The Assembly Committee on Ways and Means was called to order by Chair Maggie Carlton at 9:44 a.m. on Saturday, June 1, 2013, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda (Exhibit A), the Attendance Roster (Exhibit B), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature’s website at nelis.leg.state.nv.us/77th2013. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau’s Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblywoman Maggie Carlton, Chair
Assemblyman William C. Horne, Vice Chair
Assemblyman Paul Aizley
Assemblyman Paul Anderson
Assemblyman David P. Bobzien
Assemblyman Andy Eisen
Assemblywoman Lucy Flores
Assemblyman Tom Grady
Assemblyman John Hambrick
Assemblyman Cresent Hardy
Assemblyman Pat Hickey
Assemblyman Joseph M. Hogan
Assemblywoman Marilyn K. Kirkpatrick
Assemblyman Randy Kirner
Assemblyman Michael Sprinkle
Chair Carlton adjourned the meeting of May 31, 2013, which had not been reconvened because of time constraints.

The Chair stated that the Committee would review several bills today and would begin by reviewing the proposed bill draft request (BDR) for the pay bill for the upcoming biennium. Chair Carlton noted that the Senate Committee on Finance would also review the BDR prior to committee introduction.

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that Fiscal Analyst Division staff would review the contents of the BDR for the Committee. Providing no changes were needed, the BDR would be assigned to the Committee on Ways and Means and the Committee would vote for introduction of the BDR.

**BDR-S1243**—Provides for compensation of state employees. (Later introduced as Assembly Bill 510.)

Sarah Coffman, Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that Bill Draft Request (BDR) S-1243 was the Unclassified Pay Bill. The bill would establish the maximum allowable salary for certain employees within the classified and unclassified service of the state.

Ms. Coffman offered the following review of the Unclassified Pay Bill:

- **Section 1**: listed the positions in the unclassified service, and included the reorganization of certain unclassified positions approved by the Assembly Committee on Ways and Means and the Senate Committee on Finance. All salaries had been adjusted to restore the 2.5 percent salary reduction that was approved by the two committees on May 31, 2013.

- **Section 2**: contained the back language of the Unclassified Pay Bill. The section also contained carryover language that provided the Department of Administration with the ability to seek Interim Finance
Committee (IFC) approval for unclassified positions that were omitted from the bill and provided the IFC with authority to correct any typographical errors that were included in the bill. The section outlined the provisions associated with reclassifying a classified position to an unclassified position.

- **Section 3**: provided that each full-time employee within each branch of government would be required to take 48 hours of unpaid furlough leave in each year of the biennium. The section provided that employees would be allowed to use the furlough days in any increment of time. All other employee benefits would be held harmless in section 3, and the Board of Regents of the University of Nevada would be authorized to determine the method in which professional employees of the Nevada System of Higher Education (NSHE) would comply with the furlough requirements.

- **Section 4**: would hold employees harmless for the Public Employees’ Retirement System (PERS) contributions for the number of hours not worked while on furlough leave.

- **Section 5**: would limit employees exempt from participating in furlough days to those employees necessary to the protection of public health, safety, and welfare. Section 5 also required the salaries of any employee who was approved for exemption to be reduced by 2.3 percent for the duration of the exemption.

- **Section 6**: would provide General Fund appropriations of $16,024,944 in fiscal year (FY) 2014 and $16,021,435 in FY 2015 to assist the agencies in funding the restoration of the 2.5 percent salary reduction originally recommended in The Executive Budget.

- **Section 7**: provided State Highway Fund appropriations of $1,846,322 in FY 2014 and $1,866,084 in FY 2015 to assist state agencies in funding the restoration of the 2.5 percent salary reduction originally recommended in The Executive Budget.

- **Section 8**: contained carryover language that provided on-call pay of $60 for specific periods on a weeknight and up to $100 for specific periods on weekends for senior psychiatrists and senior physicians or pharmacists within the Department of Health and Human Services and the Department of Corrections.

- **Section 9**: contained carryover language from the previous Unclassified Pay Bill and provided $5,000 annually for unclassified employees within
the State Gaming Control Board who possessed certain professional certificates and qualifications.

- **Section 10**: required any remaining balances that were appropriated in sections 6 and 7 to not be committed for expenditure after June 30, 2015, and not be spent after September 18, 2015.

- **Section 11**: limited the distribution of money appropriated in sections 6 and 7 of the act not to exceed the maximum salary need amount determined by the State Board of Examiners for each budget account.

- **Section 12**: temporarily suspended the four semiannual longevity payments over the 2013-2015 biennium, as provided in *Nevada Revised Statutes* (NRS) 284.177.

- **Section 13**: temporarily suspended merit pay increases during FY 2014.

- **Section 14**: contained clean-up language that revised the provisions of NRS 408.111 to provide that assistant directors within the Nevada Department of Transportation served in the unclassified service.

Ms. Coffman stated that concluded her review of the Unclassified Pay Bill, BDR S-1243.

Chair Carlton asked whether there were questions from the Committee.

Assemblyman Kirner referred to section 4, which would hold employees harmless for PERS contributions, and he asked whether employees had been held harmless regarding the 2.5 percent pay reduction.

Ms. Coffman stated that originally the Governor’s recommendation was to have PERS hold harmless for three furlough days, which required approximately $1.8 million in General Fund each year; however, with the six furlough days, the PERS hold harmless would increase to approximately $3.7 million in General Funds for each fiscal year of the biennium.

Assemblyman Kirner asked about the 2.5 percent pay reduction. Ms. Coffman said the 2.5 percent pay reduction did not have a PERS hold harmless provision.

Assemblyman Kirner said the 2.5 percent reduction would be restored, and he wondered whether state employees would be required to make additional PERS contributions to offset the past reduction. Ms. Coffman stated that was correct.
Michael J. Chapman, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, clarified that the contribution would be approximately 25 percent, but the cost would be shared in a 50:50 split between the state and the employee.

Chair Carlton asked whether there were further questions from the Committee regarding the Unclassified Pay Bill, and there were none.

Ms. Coffman explained that the savings associated with six furlough days was approximately $23.2 million in each year of the biennium. Fiscal Analysis Division staff then factored in the PERS hold harmless provision of $3.7 million in each year, including technical adjustments regarding the merit pay freeze, to arrive at a total savings of $16 million per year.

With no further questions forthcoming from the Committee, Chair Carlton closed the hearing on BDR S-1234, and opened the hearing on the Assembly Bill 507, which was the Appropriations Act.

**Assembly Bill 507**: Makes various changes regarding state financial administration and makes appropriations for the support of the civil government of the State. (BDR S-1241)

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that A.B. 507 was the Act that related to state financial administration, by making appropriations from the State General Fund and the State Highway Fund for the support of the civil government of the State of Nevada for the 2013-2015 biennium; providing for the use of the money so appropriated; and making various other changes relating to the financial administration of the state.

Ms. Jones stated that sections 2 through 31 depicted the amount appropriated from the State General Fund for the various state budget accounts. The bill was the result of the work done by the Committee and its various subcommittees during session. The remaining language included in the bill provided policy information about state administration.

Chair Carlton asked whether there were questions, and there being none, the Chair called for a motion.

ASSEMBLYMAN HORNE MOVED TO DO PASS

ASSEMBLY BILL 507.

ASSEMBLYMAN HICKEY SECONDED THE MOTION.
THE MOTION PASSED. (Assemblyman Hambrick was not present for the vote.)

Chair Carlton opened the hearing on Assembly Bill 505.

**Assembly Bill 505**: Authorizes and provides funding for certain projects of capital improvement. (BDR S-1240)

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that Assembly Bill 505 depicted funding for the approved capital improvement projects for the upcoming biennium. The bill was one of five bills needed to implement the state budget.

Ms. Jones explained that the funding for the CIP projects was as follows:

- $55.5 million in general obligation bonds would be issued to support the projects of the Capital Improvement Program (CIP).
- $22.9 million would be used from excess funding reallocated from other projects approved for prior CIP projects.
- $7.4 million would be allocated from the State Highway Fund.
- $5 million would be allocated from the Special Capital Construction Fund for Higher Education for the Nevada System of Higher Education for deferred maintenance projects.
- $3.8 million would be allocated for projects for the Office of the Military and the Department of Health and Human Services.
- $3.5 million in General Fund appropriation would be allocated to support various portions of the projects.

Chair Carlton asked whether there were questions from the Committee regarding the budget for the Capital Improvement Program (CIP), and there being none, the Chair called for a motion.

ASSEMBLYMAN HORNE MOVED TO DO PASS ASSEMBLY BILL 505.

ASSEMBLYMAN HICKEY SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.
Chair Carlton opened the hearing for Assembly Bill 273 (1st Reprint).

**Assembly Bill 273 (1st Reprint):** Revises provisions relating to the Foreclosure Mediation Program. (BDR 9-719)

Cindy Jones, Principal Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that Assembly Bill 273 (1st Reprint) was originally heard by the Committee on April 29, 2013, and the bill would amend the provisions related to the Foreclosure Mediation Program, changing the program from its current administrative methodology to a presumed enrollment methodology. Ms. Jones noted that Assemblyman Eisen had a proposed amendment that would strike section 1, subsections 1 through 5 of the bill and would change the funding from a General Fund appropriation.

Assemblyman Andy Eisen, Clark County Assembly District No. 21, advised the Committee that the proposed amendment to Assembly Bill 273 (1st Reprint) was available on the Nevada Electronic Legislative Information System (NELIS) for the Committee’s review (Exhibit C). The amendment would alter the funding mechanism for the Foreclosure Mediation Program by removing the General Fund appropriation, but would make an appropriation of $100 from the General Fund to the Account for Foreclosure Mediation, which would allow the program administrator to approach the Interim Finance Committee (IFC) to seek additional General Fund money when necessary.

Chair Carlton asked whether there were questions from the Committee, and there were none. The Chair thanked Assemblyman Eisen for his hard work on the bill.

Assemblyman Kirner asked about the automatic enrollment; he wondered whether the automatic enrollment offered advantages to an opt-in program.

Chair Carlton noted that the decision of whether to make the program an opt-in or opt-out program had been discussed and determined by the policy committee.

Assemblyman Eisen clarified that the program differed somewhat from those in other states that were true opt-out programs. Under a true opt-out program, if the homeowner took no action whatsoever the homeowner would remain in the program. Under the presumed enrollment program, the homeowner could actually opt out at any time, but if the homeowner failed to take action within 90 days, the homeowner would be removed from the program.
Assemblyman Eisen stated that the action necessary by the homeowner was more than simply signing a form indicating the desire to enter mediation, the homeowner would actually be required to pay his or her portion of the mediation fee. The advantage was that it took the decision beyond the moment the notice of default was filed, which was a stressful time for homeowners. The idea was to streamline the process and make it more predictable; the bill would also put time limits on the processing of the certificates once mediation had been completed or the homeowner opted out or the homeowner failed to pay the $200 fee. It was believed that access to the IFC Contingency Account was a better approach than establishing an exact amount of funding.

Assemblyman Eisen said the Committee had actually declined to approve the request for approximately $200,000 in General Fund appropriations for the Foreclosure Mediation Program that was included in The Executive Budget because of the unpredictability regarding the number of homeowners who would use the program. Assemblyman Eisen believed that the amendment would allow the program to operate over the interim so that the financial needs of the program could be determined going forward.

Chair Carlton asked whether there were further questions regarding Assembly Bill 273 (1st Reprint), and there being none, the Chair called for a motion.

ASSEMBLYMAN HORNE MOVED TO AMEND AND DO PASS ASSEMBLY BILL 273 (1ST REPRINT).

ASSEMBLYMAN AIZLEY SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Chair Carlton opened the hearing for Assembly Bill 474.

Assembly Bill 474: Makes appropriations to restore the balances in the Stale Claims Account, Emergency Account, Reserve for Statutory Contingency Account and Contingency Account. (BDR S-1174)

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that Assembly Bill 474 was originally heard by the Committee on April 15, 2013. The bill restored balances to the Stale Claims Account, Emergency Account, Reserve for Statutory Contingency Account, and the Contingency Account administered by the Interim Finance Committee (IFC).
In its original format, the bill would add $3 million to restore the balance in the State Claims Account; $100,000 to the Emergency Account; $3 million to the Reserve for Statutory Contingency Account; and $5.8 million to the Contingency Account administered by the IFC.

Ms. Jones explained that since the Committee heard the bill in April 2013, different requests had been made to amend the amount that would be reserved for the IFC Contingency Account. As presented, the bill requested $5 million for regular balance restoration and $800,000 for costs associated with implementing the new statewide telephone system. However, said Ms. Jones, the $800,000 requested for the telephone system had been included in the Appropriations Act as a separate allocation to the IFC. This, she said, would bring the balance for the Contingency Account down to $5 million.

Also, explained Ms. Jones, three items needed to be added back into Assembly Bill 474 as follows: (1) $800,000 for the appellate court; (2) $1.1 million set aside in the Contingency Account to address the mandates of the federal Marketplace Fairness Act, should that law be enacted; and (3) $1.4 million set aside for the purchase of computers in the Executive Branch that were currently operating on the Windows XP platform. The computers using the XP platform would no longer be supported after April 2014, and the funds would be set aside for agencies using those computers to approach the IFC and request an allocation from the Contingency Account to support replacement of the computers.

However, said Ms. Jones, Fiscal Analysis Division staff recommended that access to the funds for the XP computers be reviewed carefully to ensure that agencies had first exhausted existing resources and only approached IFC because there were no other resources available.

With the aforementioned adjustments, Ms. Jones stated that the appropriations for the Contingency Account would total $8.3 million, and the account currently had a balance of approximately $8 million, so the final balance of the account would be approximately $16.3 million to support emergency items through the upcoming biennium.

Chair Carlton asked whether the bill would require an amendment. Ms. Jones replied that the bill would require an amendment to change the amount in section 4 for the Contingency Account from $5.8 million to $8.3 million to cover the appellate court, compliance with the Marketplace Fairness Act if necessary, and the reserve for replacement of the Windows XP platform computers.
Chair Carlton asked whether there were questions from the Committee, and there being none, the Chair called for a motion.

ASSEMBLYWOMAN KIRKPATRICK MOVED TO AMEND AND DO PASS ASSEMBLY BILL 474.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Chair Carlton opened the hearing on Assembly Bill 239.

**Assembly Bill 239**: Makes various changes relating to energy. (BDR 58-224)

Marilyn K. Kirkpatrick, Clark County Assembly District No. 1, stated that two documents had been presented to the Committee regarding Assembly Bill 239, the first of which was an explanation of the proposed amendment, Exhibit D, and the second was the mock-up of the proposed amendment, Exhibit E. Both exhibits were available on the Nevada Electronic Legislative Information System (NELIS).

Reviewing Exhibit D, Mrs. Kirkpatrick said the amendment would allow local governments to make recommendations regarding the amount of the abatements and provide the ability to deny applications under certain conditions. She stated that she had made a commitment to the counties in 2011 about county participation in the abatement application process. The amendment also stipulated that the funding for the abatement program would be through application processing fees rather than through the Renewable Energy Fund.

Mrs. Kirkpatrick noted that section 9 and section 27 of the amendment established the permitting process and would make issuance of land use permits more efficient by creating one state-level approval process. The Office of Energy had until 2014 to establish the mandates of the state-level approval process.

Mrs. Kirkpatrick believed that the most significant concern for the Committee on Ways and Means was the fiscal note. The Public Utilities Commission of Nevada (PUCN) had submitted a fiscal note on the bill; however, representatives had testified that the amount of the fiscal note was unknown.

According to Mrs. Kirkpatrick, the amendment increased the number of Nevadans working on construction of facilities to 50 percent and the average hourly wage would be increased to 175 percent of the average statewide hourly
wage. A very good audit provision had been established to verify the number of workers and the wages on each project because there had been discrepancy over wages in the past. Mrs. Kirkpatrick noted that Assemblyman Bobzien had also authored an energy bill, sections of which would be amended into Assembly Bill 239.

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, reported that the original fiscal note from the PUCN had been amended via letter received by the Committee on May 22, 2013. The letter indicated that the effect on the resident taxpayer would be one cent or two cents per month versus the original estimate of three cents, and would keep the mill assessment well under the cap.

Chair Carlton believed the fiscal note was about the mill assessment and did not involve General Funds, and Ms. Jones replied that was correct.

Michael J. Chapman, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, clarified that the PUCN had authority under Nevada Revised Statutes (NRS) 704.033 to revise the mill assessment each year, at which time the PUCN would advise the utility companies accordingly. The assessment of 2.52 mills was well under the cap when the budget for the PUCN was closed; he noted that the maximum cap was 3.5 mills.

Chair Carlton asked whether there were further questions from the Committee, and there being none, the Chair called for a motion.

ASSEMBLYMAN EISEN MOVED TO AMEND AND DO PASS
ASSEMBLY BILL 239.

ASSEMBLYMAN BOBZIEN SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Chair Carlton stated she had received notification that the Senate Committee on Finance had reviewed BDR S-1243 and there were no changes; therefore, the Chair called for a motion.

BDR S-1243—Provides for compensation of state employees. (Later introduced as Assembly Bill 510.)

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that the BDR had been discussed earlier by
the Committee and was now ready to be introduced on the Floor of the Assembly.

ASSEMBLYMAN HORNE MOVED FOR COMMITTEE INTRODUCTION OF BILL DRAFT REQUEST S-1243.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Chair Carlton declared the Committee in recess at 10:25 a.m.

During the time the Committee was in recess, a meeting was held behind the Bar of the Assembly.

The Committee was called to order behind the bar of the Assembly at 8:05 p.m. Chair Carlton called for a motion to indefinitely postpone Assembly Bill 510.

**Assembly Bill 510:** Provides for compensation of state employees. (BDR S-1243)

ASSEMBLYMAN KIRNER MOVED TO INDEFINITELY POSTPONE ASSEMBLY BILL 510.

ASSEMBLYMAN HORNE SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Chair Carlton advised that Committee introduction was needed for bill draft request (BDR) S-1251, which was the new pay bill.

**BDR S-1251**—Provides for compensation of state employees. (Later introduced as Assembly Bill 511.)

The Chair asked Mr. Chapman to discuss the changes made to the pay bill.

Michael J. Chapman, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated the revised pay bill simply reflected a technical change to provide the General Fund appropriations to the State Board of Examiners in separate sections for the two fiscal years.

Chair Carlton called for a motion.
ASSEMBLYMAN HORNE MOVED FOR COMMITTEE INTRODUCTION OF BDR S-1251.

ASSEMBLYWOMAN KIRKPATRICK SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Chair Carlton adjourned the meeting behind the bar of the Assembly at 8:07 p.m.

Chair Carlton reconvened the meeting of the Committee on Ways and Means at 8:21 p.m. and announced that the Committee would review Bill Draft Request (BDR) S-1244, which was the Education Pay Bill. Fiscal Analysis Division staff was currently presenting the BDR to the Senate Committee on Finance and upon completion of that presentation, staff would present the BDR to the Assembly Committee on Ways and Means.

Chair Carlton advised the audience that the Committee would consider no other bills or BDRs during the meeting.

Fiscal Analysis Division staff arrived at the meeting at 9:09 p.m., and Chair Carlton asked them to commence with review of BDR S-1244.

**BDR S-1244**—Ensures sufficient funding for K-12 public education for the 2013-2015 biennium. (Later introduced as Senate Bill 522.)

Wayne Thorley, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), introduced himself and Julie Waller, Senior Program Analyst, Fiscal Analysis Division, LCB, to the Committee.

Mr. Thorley stated that the BDR was the Education Pay Bill and contained the appropriations from the State Distributive School Account (DSA), the Other Education State Programs Account, and other accounts that funded K-12 education, as approved by the Assembly Committee on Ways and Means and the Senate Committee on Finance. The BDR also contained new funding sources that had not previously been reviewed by the money committees.

Mr. Thorley offered the following review of the sections included in BDR S-1244.

- **Section 1**: established the statewide average basic support guarantee per pupil for school districts for fiscal year (FY) 2014, which was
estimated at $5,590 per pupil. Section 1 of the BDR depicted the per pupil amount for each of the 17 school districts.

- **Section 2—Subsection 1**: established the tentative statewide average basic support guarantee for school districts for operating purposes for FY 2015, which was estimated at $5,676 per pupil.

- **Section 2—Subsection 6**: required the Superintendent of Public Instruction to recalculate the ad valorem adjustment and the tentative basic support guarantee for operating purposes for each school district for FY 2015 based on the certified total of ad valorem taxes provided by the Department of Taxation. The recalculation of the basic support guarantee in the second year of the biennium must be calculated on or before May 31, 2014.

- **Section 3—Subsection 1**: established the amount of special education program units that were maintained and operated for at least 9 months of the school year. For FY 2014 the amount of funding per special education unit was $41,608, and in FY 2015 the amount of funding per special education unit was $42,745.

- **Section 3—Subsections 2 and 3**: outlined the number of units and amount of basic support for special education programs units within each of the school districts, before any reallocation. There were 40 special education program units reserved for the State Board of Education to assist the school districts that had needs beyond what had been allocated. The 40 units could also be allocated to the charter schools based on an application from the charter schools to the State Board of Education.

- **Section 3—Subsection 4**: authorized the State Board of Education to spend $169,616 in FY 2014 and $174,243 in FY 2015 from the Distributive School Account (DSA) for instructional programs incorporating educational technology for gifted and talented pupils.

- **Section 4—Subsection 1**: appropriated to the DSA from the General Fund the amount of $1,134,528,570 in FY 2014, and $1,110,133,915 in FY 2015.

- **Section 4—Subsections 4 and 5**: provided that funds appropriated to the DSA were available in either fiscal year. Any remaining balance of the appropriation in FY 2014 must be transferred and added to the funds appropriated for FY 2015.
• **Section 5**: authorized expenditure of the non-General Fund revenue in the DSA, which was the DSA’s portion of the annual slot machine tax, the out-of-state Local School Support Tax (LSST), the interest from the State Permanent School Fund, the federal mineral lease revenue, and also the transfer of the Initiative Petition No. 1 of the 75th Session (2009) room tax revenue. The total for FY 2014 was $282,795,652 and the total for FY 2015 was $294,230,734.

• **Section 6**: provided that the State Controller could temporarily advance General Funds to the DSA to make necessary payments.

• **Section 8**: transferred funding from the DSA to the Department of Education to reimburse school districts for special transportation costs for students that lived out of the school districts. The total for each year of the biennium was $128,541.

• **Section 9**: authorized the Department of Education to transfer $588,732 in each year of the 2013-2015 biennium from the DSA to the school districts for the state match for the National School Lunch Program.

• **Section 11—Subsection 2**: addressed the class-size reduction program; established a student to teacher ratio for the available funding at 16 students to 1 teacher in grades 1 and 2 in certain at-risk kindergarten classes, and in grades 1 and 2 for FY 2014 and FY 2015; established a pupil to teacher ratio in grade 3 of 19 pupils per teacher in both years of the biennium.

• **Section 11—Subsection 3**: continued the current flexibility waiver of the class-size reduction program through the upcoming biennium. That would allow school districts to increase class sizes in grades 1 and 2 by no more than 2 pupils per teacher to achieve a ratio of 18 students per teacher and a ratio of 21 students per teacher in grade 3. The savings had to be used to minimize the effect of budget reductions on class-sizes in grades 4 through 12. The reduction of class sizes in grades 4 through 12 had to be fiscally neutral.

• **Section 12**: authorized the Department of Education to transfer from the DSA the amount of $161,704,873 for allocation to the school districts, which must be used to employ not less than 2,180 teachers to comply with the required pupil-teacher ratios in fiscal year (FY) 2014.
• **Section 13**: authorized the Department to transfer from the DSA the amount of $166,467,936 for allocation to the school districts, which must be used to employ not less than 2,194 teachers to comply with the required pupil-teacher ratios in FY 2015.

• **Section 14**: provided that school districts and counties with populations of less than 100,000, which included all but Clark and Washoe counties, would be allowed to carry out an alternative class-size reduction plan with approval of the Superintendent of Public Instruction.

• **Section 16—Subsection 1**: appropriated General Funds of $30,482,030 in FY 2014 and $30,415,154 in FY 2015 to the Other State Education Programs Account to provide pass-through funds to the school districts for various educational programs.

• **Section 16—Subsection 3**: provided that of the total appropriation, $17,843,445 in FY 2014 and $18,260,398 in FY 2015 would be used to support approved courses of study for the adult diploma program as approved by the State Board of Education. The appropriation was previously a line item within the DSA, and the money committees approved transferring the funding from the DSA to the Other State Education Programs Account.

• **Section 16—Subsection 5**: outlined the funding to finance specific programs in the Other State Education Programs Account:

1. A total of $54,870 in each year of the biennium for the successful completion of the National Board Teacher Certification Program.

2. A total of $668,742 in each year of the biennium for the 5 percent salary increase for counselors who completed Counselor National Board Certification.

3. A total of $449,142 in each year of the biennium for Local Education Agency (LEA) library books.

4. A total of $1,837,241 in each year of the biennium for educational technology.

5. A total of $3,343,822 in each year of the biennium for career and technical education.
6. A total of $750,000 in each year of the biennium to maintain and enhance the Jobs for America’s Graduates program.

7. A total of $850,000, with a maximum of $50,000 to each of the 17 school districts in each year of the biennium to support special counseling services for elementary school pupils at risk of failure.

8. A total of $18,798 in each year of the biennium to pay the increase of salaries of professional school library media specialists.

- **Section 17**: contained the appropriations from the Other State Education Programs Account for early childhood education. The amount for fiscal year (FY) 2014 was $3,338,875 and the amount for FY 2015 was $3,247,375. The difference in the amounts was because the money committees had approved use of $91,500 in FY 2015 to fund an evaluation of the early childhood education program. That appropriation would fund a longitudinal study of the program. The remaining subsections in section 17 described how the evaluation would be carried out.

- **Section 19**: contained the appropriation for the Account for Programs for Innovation and the Prevention of Remediation. The amount for FY 2014 was $48,971,967 and the amount for FY 2015 was $49,707,723. A portion of the funds would be used to implement full-day kindergarten at additional schools to reach a total of 201 elementary schools offering full-day, state-funded kindergarten by the end of FY 2015.

- **Section 19—Subsection 4**: authorized the use of $3.5 million in the first fiscal year of the biennium, which would be distributed by the Department of Education to assist school districts with the purchase of portable classrooms for full-day kindergarten.

- **Section 21**: authorized expenditures from the Account for Programs for Innovation and the Prevention of Remediation for the three regional professional development programs (RPDP). The Clark County School District was the fiscal agent for the southern Nevada RPDP and would receive $4,483,036 in fiscal year (FY) 2014 and $3,983,356 in FY 2015. The Elko County School District was the fiscal agent for the northeastern RPDP and would receive $1,579,736 in FY 2014 and $1,243,736 in FY 2015. The Washoe County School District was the fiscal agent for the northwestern RPDP and would receive $2,569,856 in FY 2014 and $2,233,856 in FY 2015. The total amount for FY 2014 was $8,632,628 and the total amount for FY 2015 was $7,460,948.
• **Section 21—Subsection 3**: authorized, in addition to the appropriation for the RPDPs, not more than $1.315 million in the second fiscal year of the biennium to be allocated by the Department of Education for regional professional development programs to initiate the statewide performance evaluation system for educators and administrators. The funding was in the reserve category, and Senate Bill 407 would authorize the Department of Education to approach the Interim Finance Committee (IFC) after the completion of a validation study to request the transfer of the funds from the reserve category to the general expenditure category so the money could be used for RPDP purposes.

• **Section 22**: appropriated $100,000 in each year of the biennium for additional training opportunities for educational administrators in Nevada. The funding would be used by the Statewide Council for the Coordination of Regional Training Programs.

• **Section 23**: provided new funding that had not been approved or reviewed by the money committees previously. The section authorized an appropriation from the State General Fund to the Programs for Innovation and the Prevention of Remediation Account in the amount of $25,549,543 in FY 2014 and $27,867,883 in FY 2015. The funds would extend class-size reduction to all kindergarten classes by the end of the biennium.

• **Section 23—Subsection 3**: authorized $10 million in FY 2014 and $4 million in FY 2015 to assist the school districts with the facilities necessary to provide kindergarten at the pupil-teacher ratios prescribed by subsection 4.

• **Section 23—Subsection 4**: because the Clark County School District had a significant number of kindergarten classes, provided that the school district would be allowed to use the funding to achieve a pupil-teacher ratio in kindergarten of 21 pupils per teacher in one-third of the full-day, state-funded kindergarten classrooms, and all of the half-day kindergarten classrooms in FY 2014.

In the second year of the biennium, the ratio of 21 pupils to 1 teacher would be achieved by all kindergarten classes in Clark County, which included tuition-based, full-day kindergarten classes. The exemption was only for the Clark County School District, and all other districts under section 23, Washoe County included, would be required to use the funding to achieve a pupil to teacher ratio in kindergarten of 21 pupils to 1 teacher.
The ratio was based on individual schools. When class-size reduction was reported pursuant to the current funding, it was reported on a districtwide basis. The ratio that must be achieved pursuant to section 23, subsection 4, had to be reported by each school; each school had to achieve a ratio of 21 pupils to 1 teacher.

- **Section 24**: because the Department of Education had indicated that a half-time position would be needed to assist with achieving class-size reduction in all kindergarten classes during the upcoming biennium to assist with accounting duties, section 24 appropriated $35,611 in FY 2014 and $34,470 in FY 2015 to fund the position at the Department of Education.

- **Section 25**: contained the funding for the one-fifth retirement credit program at a cost of $8.8 million in FY 2014 and $5.76 million in FY 2015.

- **Section 26**: contained the appropriation for the State Supplemental School Support Account from the Initiative Petition No. 1 of the 75th Session (2009) room tax revenue. The current exemption would continue through the 2013-2015 biennium and would transfer the funding from the Supplemental School Support Account to the Distributive School Account (DSA) in the amount of $131,932,800 in FY 2014 and $136,653,300 in FY 2015.

- **Sections 27 and 28**: contained the back language that extended the transfer of the I.P. No. 1 room tax revenue through the upcoming biennium.

Mr. Thorley stated that completed his review of BDR S-1244, the Education Funding Bill.

Chair Carlton thanked Mr. Thorley for his presentation and asked whether there were questions from the Committee. The Chair reminded the Committee that BDR S-1244 would be introduced by the Senate Committee on Finance.

Assemblywoman Flores requested clarification regarding section 25 that provided a State General Fund appropriation to the Grant Fund for Incentives for Licensed Educational Personnel to purchase one-fifth of a year retirement service credit for licensed educational personnel.

As approved by the money committees, said Mr. Thorley, the funding in section 25 was for the purchase of retirement service credits, which had been
established by the 2007 Legislature to allow teachers in certain at-risk schools to purchase one-fifth of a year retirement service credit. Over a period of five years, a teacher could accumulate an additional one year of retirement credits for teaching in the at-risk schools.

Mr. Thorley noted that The Executive Budget also recommended funding in the Grant Fund for Incentives for Licensed Educational Personnel for a cash incentive program; however, when the budget account was closed, the money committees did not approve that recommendation.

Assemblyman Anderson stated that section 5 discussed the unexpended DSA funds, and he asked whether there was a reserve requirement. He noted that the amount was quite significant at $282,795,652 in FY 2014 and $294,230,734 in FY 2015.

Mr. Thorley explained that the funding addressed in section 5 consisted of authorized expenditures by the Department of Education that originated from sources other than the State General Fund. The DSA was made up of State General Fund and other sources of funding, and section 5 authorized up to the indicated amount of expenditures from those other funds.

Assemblyman Anderson stated that section 16 appropriated funds from the State General Fund to the Other State Education Programs Account in the State General Fund, which were apparently pass-through expenditures. He requested clarification of other state education programs.

Mr. Thorley explained that a partial breakout of the programs was included in the BDR under section 16, subsection 5, paragraphs (a) through (h). Also, section 16, subsection 3 included funding for adult education. The programs consisted of the National Board Teacher Certification program; the Counselor National Board Certification program; the LEA library books program; educational technology programs; career and technical education programs; the Jobs for America’s Graduates program; special counseling services for elementary school pupils at risk of failure; and payments to increase of salaries of professional school library media specialists.

Assemblyman Hickey asked about funding for the English language learner (ELL) program; he wondered whether it was included in Senate Bill 504. Mr. Thorley stated that was correct.

Assemblyman Kirner asked about carryover funds; he wondered whether there would be any funds reverted to the General Fund or carried forward.
Julie Waller, Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that there was an anticipated reversion in the Distributive School Account (DSA); however, that funding had been incorporated into the fund balance and allocated for the upcoming biennium. That figure was approximately $58 million from the DSA. Ms. Waller said there were other accounts where funding did not revert such as the School Remediation Trust Fund, which housed the funding for full-day kindergarten; the RPDP; and the new class-size reduction for kindergarten program. The funding in those accounts would balance-forward from year to year. The funding in the Other State Education Programs Account would revert; she noted that most of the programs reverted at the end of the biennium if there were unexpended funds.

Chair Carlton referred to section 11, subsection 3, paragraph (b), which indicated that the reduction of class size in grades 4 to 12 must be fiscally neutral so that the plan to reduce the ratios in those grades would not cost more to carry out than complying with the ratios prescribed. She asked for clarification regarding the term “must” be fiscally neutral. Section 11, Subsection 7 stated, “School districts may wish to use money for class-size reduction to carry out programs that have been found to be effective in improving academic achievement.” Chair Carlton asked whether, because of lack of space or other constraints, the funding provided for class-size reduction for grades 4 through 12 could be used to try and attain the pupil-teacher ratios, but if the facilities were not adequate, those monies could be diverted and used for other programs.

Ms. Waller indicated that the description in section 11, subsection 3, paragraph (b) pertained to the waiver provision that would be continued through the end of the upcoming biennium. The waiver provision allowed school districts to manage the budget reductions that had been incurred over the past few biennia. Ms. Waller explained that budget cuts disproportionately affected the higher grades when school districts attempted to achieve the pupil to teacher ratios required by class-size reduction. The waiver provision allowed the school districts to increase the class sizes in grades 1 through 3 by up to two students per grade level. The savings that would be generated in class-size reduction funding could be used for grades 4 through 12, but it could only be used for class-size reduction. The waiver allowed school districts to retain teachers in grades 4 through 12 because of past budget reductions.
Chair Carlton said she was somewhat confused by the following sections:

- Section 11, subsection 5, which stated, “It is unreasonable to assign two teachers to classrooms of 38 pupils to attain a district-wide pupil-teacher ratio of 19 pupils per teacher in grade 3.”

- Section 11, subsection 6, which stated, “School districts may, instead, attain the desired pupil-teacher ratio in classes where core curriculum is taught by using alternative methods of reducing the ratio, such as employing teachers to provide remedial instruction.”

- Section 11, subsection 7, which stated, “School districts may wish to use money for class-size reduction to carry out programs that have found to be effective in improving academic achievement.”

Chair Carlton said it appeared there could be one teacher to 38 pupils with a teacher to provide remedial instruction as a back-up.

Ms. Waller believed that was the intent of the language; however, the school districts had to receive approval from the Superintendent of Public Instruction to initiate that type of alternative option rather than attaining the prescribed pupil to teacher ratio.

Chair Carlton noted that the language in certain subsections of section 11 solely addressed the ratios for grade 3.

Ms. Waller said that was correct. The sections pertained to the class-size reduction, and the only mandates that pertained to grades 4 through 12 were related to the waiver provision.

Chair Carlton said she was concerned about the class sizes for grade 3 because those children would be coming from small classes in kindergarten and grades 1 and 2 into much larger classes in grade 3. She was concerned about how the funding was being used and the size of classes for grade 3. Apparently, grades 4 through 12 were not restricted under class-size reduction.

Assemblywoman Kirkpatrick commented that schools applying for the waiver had to demonstrate that other grade levels would maintain some type of class-size reduction. For example, a school that had a waiver for class-size reduction in grade 3 had to demonstrate that there would be no negative effect on the higher grades.
Ms. Waller stated that the waiver and flexibility provision in section 11, subsection 3 was an automatic waiver so that the school districts could choose to increase class sizes in grades 1 through 3 by two students. However, the savings that were achieved by increasing the class size in grades 1 through 3 by two students had to then be funneled to grades 4 through 12 to help schools manage the class size in those grades.

Ms. Waller said the language in section 11 that had been referred to by Chair Carlton to attain the pupil to teacher ratio in grade 3 by employing teachers to provide remedial instruction was ongoing language and was outside the waiver flexibility language.

Chair Carlton said she was having a difficult time dealing with the fact that there could be up to 38 students in grade 3 classrooms with the addition of a teacher to provide remedial instruction. She noted that there had been significant discussions about class-size reduction, and the Legislature had provided additional resources to attain smaller classes, but that apparently was not happening in grade 3.

Assemblywoman Kirkpatrick said the pupil to teacher ratio for grade 3 was up to 22 students. Ms. Waller explained that the current ratio was 21 pupils per teacher, but the waiver would allow schools to add two students in grades 1 through 3.

Assemblywoman Kirkpatrick noted that to maintain a larger pupil to teacher ratio, the school districts would be required to receive approval from the Superintendent of Public Instruction. Ms. Waller agreed that school districts would seek a variance from the State Board of Education for larger classrooms.

Assemblyman Kirner noted that student-teacher ratio was the ratio of certified classroom teachers, and did not include teachers who were also counselors, librarians, et cetera.

Ms. Waller believed that one problem with the existing, ongoing class-size reduction program was that the program did not specify that instructional teachers were the only teachers that would be counted. She stated that Assembly Bill 162 clarified that instructional teachers would be the only teachers counted for the pupil to teacher ratios for class-size reduction.
Chair Carlton asked whether there were further questions or comments from the Committee, and there being none, the Chair closed the hearing on BDR S-1244.

The Chair opened Public Comment and there was none.

There being no other business to come before the Committee, Chair Carlton adjourned the hearing at 9:50 p.m.

RESPECTFULLY SUBMITTED:

Carol Thomsen
Committee Secretary

APPROVED BY:

Assemblywoman Maggie Carlton, Chair

DATE: __________________________
## EXHIBITS

**Committee Name:** Committee on Ways and Means  
**Date:** June 1, 2013  
**Time of Meeting:** 9:44 a.m.

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