end, I have directed Superintendent Guthrie to immediately begin working to evaluate the recommendations of the study and discuss them with the appropriate stakeholders. I have directed

Superintendent Guthrie to prioritize these efforts and complete his work as soon as possible.”

Ms. Waller believed that the responsibilities of the Task Force will incorporate that work and study the recommendations more in-depth, and receive additional input from stakeholders.

Ms. Waller noted that the Task Force members should look at the specific sections of the AIR report beginning on pages 58 through 61 ([Exhibit B](#)) showing the states with funding mechanisms for low-income, ELL and at-risk students and for sparsity/density of small schools. The 50-state inventories related to special education and at-risk students, ELL, and gifted and talented can be found in the appendices beginning on page 57 of the report ([Exhibit B](#)). In addition, the AIR report was located on the Task Force on K-12 Public Education Funding website. Ms. Waller said at the next meeting the Task Force would look at specific best practices and the comparisons of the funding mechanisms with other states. She noted that much of the information and work has been done and it was a matter of determining the weights and how to modify the funding formula, which she believed was one of the important tasks for the committee.

Continuing, Ms. Waller stated that the AIR report showed that 42 states currently provided additional support for ELL students and only 8 states, including Nevada, do not provide funding. However, in FY 2014, Nevada provided state funding for ELL students for the first time. The AIR report indicated that other states supported ELL students through a variety of funding methods, including weighted approaches, block grants, per pupil funding, unit funding and categorical grants. She said the Task Force would need to examine those areas further to determine a better way to implement some of the weights or changes to the existing *Nevada Plan* funding formula. Under the weighted approach, weights varied widely from 0.10 in Texas to 0.99 in Maryland, with the average weight of 0.387, or 38.7 percent in supplemental funding for ELL students. The AIR report also revealed that 36 states provided supplemental funding for at-risk students, and 14 states, including Nevada, did not.

Senator Roberson asked if the committee was going to discuss the progress of the recommendations made by the New Method for Funding Public Schools committee during the 2011-12 Interim. He believed there were two bill draft requests (BDRs), both Senate Bills that had broad support; however, those bills did not pass out of the Assembly.

Ms. Waller clarified that the two BDR recommendations were incorporated into one bill, Senate Bill 477, which did not pass out of the Assembly. She said the discussion at the time was that more work needed to be done on the existing funding formula and there was hesitation to approve a bill that would place a formula in statute that some felt needed to be updated and revised. She said the bill was postponed until there was a revision of the formula.

Senator Roberson said the committee was lucky to have Dale Erquiaga, Superintendent of Public Instruction, on the Task Force. He hoped the committee looked at the recommendations from the New Method for Funding Public Schools interim committee to see if there were in agreement, or if they needed to move into a different direction.

Chairman Denis did not think reviewing the recommendations from the New Method for Funding Public Schools interim committee was on the agenda. He said the Department of Education was going to discuss the *Nevada Plan* and some of the recommendations from the interim committee would be included in their presentation. He noted that additional recommendations could be made, either through the committee or through the Legislative Committee on Education.

Chairman Denis said that the committee and the TAC had the information needed from the interim study and had a difficult task of revising and implementing Nevada's public education funding formula. He thought it would be easy to change the formula in the 2013 Legislative Session since they had the report from the interim committee, but he soon realized that it would not be an easy task to work out all the issues and change the formula in only 120 days. He recalled a conversation he had with the previous Superintendent of Public Instruction, who indicated that it would take six to eight months to change the funding formula. He said the Task Force on K-12 Public Education Funding committee had less time but hoped the work of the committee would help clarify some of the issues.

VII. PRESENTATION ON NEVADA'S EXISTING K-12 PUBLIC SCHOOL FUNDING MODEL (THE NEVADA PLAN).

Julia Teska, Deputy Superintendent for Business and Support Services, Nevada Department of Education, stated that she has been working in public education finance for 20 years – 10 years at the district level and 10 years for the State of Nevada, mainly in the education finance area. She clarified that there was a great deal of discussion on whether to update and put into statute a new funding model and codify a system that most people were in agreement needed to be changed. In the discussions she has been part of there were concerns that they needed to put into law what needed to be done, and what they were going to do, and not what they have been doing. Ms. Teska said that much of the information that she would present at the meeting was an overview of where the state was with a focus on what should be. She said that most people that have looked at the existing funding model would agree that what currently exists was not adequate in terms of doing the job required. She recently attended a meeting to discuss the equity allocation model and was asked to show how the current funding model demonstrated that the end result was equitable, which she could not provide under the current funding model. She said the committee needed to have a definition of what equitable was, and how the equity allocation model achieves equity.

Ms. Teska directed the committee to her Power Point presentation, Nevada K-12 Funding – Nevada Plan, [Exhibit C](#). In NRS 387.121(1967), the Legislature declared that the proper objective of state financial aid to public education was to ensure each Nevada child a reasonably equal educational opportunity. Recognizing wide local variations in wealth and costs per pupil, the state should supplement local financial ability to whatever extent necessary in each school district, to provide programs of instruction in both compulsory and elective subjects that offer full opportunity for every Nevada child to receive the benefit of the purposes for which public schools are maintained. Therefore, the quintessence of the state's financial obligation for such programs can be expressed in a formula partially on a per pupil basis and partially on a per program basis, as state financial aid to school districts equals the difference between school district basic support guarantee and local available funds produced by mandatory taxes. She said that often the focus was on the per pupil piece. Ms. Teska found that the *Nevada Plan* also referenced programs, and with one exception, the current *Nevada Plan* did not consider programs.

Referencing page 2 ([Exhibit C](#)), Ms. Teska said that the statewide formula was originally adopted in 1967 and has not markedly changed in approximately 40 years, which was not good for determining how the state was funding education today. Currently, the *Nevada Plan* does not incorporate any differences based on grade level and the only difference was kindergarteners were weighted 0.6, because under the current basic support model it was funding half-day kindergarten. Ms. Teska stated that there were no adjustments in the formula-based funding for individual student differences; the formula looked at the number of students but not at any of the characteristics of those students. However, there were significant funds available outside of the *Nevada Plan*. While the New Method for Funding Public Schools committee mainly researched practices of other states, she hoped the Task Force looked at the greater context rather than just the basic support allocation, because that was only one piece of the funding districts received.

Continuing, Ms. Teska said that one of the K-12 funding components was the Distributive School Account (DSA), which was the basic support guarantee. The school districts received local revenue – local taxes that were outside the basic support guarantee, in addition to state categoricals/grants, federal grants and minor fees, earnings and other miscellaneous fees.

Directing the committee to page 3 of [Exhibit C](#), Ms. Teska said the DSA was the starting point for funding, which was built every other year for the biennium. Currently, the state was in the base year for the next biennium – FY 2013-14 would be the base year for the DSA in the 2015 Legislature. The DSA used the actual expenditures as a starting point and included the two percent “roll-ups” for movement on scale of employees that work in the districts. In addition, fringe benefit rate adjustments were included in the calculations that were comparable to those used for state employees (PERS, health benefits, etc.). The DSA also included projected enrollment growth on a district-by-district basis and then on a state level. Projections were also used for major revenues and actual base year receipts for minor revenues.

Ms. Teska noted that all expenditures in the district's general fund and special education fund were used for the base in the DSA. Ultimately, through a series of calculations, all special education expenditures were put into the calculations and the special education funding that the state was going to provide was removed before the basic support calculation was determined. Although the DSA started with expenditures, the basic support level was actually determined when the revenues in the equation were introduced, which was the portion that was guaranteed based on which revenue were paying for the expenditures. She stated that part of the revenues were guaranteed and part of the revenues were not, which she hoped was the discussion the committee had in the next few months on whether that was the correct model.

The revenues that were included inside the guarantee were the Local School Support Tax (LSST), which was part of the sales tax paid on purchases. In addition, there was the Public School Operating Property Tax (PSOPT) – one-third of the PSOPT was included inside the guarantee, the other two-thirds was outside the guarantee, along with the Net Proceeds of Minerals (NPM) Tax. She noted that there were also some minor revenues in the guarantee, which included slot tax, federal mineral lease revenues, and permanent school fund interest transfer. For the current biennium through FY 2015, the Room Tax that was implemented through Initiative Petition 1 (2009 Legislature) was also included as a revenue inside the guarantee. Beginning in 2014, the Medical Marijuana Taxes created under Senate Bill 374, were revenues inside the guarantee, in addition to the state General Fund appropriations. Essentially, once the projections were set in the legislative session and the basic support guarantee was determined, the State General Fund makes up the shortfall if any of the revenue sources, or the combined total of those revenue sources fall short. If the revenues were over, the funds would revert to the State General Fund, which has happened both ways in the last few years. She recalled that during the recession in 2009, the Department of Education asked the money committees for a \$325 million supplemental appropriation to fill the hole in the DSA. However, in 2013, approximately \$50 million was reverted to the State General Fund. Ms. Teska added that the calculations in the DSA were discussed in great lengths during the legislative session.

Ms. Teska stated that the statewide basic support guarantee was an aggregate number across the state that essentially took all the expenditures and parsed out the revenues to get a total that was divided by the statewide projected enrollment figure, which was the statewide aggregate number for basic support per pupil. The basic support guarantee per pupil was then the starting point in the equity allocation model, which determined each district's individual per pupil amount. Because Senate Bill 477 did not pass during the 2013 Legislative Session, a periodic review was not specifically mandated, which she thought was desperately needed. She said the committee would review the years' worth of data used under the current model because there was no definitive decision made during the 2013 Session that changed the current funding model and the Task Force was created instead. The most recent version of the calculations were created by a committee established in 2004, which included district superintendents, state and district staff. The changes were phased-in over five years so

they were not a shock to the districts. Fortunately, for the majority of the phase-in period, the state was in a growth mode and it was less painful to phase-in changes when revenues were growing.

Ms. Teska explained that factors for the equity allocation model used enrollment, current and forecast, which circled around the count day, in addition to a hold harmless provision, which was another item the committee might want to review. Currently, districts were guaranteed the highest count of either the current years' enrollment or the prior years' enrollment. When enrollments started to decline as the populations shift, which has happened in various counties, the intent behind the hold harmless provision was to soften the landing. Accordingly, if there were 5,000 students in a district one year and only 4,500 students the following year, the district would not have to absorb the financial loss at one time. The district would be aware that the funding the following year would be significantly reduced and could make changes in its operations. The baseline was based on 2004 cost ratios with 2008 through 2011 transportation and operating expenses that were used in the model. In addition, forecasts were used for the outside revenue projections – some were forecast revenues from the Economic Forum and some were from using the base year revenues. The 2008 through 2011 transportation costs were used as a four-year average per pupil.

Continuing her presentation, Ms. Teska said that groupings were used particularly when looking at the relationship between the teacher allotment and determining salaries. The teacher allotment was multiplied by an average salary to determine one of the factors in the model. Ms. Teska said she had concern with Clark County and Washoe County being grouped together, and while they were both large districts, Washoe County had 60,000 students versus Clark County with 350,000 students with sufficient differences in the districts. She noted that the purpose of the groupings was to mitigate outliers, so they were essentially putting the groups together and averaging costs based on their similarities. If there was a single district in a grouping, that district ceased to be a group and the impact of being able to average was lost. With only 17 school districts in Nevada, and not a significant pool of districts to average, she thought it would be helpful to look at averages in other states.

Ms. Teska stated that the teacher allotment was a large focus in the AIR report – the report looked at the number of schools in a district, enrollment on an individual school basis in the smaller districts, and enrollment in school areas or portions of those counties in the larger districts. The district per pupil calculation used the statewide average basic support and adjustments were made for the differences in wealth, which were local revenues in the individual counties, transportation and operating costs on a per pupil by district basis. Ms. Teska noted that essentially the Department of Education (Department) took the statewide average and backed out the statewide average per pupil transportation costs and multiplied by the cost ratio, which comes from the operating costs, salaries and teacher allotments, plus a wealth factor, which was where they looked at the deviation of each counties per pupil outside revenues in comparison to one another, and then added back each counties unique per pupil transportation costs.

Ms. Teska stated that the DSA equity allocation model was composed of 12 modules and when the attendance areas, teacher allocation tables, and outside revenue workbooks were added, there were 15 or 16 separate Excel workbooks that comprise the current funding model. She noted that even if the state kept the current funding formula, the mechanics behind the individual modules needed to be changed. She said the formula has evolved over time and in order to update the current modules, or to follow any of the formula modules, all 16 of the workbooks had to be open simultaneously, which was not an effective way of running these types of calculations. Ms. Teska said the DSA allocation was the single largest line item in the state budget.

Assemblywoman Flores asked Ms. Teska to provide an explanation of the modules. Ms. Teska replied that the modules were Excel workbooks – one module looked at the property tax piece and the current and projected numbers per year based on enrollment and per pupil amount. She explained that essentially there was a property tax number and they looked at the assessed valuation, which was valid at one time. However, the property tax cap passed and there were abatements, so actual property tax collections were not necessarily reflective of the assessed valuation. She said if the intent was to capture the wealth from a revenue perspective then it was doing what it was supposed to do. However, if the intent was to capture wealth from a larger perspective in terms of the actual affluence of a community, then it was not doing that. For example, the transportation module essentially collected transportation data over a series of years and then calculated the average of those years on a per pupil basis, so each module was a piece of a calculation.

Assemblywoman Flores said that the modules were a method of collecting data from all the various funding sources available and the factors in which the funding was distributed. She asked Ms. Teska if she anticipated the same module structure if a new funding formula was established.

Ms. Teska replied that was dependent on the decisions of the committee. She said one of the first things she hoped the TAC looked at was the base calculations, because she believed there was a great deal of interest in doing the weighted calculations. However, if something faulty was weighted, it would exasperate the problem instead of providing the relief they were looking for. Ultimately, she thought the TAC should come up with straightforward calculations using consistent data so one does not need to be an expert in school finance to understand the formula. Ms. Teska indicated that one of her concerns was the complexity of the formula; the formula was not transparent the way it was currently constructed. She noted that a significant portion of the taxes collected for the formula were from the taxpayers and those citizens should be able to understand how the revenues were being applied to education.

Ms. Teska directed the committee to page 6 of [Exhibit C](#), which showed a sampling of the districts and the equity allocation per pupil funding. When the Department went through the DSA iteration, the average statewide basic support guarantee across the state was \$5,590; the average statewide transportation costs were \$363 per pupil; and the average statewide basic support net of transportation was \$5,227 per pupil. She

said the Department took the \$5,590 and backed out the \$363 per pupil to come up with the \$5,227 per pupil. The \$5,227 was multiplied by the cost ratio, which varied widely from district to district. Ms. Teska stated that this was where the concept of what was equitable was an important questions to answer. The districts unique average per pupil transportation costs per district were added along with the wealth factor. She was uncomfortable with the basic support pro-rata adjustment in the equity allocation model and thought that piece definitely needed to be examined.

Senator Roberson asked Ms. Teska why she was uncomfortable with the pro-rata adjustment in the equity allocation for per pupil funding. Ms. Teska replied that historically, that calculation was determined by people in the Department of Education and was basically a factor to “whatever it takes to make it balance,” and while that was appropriate in some settings, she thought a more sophisticated or better rationale for the adjustments was needed. She said the numbers were fairly small amounts and not earth shattering, but if the adjustment was ten dollars per pupil for over 450,000 pupils across the state, she thought they needed to know why they were making that adjustment.

Mr. Martinez said it was interesting to look at the varying cost ratios by district. He wondered if the ratio factored that, because of scale, some costs were fixed and somehow those fixed costs were quantified. He said the reality was that there was still some specific fixed costs that would exist and asked if that was what the ratio was supposed to capture.

Ms. Teska stated that the formula attempts to capture the fixed costs, which mainly showed up in the attendance area and teacher allotment tables. The model assigned a minimum number of people to a school, because whether the school had 8 or 80 students, there was a minimum number of staff required. They could not say that there was a fixed ratio, there were certain minimums and the ratio was applied above the minimums, because every school district had to have a superintendent, principal, and teacher. The numbers were higher in smaller or more rural districts because the current model looked at all of the aggregated costs to come up with a per pupil basis. The rural districts had a lot of small schools with fixed costs and a smaller number of pupils to cover the costs on a per pupil basis. She said that Clark County had rural schools within the county; however, the rural counties comprised a very small portion of total student population. Clark County would always end up under a 1.0 factor because the county comprised such a high proportion of students for the state, and when the formula was done on a per pupil basis, the costs were spread over a much larger population. The high cost incidences of having a very small school were mitigated by the large population.

Mr. Martinez asked Ms. Teska if the costs were based on the actual cost structure of each district and captured the difference in salaries or were they based on estimated costs.

Ms. Teska replied that part of the costs were based on the ratios that were determined in 2004 and part were based on updated costs. The salary piece in terms of salaries across districts, was also addressed through the groupings. She said the characteristics of the districts have changed over time and reexamining the groups was an essential element that needed to be addressed by the committee. In addition, Clark County and Washoe County were probably not good comparisons to one another.

Ms. Teska stated that she was providing a higher-level look at the allocation models and as they committee addressed each of the specific areas and made decisions, they would need to examine each component in much greater detail, which she hoped would be part of the work of the Task Force and the TAC.

Mr. Martinez agreed that the equity allocation was a factor that needed to be addressed by the Task Force, because he saw it as somewhat objective. He said the common taxpayer would understand that some districts were large and have scale with economies to scale; the rural districts were very small and do not have the economies to scale and there would be some fixed costs. He believed the community needed to understand the process and it should be transparent, because the public could look at it one way and say that Clark County was being cheated because the district was so large and not funded at 100 percent or at the 1.0 factor; Washoe County seemed to be in the middle; and the rural districts were getting more funding, which was not necessarily true. However, if the public did not understand what was behind the numbers, they were unsure if Clark County should be weighted 0.9 and rural counties should be at 3.0 because they did not know the detail. He said that he would like to understand the details to ensure that the community understood what was behind the numbers.

Mr. Martinez added that many states set up a general fund rate, such as basic support, for just general education, not special education, poverty or ELL. He wondered if the purpose of the rate in the *Nevada Plan* was just for general education or meant to serve more than that.

Ms. Teska said that unfortunately she would have to guess at the intent of the *Nevada Plan* when it was created in 1967. She said the current plan used general fund and special education fund expenditures as the basis for the rate in the *Nevada Plan*. She was unsure the current rate in the *Nevada Plan* was adequate because of the fact that \$25 million a year was approved as a starting point for ELL education for the 2013-15 biennium. She believed the Task Force should consider the funding, primarily the general education and regular operating expenses. She said the students that have special characteristics, such as children with poverty, special education, and ELL, were still counted in the enrollment, and there was a portion of the funds that were supposed to support at least a portion of the services for those children. The additional services that they might need was what the Task Force should be looking at, as either the weights or other funding mechanisms.

Mr. Martinez said that a fundamental question he hopes the Task Force can address is that we understand what the basic general education funding should be. For example,

other states general education funding was above the regular rate and everything else was added on top of that. He said they could look at a specific rate and how it should be weighted and the different factors, which was fine, but if they did not discuss what the basic general education rate should be, he worried that the logic would be faulty. Because of the time constraints, he did not believe the New Method for Funding Public Schools interim study addressed the basic general education funding.

Ms. Teska agreed that issue was not necessarily addressed in the New Method for Funding Public Schools committee during the 2011-12 Interim and the focus of the committee was narrowed significantly because of time and financial constraints. She understood the current committee also had time constraints and the bill was fairly specific as to what could be addressed, but she hoped at a minimum, the Task Force looked at the current base calculations because if they did not get that part right, whatever they do on top of that would be faulty.

Ms. Smith said that it seemed one of the inherent flaws in the way they were setting up the formulas to balance things – instead of comparing apples to oranges – they were comparing applesauce to oranges, and instead of a fruit salad, they were getting a big mess. She thought the committee needed to focus on what they were comparing to in order to develop an equity allocation model.

Mr. Erquiaga asked Ms. Teska if the cost ratio by district, wealth factor and the pro-rata adjustment were also set in 2004. Ms. Teska replied that at a minimum, the methodology behind the cost ratio was set in 2004, as well as the methodology for the wealth factor. She was unsure about the basic support pro-rata adjustment.

Mr. Erquiaga requested that the Task Force include private sector citizens on the TAC. He said the school districts were setting the cost ratio and he would like an outside view of that ratio.

Senator Roberson acknowledged that this was not an adequacy study, but at the same time, whatever the Task Force did it had to make sense in the real world and ensure there was an adequate basic funding level for every student in the state. He referenced the New Method for Funding Public Schools, Bulletin No. 13-07, page 30, [Exhibit B](#), and read a message from Governor Grant Sawyer to the Legislature in 1963,

In the 1960s, Nevada was ranked fourth in the nation in per pupil expenditures, which compared with current national rankings that vary from 37th to 48th in per pupil expenditures. The percentage of state revenues for education was at 54.6 percent, well above average for the nation, as compared with the proportion of current state revenues at 30.8 percent, well below average for the nation.

He asked Ms. Teska, in the context of the *Nevada Plan*, other than the decisions of the Legislature on funding education, how the state got to the current funding plan.

Ms. Teska expressed her concerns with the current funding plan and the fact that the all of the funds were not guaranteed. In the *Nevada Plan*, approximately \$2,000 per student was excluded from what was guaranteed. The basic support number, which was the basis for the equity allocation model, is not a great number because it was very misleading. She said that during the recession, basic support did not necessarily go down, but the funding available to the school districts did because property tax revenues dropped so precipitously and two-thirds of that was outside of the calculation. Ms. Teska noted that when she inherited the Distributive School Account (DSA) there was more than a billion dollars budgeted for property taxes, and at one point there was less than \$550 million in total property taxes and only a fraction of that huge decline was addressed in the basic support number. She stated that the problem was that the basic support amount was used as a guide and part of the reason it would be beneficial to have discussion about whether the revenues should be excluded, or guaranteed, so the number actually includes all of the support toward education.

Senator Roberson stated that in 1960, Nevada was ranked 4th in the nation in per pupil expenditures compared to current national rankings that varied from 37th to 48th. He asked if the drop in the rankings was due to the basic support or were the numbers reflective of expenditures from all local, state and federal resources that go to the students in Nevada.

Ms. Waller replied that the source of the ranking was the National Center for Education Statistics (NCES) and was all funding sources, excluding capital expenditure and debt. The funding included all state resources, as well as local and federal resources, and the basic support was a component of the funding.

Ms. Teska added that NCES was the most valid source for state-to-state per pupil expenditure comparisons. She indicated that she had concerns with the differences between states and what was taxed for per pupil comparisons unless taking into account cost of living, whether the state had an income tax, because salaries comprised a significant portion of what the state spent in education, which in most districts was more than 80 percent. If a state did not have an income tax, the district could afford lower salaries; if the state had a higher income tax, the districts had to pay higher salaries to provide people with the same buying power and the state reaps revenues back as a result of that. Ms. Teska said when comparing per pupil expenditures, it was not valid unless adjusting for those differences. She reiterated that NCES was the best resource for state-to-state per pupil expenditure comparisons, in terms of applying standard criteria across all states. Ms. Teska stated that although she could not speak to the decisions made in the 1960s, she could address what has happened in the last five to six years. She said that Nevada's ranking was better prior to the recession, although not at the top five level as in the 1960s. During the recession, Nevada was the hardest hit state and education was impacted because it was one of the biggest portions of the state budget. Ms. Teska said that adequacy was a discussion that needed to occur and she understood the prevailing thought process that equity could not be discussed without adequacy, which she thought had validity.

Mr. Martinez said that the Education Week Diploma Counts study came out recently and Nevada ranked low and received an “F” for education funding. In addition, the Economic Development Board in Northern Nevada conducted a study that looked at how Washoe County would do it if was a state by itself. The county was ranked 51st in the country in education funding, which included all funding streams except capital.

Mr. Burnham appreciated Senator Roberson’s mention of the dramatic change in relative per pupil expenditures compared to the nation. He recalled a 2005 report from the University of Nevada, Las Vegas, which quoted an adequacy study done in 2000 that ranked Nevada 49th in the nation for per pupil expenditures. Mr. Burnham said that a wise educator recently told him that a reallocation of an inadequate resource was still inadequate. Mr. Burnham believed the Task Force would not be able to address all the problems in the state, including those related to equity, if the problem of adequacy was not addressed.

Chairman Denis recalled an adequacy study, *Estimating the Cost of an Adequate Education in Nevada, Augenblick, Palaich and Associates, Inc.*, August 2006, which he thought would be beneficial for the committee to review. He said that even though the committee was not tasked with looking at the adequacy issue, he thought some of the information in the study would be helpful. He added that some of the data was used during the 2013 Legislative Session when trying to create a formula for the Zoom schools.

Ms. Teska referenced page 7, of [Exhibit C](#), the top chart showed the DSA – Equity Allocation Model, the total outside revenues per pupil to come up with a statewide average and then looking at each individual counties average outside revenues per pupil to calculate the district variance from statewide average. The bottom chart displayed the equity allocation model transportation costs, which essentially looked at the four-year average transportation costs per pupil. Depending on the makeup and type of district, the transportation costs varied widely and the chart showed some of the most significant variations in terms of per pupil costs. She stated that Carson City had the lowest transportation costs because the city was a fairly small district with a decent student population of approximately 7,000 students and in a fairly confined geographic area that would reduce the transportation costs. Nye County and Elko County were geographically large and had higher transportation costs; Eureka County had a dispersed population and very few students.

Assemblyman Hickey asked if the per pupil expenditure number from 1960 may have been reflective of the fact that Nevada was a rural state with less concentration of people. Since transportation costs in rural areas were excessively high, as reflected in Esmeralda County, he wondered if the state was ranked fourth in the nation in 1960 because it was much more rural, which affected where the funding was spent.

Ms. Teska replied that she was unsure if at that time they were looking at this particular models perspective. The total amount of education spending was used versus how they were slicing up the pie they already had, and any items that had an impact on how

the pie was sliced would not necessarily change the total amount of funding. She stated that the change in ranking as far as the education funding was likely based on policy decisions made at the state level in comparison to decisions that were made in other states.

Moving to page 8, [Exhibit C](#), Ms. Teska stated that the non-transportation costs in the equity allocation model used a combination calculation – a per pupil cost based on a portion of the calculations and a cost ratio, which was something she thought needed to be examined further by the TAC. Ms. Teska stated that the committee needed to ensure when doing the two-step calculation they were not overstating some of the differences or accounting for them in an average and factor. She was concerned that much of the focus for the allocation model was on basic support, which does not provide the full picture and was misleading. She said that per pupil spending could increase and the basic support calculation could decrease. If there was a sharp increase in the outside revenues, which has happened during the boom years, the basic support number would decrease. If property taxes increase sharply, funding to schools could increase and basic support could decrease.

Directing the committee to page 9 of [Exhibit C](#), Ms. Teska said the top chart showed enrollment growth and the sharp increase in the property tax, which also encompassed the mining taxes, which have recently been volatile. The basic support calculation in the example would decrease from one year to the next, by almost \$100 per pupil while the total spending from these sources would actually increase by \$100 per pupil over the same period, which was why there was an inherent danger in the way the basic support was calculated and that the focus was almost exclusively on that figure.

In addition, the reverse has happened during the recession and the actual total spending per pupil decreased, but because of the backfill of General Funds in the calculation, it was not reflected in the basic support calculation. She said that the equity allocation model was only allocating the basic support portion and whatever was being earned in the county was staying in the county and to an extent was being factored into the wealth factor, but that was the only place it showed up.

Mr. Martinez hoped the committee looked at all operating funds because even though they talked about the formulas not being weighted, the reality when looking at other funding sources, whether districts used local money to subsidize the needs in their districts, the state pre-K and kindergarten dollars were prioritized to poverty first, in addition to the new funding for ELL and changes in special education. He hoped the committee did not look at the DSA funding by itself because then they were not seeing the whole picture. It was important to understand all the components of the funding, because the state either accidentally or deliberately was already doing weightings from decisions made during the 2013 Legislative Session.

Chairman Denis said that often they tend to look at all the districts and the per pupil funding in the basic support to see where the formula was inequitable, but depending on

the local funds they were aware that they could adjust those amounts. He said the committee had to look at the whole picture and not just the per pupil funding.

Ms. Teska noted that the DSA equity allocation was subject to volatility in both state and local revenues, and changes in the district expenditures. The funding was not fully guaranteed and there was other funding outside of the guarantee, which results in a risk/reward situation. When the economy was booming, the districts kept two-thirds of the property taxes over and above the projected amounts used during the legislative session when the per pupil amounts were set. However, during the recession it was a detriment to the districts when the drop in the two-thirds of property tax was for the districts to figure out and the state only backfilled one-third of those declines. Another concern was the full-year funding based on a single count day. Having worked in a school district, Ms. Teska said that generally the teacher the district owned in the first month of the school year was owned for the school year, so she appreciated the district wanting that certainty on the funding side. At the same time, there was a great deal of discussion about how transient and mobile the population was in Nevada, and at a recent meeting there was discussion about how often children changed schools in the state, which needed to be factored in the model. She said that wherever school the child was at the end of the first month, that school as the “lucky” winner; the money was not following the student from school to school, whether it was one district to another or a charter school to a district. As children moved around after count day, unless it meets certain specific criteria, the money was not following the student, which was a concern for the equity allocation. The equity allocation does not account for differences in student populations; it accounted for differences in numbers but not the characteristics of students and whether the students were ELL, special education, gifted and talented, poverty, etc. Ms. Teska said another concern was the difference between expenditures and costs, because she thought that cost was what it should cost the state to provide the services and the resources. Expenditures were what the district actually spent, which encompassed many outside factors and reflected decisions made. She believed that cost was looking at best practices and labor market issues versus negotiation issues. She understood the complexities of contract negotiations having formerly worked in a school district. Ms. Teska believed one of the issues in the current funding system in Nevada was that the state looked at actual expenditures versus what a service should cost. Another equity allocation concern was that there was a different methodology used to prepare the DSA and how the money was allocated. There were different elements included in each of those that created a certain amount of disconnect – one set of rules was used for the statewide number and different figures were taken into account when the funding was parsed out to the individual districts.

Continuing, Ms. Teska stated that the next item she wanted to discuss was the other Nevada K-12 funding sources, page 10 of [Exhibit C](#). Currently, the state used a unit-based allocation methodology for special education funding and each district was assigned a specific number of units, which was an old model where one unit equaled a special education teacher. At one time, special education services were provided that way when children were pulled out of regular classes for special education services. In the 1990s, there were court decisions that pushed mainstreaming for special education

students in the least restrictive environment, which meant a regular classroom setting with supportive services. However, the current model was still reflective of pulling children out of regular education classes and putting them in special education classes for services. Another issue with the current funding model, in 2014 there was an increase in the per unit funding partly due to the recession, which was \$41,608 per unit to cover the entire cost of a teacher. She noted that because of the additional education requirements needed to be a special education teacher, the unit funding underfunded the cost of a special education teacher.

Ms. Teska said when funding was added to special education in 2014, instead of increasing the number of units, the funds were put toward the amount per unit, because if the number of units was increased it essentially increased the General Fund obligation to make up the difference between what the state was funding for a special education teacher versus the total cost. In order to be funded for one of these units, the teacher had to have a class or caseload, which was why the amount per unit was increased as opposed to the number of units. She noted that since 2009, the number of units has been fixed. Ms. Teska said that in addition there were federal funds for special education, and for the last two to three years the Individual with Disabilities Education Act (IDEA) funding was approximately \$65 million to \$75 million a year. She added that when the committee looked at making changes to special education funding that they consider the state level maintenance of effort (MOE) requirements for the federal IDEA funds, as well as district level MOE requirements.

Ms. Teska said that another set of state funds districts received were the Class-Size Reduction funding, which was designed to reduce the pupil-teacher ratios at the school level, particularly in the earliest grades. Currently, the ratio of students to teacher in grades 1 through 2 was 16:1 and the ratio for grade 3 was 19:1. The Optional Alternative Program for counties with population under 100,000 was 22:1 in grades 1 through 3 and 25:1 in grades 4 through 6. The district funds 23.5 full-time teachers for at-risk kindergarten for a ratio of 16:1. Ms. Teska said that total state funding for all state funds is \$161.7 million in FY 2014 and \$166.4 million in FY 2015, and the funds were in addition to the funds provided in the DSA for those grade levels as well.

Moving to page 11 of [Exhibit C](#), Ms. Teska stated that kindergarten funding became more complicated during the 2013 Legislative Session and there was a significant focus on early childhood education and expansion of the full-day kindergarten program. In the DSA, the count was 0.6 per student in the basic support funding, because it was covering the half-day portion of kindergarten. Over 60 percent of the schools in Nevada provided state-funded full-day kindergarten. The priority for the full-day kindergarten funding was based on the percent of students on free and reduced-price lunch. Funding was approximately \$36.7 million in FY 2014 and \$40.8 million in FY 2015, which was just the portion of classes from half-day to full-day kindergarten. In addition, a class size reduction was implemented beginning in 2014 for kindergarten. Statewide, in the class size reduction program for grades 1 through 3, districts could apply for variances to the State Board of Education if they cannot meet required student to teacher ratios. The kindergarten class size reduction program is a lot more restrictive

as there is no ability to request a variance from the State Board of Education. Prescribed student to teacher ratios are 21:1 with a variance approved by the district superintendent up to 25:1, but there is no variance allowed over 25:1. Funding for the kindergarten class size reduction program was \$15.5 million for FY 2014 and \$23.8 million in FY 2015.

Senator Roberson asked if the \$10 million for portables for the kindergarten class size reduction was part of the \$15.5 million allocated in FY 2014 and Ms. Teska replied that the \$10 million was in addition to the \$15.5 million allocation.

Assemblywoman Flores asked how long the 33:1 student to teacher ratio was in effect in Clark County before the implementation of Senate Bill 522 (2013 Legislature).

Ms. Teska explained that under the provision of Senate Bill 522, Clark County must meet the 21:1 ratio, with an allowable variance up to 25:1 in all of the half-day kindergarten classes and one-third of the state funded full-day kindergarten classes in FY 2014. In FY 2015, Clark County had to reach that level for all of their schools in FY 2015 and it appeared that Clark County was slightly ahead of schedule. Ms. Teska was unsure how long Clark County had the 33:1 ratio, because that data was not collected prior to FY 2014.

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Ms. Waller added that prior to the passage of Assembly 2 of the 27th Special Session, the class size reduction reporting was a district-wide average. Assembly Bill 2 required districts report school-by-school information so there is a better understanding of what the class sizes really looked like, as opposed to just the average class size. She said the first quarterly report on the class size reduction variances would be submitted to the February 6, 2014, Interim Finance Committee, and she anticipated a better feel for what direction class sizes were moving as they go forward.

Ms. Teska stated that Senate Bill 504 (2013 Legislature), was the first time that the state has provided dedicated state funds specifically for ELL, which was approximately \$25 million statewide per year. The bottom chart on page 11 ([Exhibit C](#)) displayed how the ELL funds were allocated for Clark County, Washoe County, and the rural and charter schools. She said that Clark County and Washoe County were under the Zoom school program and under a grant program, which allowed using the funds for a wider variety of services. The Zoom school funding was very specific about a pre-K program, full-day kindergarten with the reduced class size, reading skills development centers and summer school or intersession. Clark County received \$19.7 million per year in ELL funding, Washoe County received \$3.7 million per year, and the rural and charter schools received \$1.5 million. In addition, Ms. Teska stated that there were federal funds available for ELL, which was approximately \$8 million per year. Unfortunately, the federal funds could not be used specifically for salaries and were mostly geared for professional development and supplemental services.

Chairman Denis stated that previously ELL funding was federal funding not state funding.

Ms. Corrales requested that the committee take into consideration the other funding sources that would be available if Nevada changed its method of funding education. If the equity allocation model was changed, she was concerned federal funding would be left on the table.

Ms. Teska said that although Nevada had a lot of little pockets of funding she tried to focus her presentation on the larger sources of funding somewhat related to the subjects referred to in Senate Bill 500, particularly special education, ELL, and students in poverty. Referencing page 12, [Exhibit C](#), Ms. Teska said that Title I funds were allocated based on poverty and varied over the last several years with approximately \$95 million per year. Another new source of funds was the Jobs for America's Graduates program, which the state funds at \$750,000 per year, with additional federal and other funds, largely through the Department of Employment, Training and Rehabilitation – \$1.4 million for at-risk schools. The program was primarily focused on secondary students and aligning students at-risk of not graduating or dropping out of school with employment opportunities so they could connect the need for education with future employment opportunities. She added that the Jobs for America's Graduates program was a national program and has been very successful in terms of turning around graduation rates for at-risk students.

Mr. Martinez commented that Nevada received the lowest Title I funding in the country due to the fact that the formulas were old and antiquated, in addition to the poverty rates that have risen in the state as opposed to the rest of the country. He added that many states in the East Coast received a significant amount of Title I funding, for example, a school district in Philadelphia, which was half the size of Clark County, received over \$200 million in Title I funding. He stated that one of the reasons for the funding difference was in the formula – if states provided poverty funding there was a matching component and because Nevada has never put a match for the poverty portion, the state never received its fair share of Title I funding.

Senator Roberson asked if the matching component in the Title I funding for poverty was a one-to-one match and if was there a cap on the amount of federal funds that could be matched.

Mr. Erquiaga replied that he was unsure of the match and whether there was a cap because the state never had to calculate that. He added that he would find out and provide that information to the committee.

Chairman Denis commented that perhaps Nevada has not received its fair share of the federal funds because the state has not put their fair share in and he hoped it was something the committee considered as they moved forward.

Ms. Teska stated that career and technical education was not specifically addressed in Senate Bill 500; however, she thought it was an area that merits discussion because it provided both state and federal funds. She said that career and technical education has been a topic of discussion at the Department because most students enrolled in technical education programs were performing better than the general student population. She said that approximately \$3.3 million per year was awarded through a grant program to career and technical programs in school districts. In addition, \$107,000 per year was awarded for the six student organizations across the state in the various career sectors, and approximately \$8.5 million in federal Carl Perkins funds were provided per year to fund the career and technical programs.

Chairman Denis asked if the \$3.3 million per year allocated to the career and technical education was done through a formula and Ms. Teska replied that was changed in a bill passed by the 2013 Legislature, which incorporated some formula funding. She believed there was a competitive component; however, she did not know the exact ratios.

Concluding her presentation, Ms. Teska said page 13 of [Exhibit C](#) showed the state funding for the gifted and talented student population. She indicated that there were state funds carved out of the special education funding made out of special education units of \$169,000 in FY 2014 and \$174,000 in FY 2015, which could be used for a variety of purposes in the gifted and talented area. The funding was granted out to districts and gifted and talented teachers could be counted in the special education unit allocation provided they had the proper credentialing.

Chairman Denis stated that he had new appreciation for the gifted and talented state funding since his son was tested as extremely gifted in 2013. He said he would be looking with interest at this funding to see what options were available as the committee moved forward.

Ms. Teska said that she would conclude her presentation with the thought, was the current funding model equitable and was the equity allocation model and how the other funds were distributed equitable, because one man's equitable was another man's inequitable. She said the funding for education was so important because it defined opportunities for people in the future. The current funding model was not transparent because it was overcomplicated and utilized data from different years. There were some things in terms of future forecasts that would have to be part of the model, but the state was not doing a good job in terms of standard data. Ms. Teska reiterated that the base funding formula needed to be revised and updated, otherwise changing it and making modifications to what they do to the output in the basic formula, would be inherently flawed. Ms. Teska said she has been part of discussions on the weights for the different populations – poverty, special education, ELL, gifted and talented students, in addition to career and technical education, and the question was how were the state categorical funds going to be used and how would those be factored into revising the funding model.

Ms. Teska stated that because special education was already a separate funding source, and the recommendations in the AIR study were fairly straightforward, she believed that special education was the easiest portion of the funding source to change. There were some concerns creating an MOE issue at the school districts, and although there were certain costs associated with the MOE, it was not a huge amount. She said when the committee determined what should be, the question became how to get from where the state was currently to where it should be. The Task Force had to at least make a basic assumption, with small exceptions, and assume the pie of funding remained relatively the same size, and when making changes, they would be modifying a slice of the pie to get to where the state was currently to where it should be without causing undue harm to any of the districts. She said at the end of the day, when harm happened to one district, it was harm to the students in the district.

Senator Roberson asked Ms. Teska if she was in agreement with the recommendations from the New Method for Funding Public Schools interim committee, and the recommendations from AIR.

Ms. Teska replied that she agreed with the interim committee's recommendations to update the data and better document the procedures behind the base calculations. She thought that coming up with recommendations was a good assignment for the TAC, because sorting out the current base calculations versus what it should be would be very technical. She thought that the Task Force should move forward on the special education funding allocation.

As far as the weightings in the formula, Ms. Teska said that subsequent to the data in the AIR report and the work of the 2011 Interim committee, other states were moving toward adjusting their actual based funding formula instead of using categorical funds for some of the populations. She said it was clearly the direction that was gaining popularity across the country and an acknowledgement that the population of the United States has changed and adjustments needed to be made to the plan created in the 1960s. She encouraged the committee to look at this issue as broadly as possible, because she was concerned with tweaking just a portion of education funding. Although, there were clearly components that needed to be addressed, the committee needed to keep in mind the large context of the funding and make changes within the framework of all the funds that were available.

Mr. Erquiaga said the Department of Education understood the recommendations from the 2011 Interim study that were sent in a letter to the Governor and forwarded to the Department, particularly around the modules, enrollments, and categoricals. He stated that the Department's capacity to make those changes alone were sitting in the committee today, which was why the work has not been done. He looked forward to working with the TAC on those recommendations.

Ms. Osgood thanked Ms. Teska for the excellent overview. She asked if the Task Force should look at the proper objective of the state financial aid to public education and what was equitable. She believed the language used in the objective of providing each

Nevada child with a reasonably equal educational opportunity was a recommendation listed in the *Nevada Plan* when it was first created in 1967, page 30 ([Exhibit B](#)). In addition, there was no mention of some of the factors or concerns of the Legislature identified in Senate Bill 500, such as looking at the individual educational needs and demographic characteristics of pupils. She wondered if the objective originally stated in the *Nevada Plan* in 1967 was still the guide for the work of the committee in revising the current funding formula.

Mr. Martinez asked if other states were using existing funding or new funding as they moved toward adjusting their actual based funding formula instead of using categorical funds for some populations.

Ms. Teska replied that the committee needed to update the list from the AIR report in terms of changes that have since happened. She said that California was one of the states updating its existing funding formula and Governor Brown was characterized as Robin Hood – taking from the wealthy districts and giving to the poor. Without looking at the details of the California plan, that led her to believe that the initial version of the plan would reduce some of the funding overtime. She thought that updating the existing funding formula could also be done in a two-pronged approach. In her prior position with a school district, a revision to the special education portion of the funding model was done through a three-year phase-in, so that new funding coming in cushioned the blow. Ms. Teska said if she were to make a recommendation, she would recommend a more balanced approach, with a measured phase-in of any changes with the existing funds, as well as any new funding to help cushion the loss of funding. Ms. Teska stated that she has not received solid data on how other states were implementing funding formula changes, but based on what she heard, some states were actually updating their funding formula with existing funding.

Mr. Martinez said as the committee looked at some of the large decisions around weightings and potential changes to the funding formulas they had to understand the base calculations. He said that California added over a billion dollars of new education funding and had a much higher base level than Nevada would ever have. The committee needed to agree on the decisions so they were using better information and data, which was more transparent so people could understand the base rate.

Ms. Teska asked Mr. Martinez if he was asking about how the base rate was calculated, not necessarily the adequacy of the base rate, but more how to take what they already had and analyze it.

Mr. Martinez said that the formula could be tweaked because it was very old and some of it does not make sense. He wondered if the committee had to ensure that even if they could not solve the funding problem, they had to at least understand there was a minimum level of funding required by each district based on size and other complexities, and faulty decisions could be made if they did not understand that.

Ms. Teska replied that committee definitely needed to look at the base calculations and determine what those should be, which could end up being a phased-in approach, because some of the underlying assumptions might not be as valid or equitable depending on how that was defined.

Mr. Fromdahl commented on the new school performance framework in Nevada and looking at the special populations for funding, for example ELL, free and reduced lunch, and special education students, the framework was 20 percent weighted for the schools performance. He said it was nice to see the expectations from the schools also matched up to the discussions at the meeting.

Chairman Denis stated that he appreciated the explanation on the complicated *Nevada Plan*. He indicated that there were discussions in 1955 about Nevada being one of the fastest growing states in the country. The *Elizabeth Peabody Study* from 1955, showed that Nevada was not doing enough about classroom sizes. In the 1960s, there was more funding for education and Nevada was rated high in the country for test scores. He said that currently, there was the opportunity to look at the state's funding formula, which has not been changed in a long time and the different definitions of equitable and he hoped whatever the committee did was fair for the students and teachers. He thought that Nevada had a fairly equitable system even though it is somewhat complicated. The Task Force had to look at the funding to see if it was fair and the right thing for the Nevada of today, as opposed to what was done in 1967.

VIII. DISCUSSION OF FUTURE MEETING DATES.

Chairman Denis asked for input on the second meeting of the Task Force. He suggested Wednesday, February 26, 2014, for the second meeting of the Task Force on K-12 Public Education Funding. Senator Roberson said that he served on the Governor's Behavioral Health and Wellness Counsel and hearings were scheduled for February 26, and February 27.

Mr. Erquiaga added that the State Board of Education meeting was scheduled for Wednesday, February 26.

Chairman Denis asked if any members had conflicts with Friday, February 28, 2014, for the second meeting of the Task Force on K-2 Public Education Funding. Being none, he tentatively set Friday, February 28, 2014, for the second meeting of the committee. In addition, he asked the committee to inform staff of any dates they were unavailable for future meetings.

Chairman Denis said the plan was to videoconference the meetings, however, at some point he thought there would be a benefit to having all members present at the same meeting location.

Chairman Denis recognized Senator Woodhouse, Chair, of the Legislative Committee on Education, who was in attendance at the meeting.

IX. PUBLIC COMMENT.

Jennifer Carvalho, parent, said that she had two children attending Staton Elementary School in Las Vegas and was president, Parent Teacher Organization. She attended the meeting with three parents of students from Staton Elementary, and wanted to thank the committee for taking a closer look at education funding for the children in the state. She appreciated the work of the committee and looked forward to monitoring the work of the committee.

Chairman Denis added that the committee appreciated all the people attending the meeting in the audience. He said the committee would like to hear comments from the public, especially as the committee started to finalize its work.

Glenn Christenson, immediate past chair, Las Vegas Global Economic Alliance (LVGEA), said he recently stepped down as chairman, and accepted an assignment to involve various groups in the community, such as businesses, civic organizations, and education representatives, to come up with a strategy to help enhance education in the state. He encouraged the committee to use the business community as they looked at the education funding issues. He thought community representatives would bring a different perspective to the table, because there were a number of nonpartisan, bright, enlightened business people that could be constructive in the process. In addition, often the education community talked about making investments – and when talking to a businessman about making an investment in something, they wanted to understand what exactly they were going to do with the money, who was responsible for ensuring the goals were actually achieved, the metrics used, how success was defined, and how long it would take, and if those answers were considered, at the end of the work of the committee there would be a lot more support for the things that needed to be implemented. Mr. Christenson believed that most people understand that there was a strong link between economic development and education and the state had to do a better job of working together to get those messages out. The LVGEA defined education as preschool through doctorate programs for the type of businesses that the state wanted to attract. He said that at the end of the day, there was a certain amount of money to spend on education and the committee should be thinking about how to get the best return on that investment and what they were trying to accomplish. He said that in many ways it was similar to a capital allocation of problems that businesses dealt with every day. In addition, Mr. Christenson believed that there were many different ways to grow the pie, but there were tradeoffs, and they had to be careful not to damage the economy they were trying to build at the same time. Ultimately, it would be incumbent to find the right balance between what it takes to grow the economy, because a lot of that depended on the educational system. He said that there were a number of people and groups in the community that were anxious to help the Task Force on K-12 Public Education committee, which included the LVGEA and himself.

Ruben Murillo, President, Nevada State Education Association (NSEA) stated that equity could not be addressed without addressing adequacy. Speaking on behalf of the teachers and support staff that help staff the schools, and from a teacher's perspective

not a business perspective, it was good to hear that people were concerned about an investment in education and return investment for the state. He represented Clark County and the rural counties – Elko, Winnemucca, White Pine County and the rest of the state, and was concerned with how changing the current funding model would impact funding in the rural counties. He did not want the decisions made by the committee be just a shell game – moving money around to make it look like they were really investing in education. The committee needed to look at the piece of pie – it could only be cut in so many pieces and eventually the pie would rot. Mr. Murillo said that the NSEA was looking forward to monitoring the work of the committee, because he wanted to ensure that they did not sacrifice one county for another county just for the sake of saying they did what they could.

X. ADJOURNMENT.

Chairman Denis expressed his appreciation to everyone in attendance. He said there was a lot of work ahead for the committee. He asked the members to forward any suggestions for appointments for the TAC to Julie Waller, Senior Program Analyst, Fiscal Analysis Division. He added that the appointments for the TAC needed school finance experience because they would get into the technical detail in the funding formulas.

The meeting was adjourned at 12:06 p.m.

Respectfully submitted,

Donna Thomas, Secretary

APPROVED:

Date: _____