

**MINUTES OF THE MEETING OF THE
SENATE COMMITTEE ON FINANCE
AND
ASSEMBLY COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEES ON K-12/HIGHER EDUCATION/CIP**

**Eighty-second Session
March 31, 2023**

The joint meeting of the Subcommittees on K-12/Higher Education/CIP of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Chair Marilyn Dondero Loop at 8:11 a.m. on Friday, March 31, 2023, in Room 3137 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

SENATE SUBCOMMITTEE MEMBERS PRESENT:

Senator Marilyn Dondero Loop, Chair
Senator Dina Neal
Senator Heidi Seevers Gansert
Senator Robin L. Titus

ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:

Assemblywoman Shea Backus, Chair
Assemblywoman Heidi Kasama
Assemblyman C.H. Miller
Assemblywoman Daniele Monroe-Moreno
Assemblyman P.K. O'Neill
Assemblywoman Sarah Peters
Assemblyman Steve Yeager

COMMITTEE MEMBERS ABSENT:

Senator Nicole J. Cannizzaro (Excused)
Assemblywoman Sandra Jauregui, Vice Chair (Excused)

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STAFF MEMBERS PRESENT:

Wayne Thorley, Senate Fiscal Analyst
Sarah Coffman, Assembly Fiscal Analyst
Adam Drost, Principal Program Analyst
Lilliana Camacho-Polkow, Program Analyst
Madison Ryan, Program Analyst
Paul Breen, Committee Assistant
Joko Cailles, Committee Secretary
Helen Wood, Committee Secretary

OTHERS PRESENT:

Peter Zutz, Administrator, Office of Assessment, Data and Accountability
Management, Nevada Department of Education
Jhone M. Ebert, Superintendent of Public Instruction, Nevada Department of
Education
Sarah Adler, Silver State Government Relations

CHAIR DONDERO LOOP:

We will begin this work session on kindergarten through Grade 12 (K-12) education funding. The goal is to provide Fiscal staff with direction in preparing budget closings, which will take place over the next five to six weeks.

ADAM DROST (Principal Program Analyst):

The Pupil-Centered Funding Plan is the formula by which the State provides funding for K-12 education. This replaced the former Nevada Plan funding formula beginning in fiscal year (FY) 2021-2022.

During the budget hearing for the Pupil-Centered Funding Plan, budget account (B/A) 203-2609, on March 1, 2023, members of the Subcommittees discussed various items that were recommended by the Governor. This included the revenue recommended to be provided to the Plan, the calculation of the Statewide base per-pupil funding amount, the Nevada cost of education index adjustment, transportation for charter schools and other issues. Some of these issues relate to the recommendations by the Governor, while other issues relate

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to policy decisions as the relatively new Pupil-Centered Funding Plan will be budgeted and administered for its second biennium.

NDE - Pupil-Centered Funding Plan Account — Budget Page K-12
EDUCATION-12 (Volume I)
Budget Account 203-2609

The Pupil-Centered Funding Plan budget account differs from other State budgets. The Pupil-Centered Funding Plan is a revenue-based funding model. Available revenue, rather than projected expenditures, determines the funding provided for K-12 education.

Revenue for the Governor's recommended budget was projected for the Plan in December 2022 based on a consensus forecast prepared by the Legislative Counsel Bureau (LCB) Fiscal Analysis Division, in conjunction with the Office of the Governor, Office of Finance (GFO).

The consensus forecast will be updated again in May 2023. Revenue forecasts will be used for the Legislatively-approved budget. That change will be brought forward to you when the Subcommittees make their final recommendations on this budget with updated revenue projections.

In addition, the Nevada Department of Education (NDE) will provide updated enrollment counts. There will be possible corrections for reporting of local special education funding used in the funding model, and as other technical adjustments are identified by the GFO, the NDE and Fiscal staff.

The Subcommittees may wish to provide Fiscal staff with further direction, as the model will be updated in May 2023 to reflect corrections or technical adjustments. We have prepared various items to be discussed today. We are looking for general direction from the Subcommittees on what you would like to see when we come forward in May.

The first item for discussion is General Fund appropriations for the Pupil-Centered Funding Plan. The Executive Budget for the Pupil-Centered Funding Plan increases revenue by \$2 billion over the 2023-2025 biennium. This increase is comprised of non-General Fund revenue, as the Governor

recommends General Fund appropriations remaining flat and consistent with the Legislatively approved amount for the current 2021-2023 biennium.

Nevada Revised Statutes (NRS) 387.12455 requires the Governor, as practicable, to recommend General Fund appropriations for the State Education Fund by considering the Economic Forum revenue projections, which are estimated to increase by 2.9 percent in the 2023-2025 biennium. Based on this increase, General Fund appropriations may increase, as determined practicable by the Governor, by the combined rate of inflation—4.52 percent increase in calendar year 2021—and the growth of enrollment 0.10 percent growth in enrollment in each year of the 2023-2025 biennium.

During the budget hearing, the GFO was asked why the Governor did not recommend an increase in General Fund appropriations for the Pupil-Centered Funding Plan in the 2023-2025 biennium. In response, the GFO Director indicated the Governor’s recommended budget for the 2023-2025 biennium reflects a significant increase for K-12 education through the dedicated revenue streams. The Director also indicated there are other critical State functions the Governor needed to fund as well as K-12 education.

The Governor has the authority to determine if such an increase in General Fund appropriation is impracticable; however, NRS 387.12455 subsection 5, requires such a recommendation be accompanied by proposed legislation from the Governor to improve the method for funding of public schools in the State.

The GFO Director provided an overview of that legislation, which has since been introduced as Assembly Bill (A.B.) 459. This bill indicates the amount of funding provided for the State Education Fund should be adjusted rather than increased. It also allows the increase in funding for the State Education Fund to be based on the rate of growth projected by the Economic Forum or the combined rate of inflation and growth of enrollment, whichever is less.

ASSEMBLY BILL 459: Revises provisions relating to education funding.
(BDR 34-1082)

The NDE was asked to provide its calculation of the General Fund appropriation that would have been provided had the Governor followed the law and provided

that increase and determined it had been practicable. The NDE provided its projections which show a \$60.6 million increase in General Fund appropriations in each year of the upcoming biennium. That reflects the inflationary growth of 4.52 percent as well as enrollment growth of 0.10 percent.

The requirement to increase General Fund appropriations as practicable is the Governor's responsibility. The Legislature does not have the same requirement in the Legislatively approved budget. Therefore, there are no statutory requirements for the Legislature to adjust General Fund appropriations. The decision to be made is whether to recommend approving or revising the Governor's recommended General Fund appropriations for the Pupil-Centered Funding Plan Account for the 2023-2025 biennium.

Another item for discussion is the Education Stabilization Account. The Governor recommends three major items for the Education Stabilization Account: allow the account to be used to provide advances to the Pupil-Centered Funding Plan Account if needed for cash flow purposes; do not include a balance forward from the account to the Pupil-Centered Funding Plan Account, although it appears the account would reach its statutory cap at the end of FY 2022-2023; and do not include this account in the Executive Budget which would allow it to operate outside the requirements of The State Budget Act and the requirements of Interim Finance Committee (IFC) review and approval.

Nevada Revised Statutes 387.1213 establishes the Education Stabilization Account, otherwise known as the K-12 Rainy Day Account, in the State Education Fund. The balance in the Pupil-Centered Funding Plan Account that has not been committed for expenditure at the end of the biennium is transferred each year to the Education Stabilization Account. Each county school district must also transfer funds exceeding 16.6 percent of total expenditures to the Education Stabilization Account.

The IFC may use the funds in the Education Stabilization Account if the actual enrollment comes in greater than projected or the collection of revenue will result in the State Education Fund receiving 97 percent or less of the money authorized for expenditures.

During the March 1, 2023, budget hearing, various items were discussed including cash flow. Monthly payments from the Pupil-Centered Funding Plan Account to the school districts, charter schools and the university school for profoundly gifted pupils, which is the Davidson Academy on the University of Nevada, Reno campus, begin in late July each fiscal year. Some of the revenue sources for the Plan are deposited in the budget months after collection. This includes property tax revenue that begins to be deposited in August and the local school support tax or sales tax that begins to be deposited in late September.

Other revenue deposits, such as the transfer from the Nevada Cannabis Compliance Board or the annual slot tax revenue occur at the end of the fiscal year. Because of this, General Fund appropriations are used to fund expenditures in this budget at the start of the fiscal year. Once those General Fund appropriations are spent, the budget may reflect a negative balance until the other revenue sources are deposited.

To address this issue, the 2021 K-12 Education Funding Bill, S.B. No. 458 of the 81st Session, provided the GFO with the ability to transfer General Fund appropriations between fiscal years in the biennium. This addressed the cash flow issue. However, that authority would only assist in year one, as the GFO could transfer from year two to year one General Fund appropriations. However, in the second year of the biennium, the first year is closed. Since General Fund appropriations would not be available to transfer to year two, that would only help with year one.

In FY 2021-2022, revenue exceeded forecasts and enrollment was less than projected in the Pupil-Centered Funding Plan. Accordingly, \$527.3 million was balanced forward from FY 2021-2022 to FY 2022-2023 in the Plan. Despite that excess revenue and lower than projected enrollment, in April 2022 the GFO processed a non-IFC work program that transferred appropriations of \$88.3 million from FY 2022-2023 to FY 2021-2022 to help with cashflow. That provided temporary necessary revenue to make payments from the Pupil-Centered Funding Plan. That General Fund appropriation was later transferred back to FY 2022-2023.

Fiscal staff estimates that in a typical fiscal year, the Pupil-Centered Funding Plan Account may reflect a negative fund balance as early as January or February of the fiscal year. To provide the necessary funding, the Governor recommends that the Education Stabilization Account be used to provide advances to the Pupil-Centered Funding Plan to help with cash flow purposes. Assembly Bill 458 has been submitted to implement this change.

[Assembly Bill 458](#): Revises provisions relating to the financial support of public schools. (BDR 34-1080)

Under A.B. 458, the GFO Director would notify the State controller and the Fiscal Analysis Division of their approval of a request for a temporary advance. Any money temporarily advanced must be repaid by August 31 following the end of the fiscal year when the advance was made. The bill as introduced does not require IFC approval for those advances to occur.

Another issue related to the Education Stabilization Account is the balance forward. Revenue came in greater than projected and enrollment was less than projected in FY 2021-2022. That caused funding totaling \$527.3 million to be balanced forward from FY 2021-2022 to FY 2022-2023. Based on revenue projections and enrollment, it appears that a similar amount may be available in FY 2022-2023. Combined, that could provide additional unobligated funding in the Pupil-Centered Funding Plan Account of approximately \$1 billion at the end of the 2021-2023 biennium.

Any funding remaining in the Pupil-Centered Funding Plan at the end of the biennium then transfers to the Education Stabilization Account; however, the Education Stabilization Account has a 15 percent cap on its balance that cannot exceed 15 percent of all appropriations and authorizations in the Pupil-Centered Funding Plan Account for the prior fiscal year. Any funding exceeding that amount must be transferred to the State Education Fund and be reflected as a balance forward in the Pupil-Centered Funding Plan Account.

Based on this 15 percent cap, Fiscal staff calculates the FY 2022-2023 cap will be maxed out at \$733.6 million. Based on that unobligated funding of a \$1 billion assumption, that would leave about \$321 million of remaining funding that could be transferred to the Pupil-Centered Funding Plan Account to

use for expenditures. That balance forward is not reflected in the Executive Budget. *Nevada Revised Statutes* Chapter 387 does not provide funding in the Pupil-Centered Funding Plan to be balanced forward and otherwise not expended through the Plan.

The last major issue with the Education Stabilization Account is inclusion in the Executive Budget or lack thereof. The Education Stabilization Account is not reflected in the Executive Budget; therefore, budgetary changes in the account would not be subject to the provisions of The State Budget Act, NRS 353.150 through NRS 353.246, including IFC review and approval in certain circumstances. During the budget hearing, the GFO indicated that since the Education Stabilization Account would not reflect expenditures, it was not included in the Executive Budget. Further, the Director indicated this was consistent with the State's treatment of the General Fund Rainy Day Account, which is also not in the Executive Budget.

As previously indicated, the Education Stabilization Account can be used by the IFC if enrollment projections are greater than projected or if revenue comes in less than projected. There could be expenditures from that Account. The Subcommittees could consider including the Education Stabilization Account in the K-12 Education Funding Bill for 2023 which would then make it subject to The State Budget Act of 2021, and IFC review and approval. That is a decision point for the Subcommittees.

Assembly Bill 400 would implement various changes to the Education Stabilization Account. This includes not requiring the account to retain its interest earnings. The Account currently retains all interest it earns. Under A.B. 400, 75 percent of the interest earnings in the account would instead be transferred to the existing Teach Nevada Scholarship Program Account. The remaining 25 percent of the interest earnings would be transferred to a new Nevada Teacher Advancement Scholarship Program Account.

ASSEMBLY BILL 400: Revises various provisions relating to education.
(BDR 34-1088)

Assembly Bill 400 would require any funding in the Education Stabilization Account that is more than 15 percent but not more than 17 percent of all

appropriations and authorizations to be transferred to the new State Teacher Pipeline Account. The new State Teacher Pipeline Account would receive 50 percent of the excess; the other 50 percent would go into the new Early Childhood Literacy and Readiness Account.

Assembly Bill 400 would also require any funding in the account in excess of 17 percent to be transferred to the Pupil-Centered Funding Plan Account.

The bill reflects a one-time FY 2024-2025 transfer of any funding in excess of 15 percent to the State Teacher Pipeline Account—50 percent of the excess—and the Early Childhood Literacy and Readiness Account—50 percent of the excess.

If A.B. 400 is approved, three new budgets would be established. Those budgets need to be included in the 2023 K-12 Education Funding Bill or the 2023 Authorizations Act because that is where traditionally the Legislature has placed pre-K funding to separate it from K-12 funding. Additional funding may be transferred to the Pupil-Centered Funding Plan Account from the Education Stabilization Account in FY 2023-2024.

In all scenarios, Fiscal staff would need to determine the amount of remaining funding in the Pupil-Centered Funding Plan at the end FY 2022-2023. The NDE could assist and develop a consensus forecast on that remaining amount and then the balances would either transfer to these new accounts under A.B. 400 or balance forward in the Pupil-Centered Funding plan under current law.

A major decision to be made at closing is whether to recommend allowing the Education Stabilization Account to be used to provide advances to the Pupil-Centered Funding Plan Account if needed for cash flow purposes, as proposed in A.B. 458 or other enabling legislation. If this recommendation is considered, the Subcommittees may also consider if these advanced would be provide with or without IFC approval.

Of the remaining funding projected for the Pupil-Centered Funding Plan, the Subcommittees may want to recommend one of several options.

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The first option is to recommend approval of the changes to the Education Stabilization Account proposed in A.B. 400, as recommended by the Governor, and that would require the establishment of new NDE budgets.

The second option is increasing the 15 percent cap in the Education Stabilization Account to allow for additional or all remaining funding in the State Education Fund to be transferred to the account at the end of FY 2022-2023 to be used in the upcoming biennium.

The third option is allowing for a balance forward of funding greater than 15 percent in the Education Stabilization Account to the Pupil-Centered Funding Plan Account. Under current law, the excess will be transferred to the Pupil-Centered Funding Plan Account as a balance forward to be spent in the upcoming biennium.

The fourth option is revising NRS 387 to allow for a balance forward of funding greater than the 15 percent cap in the Education Stabilization Account and placing that amount into a reserve in the Pupil-Centered Funding Plan Account in FY 2023-2024 and not expending that funding.

We need to calculate funds that remain and what is expected to be remaining at the end of FY 2022-2023. Assistance from NDE and the GFO would be necessary to come up with that consensus balance forward forecast.

Regarding the Education Stabilization Account and its exclusion in the Executive Budget, the Subcommittees need to decide whether to recommend excluding the account from the K-12 Education Funding Bill, including making it subject to IFC review and approval.

MADISON RYAN (Program Analyst):

Another item for discussion and possible consideration is transportation funding for charter schools. The Commission on School Funding recommends transportation funding be provided to charter schools and the university school for profoundly gifted pupils. However, the Governor does not recommend funding be provided to those schools in the Executive Budget.

Over the 2021-2022 interim, the Commission on School Funding reviewed the funding provided for food service and transportation costs through the Pupil-Centered Funding Plan and made various recommendations for changes. There were five recommendations as follows.

First, charter schools and university schools for profoundly gifted pupils should be provided with this funding using the same methodology established for school districts, which is the average of actual expenditures.

Second, charter schools offering these services for the first time should develop a line-item budget based on projected needs that would be submitted with a grant application to the NDE for possible funding.

Third, a hold harmless adjustment should be applied to these costs in the event expenditures decrease compared to the previous fiscal year.

Fourth, an inflation adjustment factor for these services should be established that mirrors the inflationary factor for the Pupil-Centered Funding Plan.

Fifth, the average used to calculate transportation costs would exclude any capital cost, with school district capital costs initially funded on a per-pupil basis, based on the number of buses in operation, a 15-year average life per bus, a cost of \$150,000 per bus and total enrollment. Charter schools would receive the same amount of per-pupil funding as the school district where the charter school operates.

Despite these recommendations from the Commission on School Funding, none of these changes are reflected in the Executive Budget.

For background, the State Public Charter School Authority indicates the Nevada Prep Charter School currently provides comprehensive transportation services and has offered transportation services to its pupils since October 2018. Over the past four fiscal years, Nevada Prep Charter School has expended an average of roughly \$62,000 annually for transportation services. The Subcommittees could consider recommending that Nevada Prep Charter School and any other charter school and university school for profoundly gifted pupils that provide transportation funding in the future be provided with transportation funding

through the Pupil-Centered Funding Plan. This would require changes to Chapter 387 of NRS which currently limits transportation funding to school districts.

If the Subcommittees wish to provide funding as recommended by the Commission on School Funding, this could include recommending schools that provide comprehensive transportation services be provided with their average expenditures through the Pupil-Centered Funding Plan similar to the current funding provided to school districts. Schools that do not offer transportation services should be allowed to apply for initial funding to establish such services.

The decision to be made is whether to recommend approval of the Governor's recommendation to continue only providing transportation funding through the Pupil-Centered Funding Plan to school districts or to recommend transportation funding also be provided to charter schools and university schools for profoundly gifted pupils. If this recommendation is made, the Subcommittees may also consider the funding to be budgeted for this purpose and how this funding would be provided to charter schools and university schools for profoundly gifted pupils.

LILLIANA CAMACHO-POLKOW (Program Analyst):

The Governor recommends a Statewide base per-pupil funding amount of \$8,596 in FY 2023-2024 and \$9,023 in FY 2024-2025 based on an inflationary increase of 4.52 percent and the residual funding available in the Pupil-Centered Funding Plan Account.

The 2021 Legislature approved a Statewide base per-pupil funding amount of \$7,074 for FY 2022-2023. The Governor recommends increasing this to \$8,596 in FY 2023-2024 and \$9,023 in FY 2024-2025.

Consistent with the legislative intent provided in NRS 387.1214, subsection 1, the Governor recommends increasing the Statewide base per-pupil amount by the 4.52 percent consumer price index inflationary increase from CY 2020 to CY 2021, which was the most recent data available when the Executive Budget was being prepared. The Governor also recommends increasing it further based on the projected Pupil-Centered Funding Plan revenue that would be available in

each year of the 2023-2025 biennium. A proportional reduction would be applied in each year to balance to revenue.

A table has been provided to you showing the Consumer Price Index inflationary changes for the past 15 years. Significant variation in annual Consumer Price Index changes can happen between individual calendar years, including a decrease reflected in CY 2009 of a negative 0.38 percent change. That was the change between CY 2008 and CY 2009 which was most likely during the Great Recession.

During the budget hearing on March 1, 2023, there was a discussion about the use of an inflationary increase from a single period to budget for future increases. To address this issue, the Subcommittees could consider revising NRS 387.12455, subsection 6, and its definition of rate of inflation to use a multiyear average to calculate this change. This would allow for the smoothing of inflationary changes when drastic annual increases or decreases are experienced and allow for the data for other years to be considered when a single year experiences a negative change.

Do the Subcommittees wish to recommend revising NRS 387.12455, subsection 6, and its definition of rate of inflation to use a multiyear average. The Subcommittees may also consider directing Fiscal staff to use that multiyear average in the updated Pupil-Centered Funding Plan model.

The next topic for discussion is funding for online school districts. Online charter schools receive the Statewide base per-pupil funding amount while online school district schools receive the adjusted base per-pupil funding amount. The Commission on School Funding recommended funding online school district schools at the Statewide base per-pupil amount to ensure equity. The Governor's recommended budget does not reflect this change and instead provides online school districts with the adjusted base per-pupil funding amount.

Under NRS 387.1214, subsection 2, paragraph d, online charter schools receive the Statewide base per-pupil funding amount while online school district schools receive the adjusted base per-pupil amount. Senate Bill (S.B.) 98 was introduced on behalf of the Joint Interim Standing Committee on Education and would provide only the Statewide base per-pupil funding amount to online school

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districts. If approved, S.B. 98 would allow online charter schools and online school district schools to receive a similar level of funding.

SENATE BILL 98: Revises provisions relating to education. (BDR 34-444)

The decision to be made is whether to recommend online school district schools receive the Statewide base per-pupil funding amount consistent with online charter schools. This recommendation would also require S.B. 98, or other enabling legislation, to be approved to reflect this change in statute.

MR. DROST:

The Governor recommends use of the Nevada Cost of Education Index to account for variation in the cost of goods and the cost of labor across the State. The Governor also recommends a floor of 1.000 be applied to the index, allowing counties with the calculated index below the floor amount to not have their school funding reduced.

Provided in NRS 387.1215, a cost adjustment factor is established for variation in the cost of goods and the cost of labor within the State. This index is applied to each school district, charter school that provides classroom-based instruction and university school for profoundly gifted pupils. The baseline index amount is 1.000, with schools operating in counties above that baseline receiving additional funding and schools operating in counties below that baseline receiving reduced funding.

The Nevada Cost of Education Index in the Executive Budget has two components. First, the Comparative Wage Index measures what an employer must pay to attract employees regardless of the different influencing factors in the community. That could include the desirability of a place, including the climate, the cultural amenities, safety, commute times or recreational opportunities. While a location may have a high cost of living or a high cost of housing, if it is an otherwise attractive place to live, employers are able to attract staff. This index includes all occupation and industry areas and all education levels. An amount was calculated for Clark County; Washoe County; Carson City, Douglas, Lyon and Storey Counties collectively; and the rest of the State combined, based on 2020 data.

The other component for the Nevada Cost of Education Index is the Regional Price Parity Index prepared with data from the U.S. Bureau of Economic Analysis. The Index shows the regional cost differences among school districts associated with purchasing goods.

As approved by the Legislature and recommended by the Governor for the upcoming biennium, a floor of 1.000 is being applied to the Index. Counties below the 1.000 index will not have their funding reduced.

A Letter of Intent was issued to the Commission on School Funding and NDE to study the Nevada Cost of Education Index over the interim. The Commission on School Funding discussed this issue at length and at numerous meetings over the 2021-2023 interim. The Commission on School Funding ultimately recommended to eliminate the effect of the Nevada Cost of Education Index from the model. That could be implemented by providing all counties with an index of 1.000.

For the upcoming 2023-2025 biennium, the only county that would benefit from the Governor's recommended Nevada Cost of Education Index is Clark County, which has a calculated index of 1.006. Counties with a calculated index below 1.000 include Carson City, Douglas, Lyon, Storey and Washoe. That floor of 1.000 is applied so they do not lose any funding. The remaining 11 counties have a calculated index of 1.000.

During the budget hearing, the NDE was asked about the inclusion of cost of housing in this measure. The Department indicated subject matter experts who worked with other states to develop a similar measure recommended housing costs not be included in this Index. They indicated additional funding was being provided to more affluent neighborhoods when this is applied in other states. Therefore, a recommendation was made to exclude housing costs.

During the budget hearing on March 1, 2023, the Department was asked by the Subcommittees to research whether the Nevada Cost of Education Index could be updated with more recent data. The NDE indicates the Nevada Cost of Education Index could be updated with more recent data and the Department indicates it could update it using CY 2021 data and have that available by the end of April 2023.

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As introduced, A.B. 344 would repeal NRS 387.1215 and eliminate the Nevada Cost of Education Index from the Pupil-Centered Funding Plan entirely.

ASSEMBLY BILL 344: Revises provisions governing the cost adjustment factor in the Pupil-Centered Funding Plan. (BDR 34-993)

The decisions to be made by the Subcommittees are 1) whether to recommend using the Nevada Cost of Education Index or 2) applying an index of 1.000 for all counties, eliminating the effect of the Index, as recommended by the Commission on School Funding. A third option is recommending NRS 387.1215 be eliminated through either passage of A.B. 344 or other enabling legislation. If the Subcommittees recommend using the Index in the upcoming biennium, they could also consider whether they recommend approving the Governor's recommended Nevada Cost of Education Index or updating the Index with updated information.

Additionally, the Subcommittees could consider approving the Governor's recommendation to use the floor of 1.000 or using the actual calculation which again would not take from some of those districts that have an index below 1.000.

The next major issue to be discussed is weighted funding. The Governor recommends providing weighted funding of 0.50 for English learner (EL) pupils, 0.30 for at-risk pupils and 0.12 for gifted and talented pupils.

In the Executive Budget, the audited October 1, 2022, enrollment counts for these weighted student populations were used to determine the weighted funding allocated in the Executive Budget in both FY 2023-2024 and FY 2024-2025. Pupils eligible for special education funding are excluded from this count and do not get this additional weighted funding.

Consistent with NRS, a pupil eligible for more than one weighted category only receives the weighted funding for the category that would provide the highest weight.

The table provided to you shows the weighted funding approved by the Eighty-first Legislature Session and recommended by the Governor for

FY 2023-2024 and FY 2024-2025. Some increases in the weighted funding as well as the weights are recommended in the Executive Budget.

The count of at-risk pupil funding is projected to decrease, as identified in FY 2022-2023 from 247,286 pupils now decreasing in the Governor's recommended budget to 63,325 at-risk pupils. The reason for that reduction is a change in the identification of at-risk pupils. As approved by the 2021 Legislature, at-risk pupils are identified based on their eligibility for free or reduced-price lunch; however, the Governor recommends, consistent with the State Board of Education and the Commission on School Funding, using a graduation score derived from the Infinite Campus Student Data System.

This graduation score identifies pupils who are not on track to graduate with their peers by using data from the Infinite Campus Data System including 75 different measures, such as academic proficiency, attendance, behavior, and home and enrollment stability.

The NDE identified the bottom 20th percentile of pupils through the graduation score. That aligns with the percentage of pupils who do not graduate with their peers.

Fiscal staff asked the NDE to elaborate on the process used to determine a graduation score for K-5 primary schools and Grades 6 through 12 secondary schools. The NDE indicated Infinite Campus uses two separate models, primary and secondary. The Infinite Campus secondary model uses student outcomes, specifically whether they graduated on time, as the ground truth labels, or targets, during training. The Infinite Campus primary model's ground truth labels are calculated from the secondary model's predictions to train the primary model on earlier grade levels. As a result, the graduation scores produced by both models represent the likelihood a student will graduate on time.

The measure predicts whether students are on track to graduate with their peers. It seems to be a learning process.

During the March 1, 2023, budget hearing, the NDE indicated this change would be an appropriate method for identifying at-risk pupils due to the expansion of the Community Eligibility Program (CEP). Under that provision, if at

least 40 percent of all pupils in the school are eligible, all pupils in that school are eligible for free or reduced-price lunch. The NDE maintains some pupils who are not at-risk, but attend such schools, are being included in that count.

The NDE provided information related to the increase in pupils eligible for free or reduced-price lunch that shows a 30.8 percent increase in eligible pupils between the 2018-2019 school year and the 2022-2023 school year.

To address this and provide a measure for identifying students at-risk of not graduating with their peers, the NDE maintained the Governor's recommended methodology for identifying at-risk pupils was more appropriate and would provide a better indicator using the bottom 20th percentile, which aligns with the percentage of pupils who do not graduate with their peers.

The Department further indicated that although 75 measures are used in the Infinite Campus system to identify graduation scores and determine this factor, no single measure used to calculate the graduation score is weighted high enough to significantly move a pupil along an indicator. If eligibility for a free or reduced-price lunch was used to identify at-risk pupils, the account would be much greater than the 63,325 at-risk pupils identified in the Executive Budget; it would actually total about 284,694 pupils.

If the Subcommittees wish to recommend using free or reduced-price lunch to identify at-risk pupils, the per-pupil funding provided for them in the Executive Budget and the weight would require additional funding. The NDE estimates additional funding of \$566 million in FY 2023-2024 and \$596.3 million in FY 2024-2025 would be needed to provide the Governor's recommended 0.30 weight for at-risk pupils if the free or reduced-price lunch was used as a measure.

The October 1, 2022, enrollment counts were used to determine the weighted funding for FY 2023-2024 and FY 2024-2025 in the Executive Budget. This is consistent with the Legislatively-approved budget for the 2021-2023 biennium, where the October 1, 2020, enrollment counts were used for both years. The NDE then approached the IFC and received approval to update the second year of the biennium counts and the amount provided to school districts based on the updated count as of October 1, 2021. The NDE has asked for the same

ability in the upcoming biennium, which would be consistent with the Legislatively-approved budget.

When the NDE approached the IFC for approval of the FY 2022-2023 adjustment, additional funding of \$10.6 million was needed because of an increase in weighted funding counts. That funding was approved by the IFC in December 2022. The Pupil-Centered Funding Plan does not have a reserve, so that additional funding was paid for by the additional revenue that was generated and balanced forward. If the Subcommittees wish to provide the NDE with the ability to update the enrollment counts in the second year of the biennium, it may consider providing additional funding as a reserve in the second year in the event weighted enrollment increases.

Alternatively, the Education Stabilization Account can be used for enrollment growth. It would appear to be eligible to fund the adjustment if they had that enrollment growth as the NDE could also tap the Education Stabilization Account to pay for that in the second year of the biennium.

The decisions to be made are: whether to recommend approval of the Governor's recommendation to identify at-risk pupils using the graduation score calculated from the Infinite Campus system or approving the use of free or reduced-price lunch to identify at-risk pupils; whether to recommend approval of the Governor's recommendation to provide weighted funding of 0.50 for EL pupils, 0.30 for at-risk pupils and 0.12 for gifted and talented pupils; or approval of alternative weighted funding for those weighted students and possibly providing the same level of funding for those weighted students; and whether to recommend allowing the weighted enrollment counts to be updated in FY 2024-2025, the second year of the biennium, using October 1, 2023, enrollment counts and identifying the funding source for any possible increases in expenditures associated with that change.

Ms. RYAN:

The next item for discussion is related to B/A 101-2619, the Account for State Special Education Services, which is outside the Pupil-Centered Funding Plan.

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NDE - Account For State Special Education Services – Budget Page K-12
EDUCATION-117 (Volume I)
Budget Account 101-2619

The Account for State Special Education Services provides State funding for pupils with disabilities. State funding for the State Special Education Program is provided proportionally to each school district and charter school largely based upon the number of pupils with a disability, not to exceed 13 percent of the total pupil enrollment for the school district or charter school, as required by NRS.

During the Account for State Special Education Services budget hearing on March 1, 2023, members of the Subcommittees discussed the State Special Education Program funding compared to other weighted funding provided through the Pupil-Centered Funding Plan and the current funding distribution methodology used by the NDE for allocating funding for the State Special Education Program.

For the 2023-2025 biennium, the Governor recommends total funding for the State Special Education Program of \$233.1 million in FY 2023-2024 and \$237.5 million in FY 2024-2025 including the funding recommended by the Governor for the 2 percent roll up costs, which is approximately \$13.1 million over the 2023-2025 biennium.

Based on Fiscal staff's analysis of the current level of funding and enrollment counts included in the Governor's recommended budget for both the Pupil-Centered Funding Plan and the Account for State Special Education Services, it appears the Statewide average weighted multiplier and average per-pupil amount for special education pupils could be less than the weighted multiplier and the average per-pupil amount for EL pupils in each year of the 2023-2025 biennium.

The current distribution methodology used by the NDE for the State Special Education Program results in some school districts, charter schools and the university school for profoundly gifted pupils receiving less per-pupil funding for special education pupils than the Statewide average in FY 2022-2023 and in each year of the 2023-2025 biennium.

The 2021 Legislature approved the Governor's recommendation to provide funding for pupils with disabilities outside of the Pupil-Centered Funding Plan and approved excluding special education pupils who belong to other weighted categories from receiving weighted funding related to EL, at-risk, and gifted and talented pupils. Funding for special education pupils was provided as a multiplier, which was higher when compared to the weighted funding provided through the Pupil-Centered Funding Plan.

The Governor recommends special education pupils who belong to other weighted categories be excluded from other weighted funding for the 2023-2025 biennium even though it appears EL pupils would receive more on an average per-pupil basis than special education pupils in each year of the 2023-2025 biennium.

The table provided to you shows a comparison between the weighted funding, including pupils with disabilities, as calculated by Fiscal staff and approved by the 2021 Legislature for FY 2022-2023 and recommended by the Governor for FY 2023-2024 and FY 2024-2025 based on October 1 2022, enrollment counts.

The unduplicated count data for pupils eligible for weighted funding in the Pupil-Centered Funding Plan excludes special education pupils from all other weighted categories since special education funding historically provided a higher level of funding.

There are two considerations for the Subcommittees. The first issue addresses revising the methodology by allowing special education pupils to also receive other weighted funding for which they are eligible. The Subcommittees could recommend allowing special education pupils to only receive weighted funding through the Pupil-Centered Funding Plan for which they may be eligible if that weight is higher than the special education weight. The only weight in the Pupil-Centered Funding Plan for the 2023-2025 biennium that appears to be higher than the special education weight is the EL pupil weight. The NDE provided information indicating there were 12,275 pupils with disabilities who were also identified to be EL pupils following the March 1, 2023, budget hearing.

The second issue based on the current distribution methodology includes providing local educational agencies with a similar level of funding as received in the prior fiscal year. The level of funding provided to school districts with static or decreasing special education enrollment is held at a somewhat consistent level. Entities with growth in special education enrollment are also held in a consistent funding level, which reduces the funding provided on a per-pupil basis.

You have another table that provides an overview of the current methodology that NDE uses to distribute a similar level of State special education funding. It shows the impact this distribution methodology has on the average per pupil amount and the average weighted multiplier in FY 2022-2023 based on the NDE calculations and the projected FY 2023-2024 and FY 2024-2025 funding distributions based on Fiscal staff calculations.

The table also identifies those school districts, charter schools and the university school for profoundly gifted pupils that received a per-pupil amount and a calculated weighted multiplier less than the Statewide average in FY 2022-2023 and that are projected to receive a per-pupil amount and a weighted multiplier less than the Statewide average for FY 2023-2024 and FY 2024-2025 based on the Executive Budget.

The Executive Budget provides a weighted multiplier for pupils with disabilities that is less than the weighted multiplier for EL pupils. It does not include recommendations to address those school districts, charter schools and the university school for profoundly gifted pupils that currently receive a per-pupil amount less than the Statewide average in the 2023-2025 biennium.

The Subcommittees could consider providing additional funding for the State Special Education Program than what is currently included in the Executive Budget or other alternatives that do not require additional funding in the 2023-2025 biennium. The Subcommittees could consider the various scenarios developed by Fiscal staff to fund the State Special Education Program. The State has a maintenance of fiscal support requirement that requires State special education funding to generally be maintained in future fiscal years. If any funding is added to this budget for the 2023-2025 biennium, it would be required to continue in future biennia.

Scenario A would provide each school district, charter school and university school for profoundly gifted pupils with a minimum special education per-pupil amount of \$4,115 in FY 2023-2024 and \$4,192 in FY 2024-2025. That would provide each local educational agency with at least the projected Governor-recommended Statewide average per-pupil amount. This scenario would require additional General Fund appropriations of \$11.1 million in FY 2023-2024 and \$11.3 million in FY 2024-2025.

Scenario B would provide each school district, charter school and university school for profoundly gifted pupils with a minimum special education per-pupil amount of \$4,300 in FY 2023-2024 and \$4,550 in FY 2024-2025, which would provide a per-pupil amount higher than what is recommended for EL pupils in each year of the 2023-2025 biennium. This scenario would require additional General Fund appropriations of \$19.1 million in FY 2023-2024 and \$27.8 million in FY 2024-2025.

Scenario C would provide each school district, charter school and the university school for profoundly gifted pupils with a minimum special education weighted multiplier of 0.49 in each year of the 2023-2025 biennium. That would result in an average Statewide weighted multiplier of 0.51 in each year of the 2023-2025 biennium. This scenario would require additional General Fund appropriations of \$15.3 million in FY 2023-2024 and \$21.2 million in FY 2024-2025.

Scenario D would provide each school district, charter school and university school for profoundly gifted pupils with a minimum special education weighted multiplier of 0.51 in each year of the 2023-2025 biennium. That would result in an average Statewide weighted multiplier of 0.53 in FY 2023-2024 and 0.52 in FY 2024-2025. This scenario would require General Fund appropriations of \$23 million in FY 2023-2024 and \$30.5 million in FY 2024-2025.

There are alternative scenarios the Subcommittees could consider in lieu of adding funding to this budget. They include reducing the weighted multiplier for EL pupils in the Pupil-Centered Funding Plan from what is currently recommended by the Governor. That could result in the Statewide average weighted multiplier for the State Special Education Program being the highest weighted category.

Another alternative includes providing pupils with disabilities who are also identified as EL pupils with weighted funding through the Pupil-Centered Funding Plan, which would require additional funding in the Pupil-Centered Funding Plan Account of \$52.8 million in FY 2023-2024 and \$55.4 million in FY 2024-2025.

The Subcommittees could consider reallocating the Governor's recommendation of \$13.1 million over the 2023-2025 biennium for roll up costs to be allocated to only those school districts, charter schools and the university school for profoundly gifted pupils that currently receive a per-pupil amount less than the Statewide average.

During the March 1, 2023, budget hearing, the NDE indicated it is in the process of contracting with subject matter experts to review and study the distribution methodology for State special education funding and the various factors related to its distribution. The Subcommittees could approve the level of funding included in the Governor's recommended budget for the State Special Education Program, not make any changes to the program for the 2023-2025 biennium and request the NDE provide the 2025 Legislature with the recommended changes for the State Special Education Program and funding once the Department completes its work.

There are various decisions to be made by the Subcommittees. They could recommend approval of the Governor's recommended funding of \$233.1 million in FY 2023-2024 and \$237.5 million in FY 2024-2025 for the State Special Education Program. That includes the \$13.1 million over the 2023-2025 biennium to fund 2 percent roll-up costs and may not provide the highest weighted funding when compared to the weighted funding recommended in the Pupil-Centered Funding Plan.

The Subcommittees could recommend approval of the Governor's recommended funding and additional General Fund appropriations as provided in scenarios A through D for the State Special Education Program. That would provide a minimum level of State special education funding either on a per-pupil or weighted basis for each school district, charter school and the university school for profoundly gifted pupils. Doing so would require funding be provided

on an ongoing basis to comply with federal maintenance of fiscal support requirements.

The Subcommittees could also consider recommending the following:

Reducing the weighted multiplier for EL students in the Pupil-Centered Funding Plan Account from what is currently recommended by the Governor. That could result in the Statewide average weighted multiplier for the State Special Education Program being the highest weighted category.

The Subcommittees could recommend allowing pupils with disabilities who are eligible for a higher weight through the Pupil-Centered Funding Plan to receive weighted funding for a weight higher than the State special education weighted multiplier through the Pupil-Centered Funding Plan in addition to the State Special Education Funding.

The Subcommittees could recommend reallocating the Governor's recommendation of \$13.1 million over the 2023-2025 biennium for roll-up costs to instead be allocated to only those school districts, charter schools and the university school for profoundly gifted pupils that currently receive a per-pupil amount less than the Statewide average.

MR. DROST:

The final issue to be discussed is the Balancing Expenditures to Revenue in the updated Pupil-Centered Funding Plan Account. Fiscal staff will need to balance the Pupil-Centered Funding Plan model based on updated revenue, updated enrollment and recommendations of the Subcommittees. General direction is requested of the Subcommittees to help with that process. This will be the first time doing so as we move into the second biennium of implementing the Pupil-Centered Funding Plan.

The 2023 Legislature has already taken action to modify the funding that would be provided to the Pupil-Centered Funding Plan. This included S.B. 124 which provided additional Net Proceeds of Minerals revenue for the plan in FY 2023-2024. The GFO and LCB Fiscal staff will update its consensus revenue forecast in May 2023 based on additional months of data. Changes to projected enrollment and possible changes to the identification and count of pupils eligible

for weighted funding based on the Subcommittees' recommendations may also be reflected in the model.

SENATE BILL 124 (3rd Reprint): Revises provisions relating to the tax upon the net proceeds of minerals and royalties of mining operations.
(BDR 32-908)

The Subcommittees need to consider whether they will revise the Statewide base per-pupil amount to balance to the updated revenue projections or use General Fund appropriations to negate possible reductions in non-General Fund revenue, allowing funding levels recommended by the Governor to be reflected in the Legislatively-approved budget.

The Subcommittees could also provide Fiscal staff with general guidelines that would include maintaining at least the Statewide base per-pupil amount in the Governor's recommended budget, which could require additional General Fund appropriations and/or shifting General Fund appropriations between fiscal years and the upcoming biennium.

Fiscal staff could be provided with guidelines to maintain at least the same level of funding amounts recommended by the Governor for the weighted categories of pupils.

If additional funding is still available, the Subcommittees could direct Fiscal staff to use remaining funding to adjust weights for EL, at-risk and gifted and talented pupils to ensure they are reasonably similar to the Governor's recommended weights. If additional funding remains, it could be used to adjust the Statewide base per-pupil funding amount while maintaining the Governor's recommended weights to use any residual funding.

The Subcommittees need to determine how they will direct Fiscal staff to balance the Pupil-Centered Funding Plan model when the various updates are provided in May 2023. That direction of Fiscal staff could include maintaining at least the Statewide base per-pupil amount reflecting the Governor's recommended budget, which could require additional General Fund appropriations; or shifting General Fund appropriations between fiscal years in

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the upcoming 2023-2025 biennium; and maintaining at least the same level of funding amount provided to the weighted categories of pupils.

If additional funding is still available, the Subcommittees could direct Fiscal staff to use the remaining funding to adjust the weight for EL, at-risk and gifted and talented pupils to ensure they are reasonably similar to the Governor's recommended weights. If additional funding remains, it could be used to adjust the Statewide base per-pupil amount while maintaining the Governor's recommended weights to use any residual funding.

CHAIR DONDERO LOOP:

We will begin with questions on the General Fund appropriations within the Pupil-Centered Funding Plan.

SENATOR TITUS:

You mentioned the Education Stabilization Account is similar to the Rainy Day Account in that the Governor does not require Legislative approval to use those funds.

MR. DROST:

The relationship indicated by the GFO was its exclusion from the Executive Budget. Director Amy Stephenson's point was, the General Fund Rainy Day Account is not in the Executive Budget nor is the Education Stabilization Account.

SENATOR TITUS:

You also mentioned we are reaching the cap on the Education Stabilization Account and the Rainy Day Account. Then, you mentioned using the interest on that cap for certain programs the Governor recommended. What happens to those interest payments under current law when we maximize the Education Stabilization Account?

MR. DROST:

The Education Stabilization Account is currently able to retain all interest earnings. The interest payments stay within that account.

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SENATOR TITUS:

Even if the account is reaching its maximum?

MR. DROST:

I would have to speak to our legal team to see what happens to that account and the interest earnings once we reach the cap.

SENATOR TITUS:

It is important to understand where Education Stabilization Account funds are going as we near that maximum. Please get back to us.

SENATOR NEAL:

When will NDE calculate the 1 percent of the Early Childhood Literacy and Readiness Account so you can do the projections? It seems like there are a couple of things, such as A.B. 400, that are dependent.

MR. DROST:

That is correct. The 1 percent and all those distributions are based on A.B. 400, as introduced. We have asked NDE for end of FY 2022-2023 projections. They are in the middle of the fiscal year, but I think a consensus forecast could be determined.

Something similar was provided under the Nevada Plan. We could calculate a similar amount for the Pupil-Centered Funding Plan to know how much it will be if A.B. 400 passes and what amounts would go to those new accounts. Alternatively, we would calculate how much would go to the Pupil-Centered Funding Plan account under current law.

SENATOR NEAL:

When do you expect to get that consensus forecast?

MR. DROST:

We require that forecast for the Subcommittees' closing by April 2023. We will work with NDE and the GFO to determine where we think we are going to land at the end of FY 2022-2023.

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SENATOR SEEVERS GANSERT:

We are \$321 million over the Education Stabilization Account cap with the automatic transfers. If A.B. 400 is approved, 15 to 17 percent of the excess would transfer to the new State Teacher Pipeline Account and the new Early Childhood Literacy and Readiness Account. Each percent is worth almost \$50 million.

To put it a different way, if the maximum of \$733 million is 15 percent, 1 percent is \$48 million. I want to confirm that each percentage point is about \$50 million. When you look at A.B. 400 and the bandwidth between 15 and 17 percent, is it potentially \$0 to \$100 million that would be split between the State Teacher Pipeline Account and the Early Childhood Literacy and Readiness Account?

MR. DROST:

That is correct if A.B. 400 is approved.

SENATOR SEEVERS GANSERT:

If you go past the 17 percent cap, the excess goes to the new State Teacher Pipeline Account. I understand we do not know what happens if the interest in earnings bumps up against the 17 percent cap, but do we have an idea of what interest earnings have been and what interest earnings we expect, if the accounts maxed out at \$733 million?

MR. DROST:

According to the State financial system, year to date we have accrued \$282,000 worth of interest earnings. That is based on the \$50 million General Fund loan that was provided. If we get additional funding and are near the cap, interest earnings would increase as well.

SENATOR SEEVERS GANSERT:

You also mentioned a reserve in the Pupil-Centered Funding Plan, not the Education Stabilization Account. What does the reserve run?

MR. DROST:

I mentioned a possible reserve for the weights. The updated weights could require a possible \$10 million reserve in the second year of the biennium to

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account for possible increases in the weighted pupil counts and the reserve could provide additional funding relative to that.

SENATOR SEEVERS GANSERT:

Are there allowances for fluctuations in enrollment?

MR. DROST:

This reserved funding could be provided to allow for fluctuations in weighted enrollment.

CHAIR DONDERO LOOP:

Is this the first time we comingled pre-K funds and K-12 funds?

MR. DROST:

To my knowledge, yes, it is.

ASSEMBLYWOMAN MONROE-MORENO:

Although the cap is at 15 percent, could we raise it to 20 percent?

MR. DROST:

Yes.

ASSEMBLYWOMAN MONROE-MORENO:

Is there a reason comingling of pre-K funds and K-12 funds has not been done in the past?

MR. DROST:

Pre-K funding is typically separated in the Legislatively-approved budget. It is not included in the K-12 bill with the other K-12 programs.

SENATOR SEEVERS GANSERT:

If we raised the cap from 15 percent to 20 percent, would that provide an additional \$245 million for the Education Stabilization Account under the increased cap?

MR. DROST:

Yes.

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SENATOR SEEVERS GANSERT:

Keeping in mind the \$245 million, you mentioned the interest earnings were about \$282,000. You also mentioned a \$50 million loan. Was that only on the \$50 million? Do we multiply that out? Is it \$300,000 per \$50 million, or is it somewhere in between the \$50 million that was loaned and the current balance?

MR. DROST:

The Education Stabilization Account may not have had any money in the 2021-2023 biennium as the plan was established. The 2021 Legislature provided \$50 million in General Fund appropriation seed money. That is the bulk of the funding in that account for the current biennium.

SENATOR SEEVERS GANSERT:

Would you potentially multiply that by 15 percent?

MR. DROST:

The State Treasurer's Office distributes earnings, and there are variations, but it would increase.

SENATOR SEEVERS GANSERT:

It is up to \$4 million a year. Over time, it becomes a significant number if the \$282,000 was only on \$50 million.

ASSEMBLYWOMAN BACKUS:

Can we take the remaining funding at the end of FY 2022-2023 in the State Education Fund, transfer it into the next biennium and consider raising the cap at the end of the next biennium?

MR. DROST:

Yes. You could keep the 15 percent cap for the current biennium at the end of FY 2022-2023 but then raise the cap at the end of the upcoming biennium at the end of FY 2024-2025.

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CHAIR DONDERO LOOP:

The Subcommittees recommend approving the Governor's recommended General Fund appropriations for the Pupil-Centered Funding Plan Account for the 2023-2025 biennium.

The Subcommittees recommend allowing the Education Stabilization Account to be used to provide an advance to the Pupil-Centered Funding Plan Account if needed for cash flow purposes as proposed in A.B. 458 or other enabling legislation. These advances would be provided with IFC approval.

The Subcommittees want NDE to calculate the projected balance in the Education Stabilization Account at the end of FY 2022-2023 to determine the balance forward amounts.

The Subcommittees want NDE to work with Fiscal Staff to estimate the funding that would remain in the Pupil-Centered Funding Plan at the end of FY 2022-2023.

The Subcommittees recommend including that Education Stabilization Account FY 2022-2023 K-12 education funding in the Executive Budget requiring IFC approval for budgetary changes.

The Subcommittees recommend raising the Education Stabilization Account cap from 15 percent to 20 percent.

The Subcommittees recommend if a bill to implement these changes is needed, it should go into the K-12 Funding Bill, and then that funding bill will come back to us for consideration.

Mr. Drost, please clarify that on the record for me.

MR. DROST:

Does the increase to 20 percent reflect Assemblywoman Backus' thought to delay that until next biennium? In other words, do we take the remaining funding at the end of FY 2022-2023 in the State Education Fund and apply the current 15 percent cap and then apply the 20 percent cap in the next biennium?

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CHAIR DONDERO LOOP:
Yes, that is correct.

MR. DROST:
For cash flow, the Subcommittees recommend allowing the Education Stabilization Account to be used to provide cash advances for the Pupil-Centered Funding Plan as proposed in A.B. 458 or other enabling legislation. This would require IFC approval.

For the remaining funding, the Subcommittees recommend keeping the 15 percent cap at the end of FY 2022-2023. Any additional funding beyond the 15 percent would then flow over to the Pupil-Centered Funding Plan and be available as beginning cash in the account in FY 2023-2024. At the end of FY 2024-2025, the Subcommittees want to raise that cap to 20 percent to be effective in the next biennium.

In addition, the Subcommittees direct NDE to work with Fiscal Staff and GFO to come up with projected ending fund balance for the Pupil-Centered Funding Plan Account at the end of FY 2022-2023 to come up with those projections.

The Subcommittees want to include the Education Stabilization Account in the Executive Budget which would make it subject to IFC approval.

SENATOR TITUS:
Would that mean, the way you have just proposed, that we would be draining the Education Stabilization Account now?

MR. DROST:
No. As I understand the recommendation, it would retain the 15 percent cap at the end of FY 2022-2023 and into the next biennium. Then, that 15 percent cap would be raised to 20 percent at the end of FY 2024-2025.

SENATOR SEEVERS GANSERT:
Is the reason we would do that because the \$321.4 million that is over the 15 percent is shown in the Executive Budget as rolling into the next biennium?

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MR. DROST:

The \$321 million is a rough estimate from Fiscal Staff. It could change. It is not included in the Executive Budget as a balance forward. It is not reflected in the Executive Budget at all.

SENATOR SEEVERS GANSERT:

You are suggesting we let it flow forward, which would give us an extra \$321 million that goes into the Pupil-Centered Funding Plan for the next biennium. That helps clarify my understanding.

CHAIR DONDERO LOOP:

We will move on to transportation funding for charter schools.

The Subcommittees recommend approval of the Governor's recommendation to continue only providing transportation funding through the Pupil-Centered Funding Plan to school districts.

CHAIR DONDERO LOOP:

We will now discuss Statewide base per-pupil funding.

SENATOR SEEVERS GANSERT:

Looking at the Consumer Price Index, it makes sense to go with the three-year rolling average. That will smooth out the variations. Later years are not as relative to what is happening in the current timeframe.

CHAIR DONDERO LOOP:

The Subcommittees recommend using the Governor's calculated percentage change of 4.52 percent.

The Subcommittees recommend a revision to NRS 387.12456 and its definition of rate of inflation to use a three-year average to calculate that change.

SENATOR SEEVERS GANSERT:

Will we adjust this year to the three-year average?

CHAIR DONDERO LOOP:

We will move forward with a three-year average effective, July 1, 2023.

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SENATOR SEEVERS GANSERT:
Is that July 1, 2023, for FY 2023-2024?

MR. DROST:
I believe your intent is to keep the Governor's recommended Consumer Price Index of 4.52 percent for the Legislatively-approved budget. For the 2025-2027 biennium Executive Budget, the Subcommittees would use the three-year average.

CHAIR DONDERO LOOP:
We will move on to funding for online school district schools.

SENATOR SEEVERS GANSERT:
What is the difference between the adjusted versus nonadjusted per-pupil funding amount? You are proposing one direction. What if we go another direction?

Ms. CAMACHO-POLKOW:
The adjusted base per-pupil funding amount includes the Nevada Cost of Education Index adjustment factor and the attendance area adjustment factor. The attendance area adjustment reflects the increased cost to operate schools in attendance areas with low enrollment densities.

Four districts have online schools: Douglas, Elko, Esmeralda and Washoe. Those online school districts receive the adjusted base per-pupil funding, but the three online charter school districts receive the base per-pupil funding. Depending on the school district, it would be a different amount than the base per-pupil amount.

SENATOR SEEVERS GANSERT:
Does the online receive only nonadjusted per-pupil funding, or are we using adjusted or nonadjusted per-pupil funding for both?

Ms. CAMACHO-POLKOW:
In the Governor's recommended budget, the online school district schools will receive the adjusted base per-pupil funding.

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The Nevada Department of Education and the Commission on School Funding recommended all online school district schools receive the base per-pupil funding.

SENATOR SEEVERS GANSERT:

Are we not adjusting online schools for those two factors when we are adjusting all other students with those factors? It seems inconsistent if we use adjusted base for all other students in schools.

MR. DROST:

By law, online charter schools only receive the Statewide amount. Online school district schools get the adjusted amount while the Commission on School Funding recommended they should both get the Statewide average amount; however, the Governor's recommended budget keeps that difference. The Governor's recommended budget continues to provide online school district schools with the adjusted amount. That is the decision point for the Subcommittees.

SENATOR TITUS:

We are talking two separate entities here: online school districts which are part of the regular school district but are online, and then online charter schools.

ASSEMBLYWOMAN BACKUS:

One of the online school districts is in Esmeralda County where the district is one of the hold harmless school districts that still receives a per-pupil funding at a higher level than the State average per-pupil funding. Even though they have fewer students, they struggle with money. The Commission on School Funding does not address the fact that these hold harmless schools may need additional funds.

Smaller school districts have a smaller student population that needs to be funded. Under the Governor's recommended budget, the online school districts would continue to receive the higher hold harmless amount. Under the Commission on School Funding's recommendation, we would essentially be taking away about 66 percent of online school district funding for hold-harmless schools.

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MR. DROST:

You raise a valid concern about hold harmless school districts and providing the Statewide amount. I am not sure the Commission on School Funding considered that. Additional analysis is needed to see the interplay and how we would account for the change.

CHAIR DONDERO LOOP:

The Subcommittees recommend no change in online school districts as recommended in the Governor's budget.

The Subcommittees recommend the Commission on School Funding consider the impact of school districts subject to hold harmless in the Pupil-Centered Funding Plan when determining whether to adjust what the online school district receives.

We will go to the Nevada Cost of Education Index.

ASSEMBLYWOMAN KASAMA:

Was the Nevada Cost of Education Index reviewed and calculated by an outside consultant?

MR. DROST:

The Nevada Department of Education used a subject matter expert for the Comparative Wage Index and will use a subject matter expert to provide that update by the end of April 2023, if required by the Subcommittees.

ASSEMBLYWOMAN KASAMA:

One of the decisions to be made is how we are going to handle the Nevada Cost of Education Index. Did the subject matter expert provide a recommendation based on what was seen in other States as it considered eliminating or modifying the index?

MR. DROST:

I cannot speak for the NDE. I know the NDE is available if the Chair so wishes, but I cannot speak to what those discussions were.

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SENATOR NEAL:

You mentioned housing was not included because the opinion was that affluent neighborhoods would get more revenue. What about rents? Rent is different than a housing price, but it also is a predictor of cost.

MR. DROST:

I do not know. We can follow up with the NDE and see if that is something that could be measured and included, or if that has the same issues related to the cost of housing.

CHAIR DONDERO LOOP:

The Subcommittees recommend applying an index of 1.000 for all counties and to eliminate the index as recommended by the Commission on School Funding for the 2023-2025 biennium. With that, the second decision is not applicable.

We will go on to weighted funding.

SENATOR NEAL:

I have questions on the Infinite Campus primary model ground truth label. From what I understand, "ground truth" is an algorithm built around clusters of data. Can you explain what it is?

PETER ZUTZ (Administrator, Office of Assessment, Data and Accountability Management, Nevada Department of Education):

The product is an Infinite Campus product. It works seamlessly with our existing Statewide student information system known as Infinite Campus. The product is used to generate the Infinite Campus Analytics graduation score. The graduation score is a predictor of students graduating with their peers within five years, which is the beginning of the freshman year of the student's matriculation. Approximately 75 measures are grouped roughly into four categories.

SENATOR NEAL:

When the Infinite Campus Data System was first presented, the criteria proposed by the Governor was the academic proficiency, attendance, behavior and home enrollments stability.

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The Infinite Campus white paper stated it would not just be academic proficiency but also unsatisfactory academic progress including retention, demotion, expulsion or other removal. They also mentioned measures of a household since those are predictors in urban and rural areas.

The at-risk factors are not broad enough, especially when we are talking about the dollars associated with interventions that would flow to what we are determining to be an at-risk pupil.

JHONE M. EBERT (Superintendent of Public Instruction, Nevada Department of Education):

All those factors are included. Are you asking if there are any specific factors not included in the 75?

SENATOR NEAL:

I do not know what is in the 75. Is what I stated in the 75?

Ms. EBERT:

Yes, it is.

SENATOR NEAL:

Who else is getting the Infinite Campus model training to run the data, other than you? Who will make sure the data is going to be implemented so the at-risk definition or the 75 factors are correctly applied, identified and monitored?

Ms. EBERT:

It is multilayered, starting with the NDE in collaboration with Infinite Campus. We have a technical advisory committee that helps direct where the needs are. We start with the NDE first, working with the experts within the school districts. They each have support that provides training. It is multilayered across the system.

SENATOR NEAL:

Do the experts in the district trickle down to the school site, having experts who are then going to extrapolate and monitor data? The white paper is heavy on counselors, and we know our counselors are overloaded in the urban school

district. Who else gets training to make sure the at-risk pupil is getting the right intervention and that the right support is being funded?

MS. EBERT:

At the State level, we provide support to the districts. We have the fifth largest district and then small Esmeralda. When you compare the two, in Esmeralda, it is individual teachers. We can get all of them in one room. In a larger urban school district, it is incumbent upon the school district and the trainers to support the educators.

I have witnessed professional development at the school district level with the teachers and with counselors or specific groups. If there are any updates or changes within the system, those groups are brought together to make sure they are aware of those changes.

SENATOR NEAL:

If ground truth is dependent upon these clusters, it is also dependent upon the action related to the cluster, as well as the dollars appropriated to the cluster, that we are saying 0.30 is going to be applied to.

SENATOR SEEVERS GANSERT:

During COVID-19, many schools met the percentage for free or reduced-price lunch, so all students were eligible for free lunch.

What is the average number of pupils eligible for free or reduced-price lunch? I understand that is used as a poverty factor or low-income factor. When I look at the 2018 and 2019 school years, it was 300,000 and 326,000 respectively. We are almost 400,000 now. What do you anticipate being the new level?

MS. EBERT:

The federal government made available in recent years the CEP. Churchill school district has been identified as 100 percent free or reduced-price lunch because of the CEP.

We would need to work with other factors such as the Supplemental Nutrition Assistance Program (SNAP) to drill down the best number because there are those factors. The at-risk pupil is not 100 percent of our students, but when we

run a model, it captured most of those students as those who would not graduate with their typical peers.

We could look at other factors like SNAP. Those are data points we could pull together outside of the identification for free or reduced-price lunch.

SENATOR SEEVERS GANSERT:

Expansion of the CEP means an entire county could become eligible. Those numbers could shift over time because of programs and eligibility changes. We could potentially have 700,000 pupils, but literally 100 percent.

The individuals counted in the weights changed since 2023. The weight for EL pupils was 0.23 percent; now it is recommended to increase to 0.5. It has doubled. The at-risk pupil weight went from .03 to .30.

Did you back into the weights based on what you wanted to do per-pupil because that is what you thought you needed for that type of student? For example, you thought \$4,300 was more appropriate for ELs versus \$1,600, therefore the weight was X.

MS. EBERT:

The recommendation to fund EL pupils has always been a 0.50 weight based on research and the Commission on School Funding recommendation. Because we could not fund it 100 percent, when we were making the transition, we used the Zoom Program dollars made available within the State and then placed those into that weight. It only funded at .03. Yes, we backed into the formula for the dollars that were made available at that point.

SENATOR SEEVERS GANSERT:

You have the same number of EL pupils, but you doubled the weight because you were able to do that. The at-risk weight went from .03 to .30, but there are only 28 percent of the students that we used to have as far as projected number of students. I assume that is because of the change in the model. If we switch to a free or reduced-price lunch, instead of 63,000 students, potentially it is almost 400,000 students using today's numbers.

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MS. EBERT:

If you just use free or reduced-price lunch, which includes the CEP, it inflates those numbers. We recommend identifying and funding students who are most likely not going to earn a high-school diploma as at-risk.

SENATOR SEEVERS GANSERT:

In the at-risk calculation, you said there are 75 different factors. What about the literacy issues, the Read by Grade 3 Program for students who are struggling at the beginning? Are you factoring literacy into the early-age learners so you can recognize if their potential to graduate is low?

MS. EBERT:

Yes, academic achievement at the earliest grades is included. If students are not proficient, they are included with at-risk pupils.

ASSEMBLYMAN MILLER:

I noticed on the gifted and talented calculation, there are about 400 fewer students in school year 2024-2025 than from school year 2022-2023. Was there a different calculation used to determine the gifted and talented students?

MS. EBERT:

We use the same definition year over year.

ASSEMBLYMAN MILLER:

Do we have an idea of why there is such a significant difference from the 2022-2023 to 2023-2024 school years?

MS. EBERT:

School districts' ability to provide support and services for gifted and talented students changes year over year. They report on the number of those students they are serving.

CHAIR DONDERO LOOP:

The Subcommittees recommend approving the Governor's recommendation to identify at-risk pupils using the graduation score calculated from the Infinite Campus student data system.

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The Subcommittees recommend approving an alternate weighted funding level for EL pupils, at-risk pupils, and gifted and talented pupils. Specifically, the EL pupil weight would be 0.45 and the at-risk weight would be 0.35.

ASSEMBLYWOMAN MONROE-MORENO:

During the initial hearing, there was a lot of conversation about at-risk students and how we felt the numbers did not tally. This Legislative Session, we have had conversations about EL pupils being the highest weighted of at-risk weightings. It would be good to have an alternative to the weights. There is still work to be done with Infinite Campus, so we are all comfortable with how the weights are listed.

We have not even discussed special education, but hearing the conversations from the superintendents, constituents and the NDE, many students who would have been included as at-risk are often also special education students.

I agree with having an alternative to the weights, lowering the EL pupils weight to 0.45, raising the weight of at-risk to 0.35, and leaving our gifted and talented students' weight where it is. We still have a lot of work on how we determine who those at-risk students are.

CHAIR DONDERO LOOP:

The Subcommittees recommend allowing the weighted enrollment counts to be updated in FY 2024-2025 using October 1, 2023, enrollment counts to be consistent as done in the past.

SENATOR SEEVERS GANSERT:

The EL pupils weight change to decrease by 0.5 is about \$430 per student. The EL funds would go down by about \$22.6 million and at-risk would go up by about \$27.2 million. Is this shift around \$430 per student?

MR. DROST:

We would have to calculate the final numbers and consider any other changes, but at this point, that seems reasonable.

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ASSEMBLYMAN YEAGER:

We have had so much discussion about at-risk and the change in the definition, but the net effect is a reduction of at-risk students by a pretty significant amount. I think it was about 75 percent.

I support increasing the at-risk weight and especially given what the Subcommittees heard on Saturday from some of the superintendents about at-risk students with real challenges relative to poverty coming into school.

We are probably going to hear that tonight, as well, from the larger districts. I appreciate the work in trying to get this definition right. Increasing that weight is certainly something the Subcommittees should advance and support when we get to that point.

MR. DROST:

For clarification, the recommendation is to allow the NDE to update its second year weighted enrollment count for FY 2024-2025 using October 1, 2023, enrollment counts. If funding sources increase, do you want to provide a reserve or just use the Education Stabilization Account, if needed?

CHAIR DONDERO LOOP:

We want to be consistent with the Education Stabilization Account.

We will move to the Account for State Special Education Services.

SENATOR SEEVERS GANSERT:

We have districts that are funded at hold-harmless levels. We have charters that are below the Statewide average with rising enrollment. When you divide charters by their enrollment count, they are falling behind by several million dollars.

The way Scenarios A, B, C and D are written, school districts, charter schools and the university school for gifted and talented, all go up or down. You leave the charters behind because you are raising the bar, which helps everyone, but charter schools never get equal funding.

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Have you looked at a scenario where you provide the gap funding and then raise or lower it if you choose to do that? What is the gap funding to catch charters up to the average dollar for all the other schools?

Ms. RYAN:

Scenarios A, B, C and D include funding that would just be provided to those school districts, charter schools and the university school for profoundly gifted pupils that are under that Statewide average.

Scenario A is specifically bringing those local educational agencies up to the Statewide average. Scenario B would provide at least the EL per-pupil amount and that funding would just be for the State Public Charter School Authority, Clark County and the university school for profoundly gifted pupils.

SENATOR SEEVERS GANSERT:

Scenario A is the gap funding that catches charter schools up. Does that include those within the State Public Charter School Authority, and the charters that are within school districts? There are two kinds of charters, and sometimes they do not balance.

Ms. RYAN:

When calculating the special education funding, the school district sponsored charter schools are accounted for in the school district. The State Public Charter School Authority sponsored charter schools are a separate line item in the payment workbook when that funding is distributed to school districts and State Public Charter School Authority sponsored charter schools.

SENATOR SEEVERS GANSERT:

Is there a requirement within school districts to provide the same level of funding for charter school students as students in other schools?

This looks like it catches up the funding for those in the State sponsored charter schools. The other ones are within the school districts. There may still be inequity. There are charters growing within their school district. Is there a requirement for those within school districts to have the same average funding for special education children as those schools that are not charters within a school district?

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MR. DROST:

We are not aware of anything like that. I think that is a district decision.

SENATOR SEEVERS GANSERT:

Do scenarios B, C and D include the catch up plus the increase so everyone would be at parity if you are charter school or your regular school district public school? Are you catching them all up at the same time?

Ms. RYAN:

Yes. It would only be going to those below the Statewide average.

CHAIR DONDERO LOOP:

The Subcommittees recommend approval of the Governor's recommended funding and additional General Fund appropriations as provided for in Scenario B noted for the State Special Education Program to provide a minimum level of State Special Education funding either on a per-pupil or weighted basis for each school district, charter school and the university school for profoundly gifted pupils.

The Subcommittees recommend reducing the weighted multiplier for EL students in the Pupil-Centered Funding Plan that is currently being recommended by the Governor and as previously recommended in the last decision.

SENATOR SEEVERS GANSERT:

I would like us to consider requiring language in the budget that requires school districts with charter schools within the district have equal funding per-pupil.

CHAIR DONDERO LOOP:

We will go to the balancing expenditures to revenue in the updated Pupil-Centered Funding Plan.

SENATOR SEEVERS GANSERT:

Many moving pieces are in this Plan, such as updated revenue, updated enrollment and recommendations of the Subcommittees. I am not sure what the best approach is to balance it. Are there different means of balancing it? Do you

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have to take the suggestions of the Subcommittees, which would make balancing automatic? I do not know if there is a decision point for us.

MR. DROST:

This is the first time we are balancing this model. There may be unknowns. Based on the decisions of the Subcommittees, I would suggest we are going to have additional revenue that this Legislature has already considered. There will be updated enrollment and possible changes in revenue.

Could the Subcommittees provide us with direction that the Governor's recommended Statewide base amount be maintained at a minimum, a 0.45 EL pupils weight be provided, a 0.35 at-risk weight be provided, a 0.12 weight be provided for gifted and talented students? After that, if additional funding remains, the Governor's recommended Statewide base amount would increase accordingly to use the additional revenue which would require the funding for those weights to increase to maintain those weights I just mentioned. Those are guardrails that could be provided to staff to balance this model.

SENATOR SEEVERS GANSERT:

If you have extra dollars, are you suggesting they roll into the weights instead of into the base?

MR. DROST:

Maintaining those weights was already discussed. I would suggest if additional funding remains, the Subcommittees consider increasing the base, which would also require additional money for the weights to maintain that parity.

CHAIR DONDERO LOOP:

The Subcommittees recommend Fiscal staff balance the Pupil-Centered Funding Plan model when various updates are provided to the Subcommittees when the budget is closed in May 2023.

The Subcommittees request Fiscal staff use this remaining funding to first adjust the weights for EL, at-risk and gifted and talented pupils to ensure they are as reasonably similar to the Governor's recommended weights as possible. If additional funding remains, it could be used to adjust the Statewide base

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per-pupil amount while maintaining the Governor's recommended weights to use any residual funding.

Mr. Drost, would you like to repeat that, or is it clear?

MR. DROST:

I would just ask for the ability to transfer General Fund appropriations between fiscal years, not necessarily increasing, but if needed, transferring Governor's recommended General Fund appropriations between fiscal years. We may need to have a smoothing mechanism between the fiscal years. I would just ask for that authority.

CHAIR DONDERO LOOP:

Yes, including that authority. We have the new weights of 0.45 for EL. The at-risk would be 0.35, and the gifted and talented remains at 0.12.

SENATOR SEEVERS GANSERT:

You are going to increase everything, but I would like to know the number that will be used. We have several education bills. For instance, the one to provide matching dollars for salary increases for licensed personnel, which I think is a \$250 million block grant. It would be good to know what is left over after these recommended decisions. We need to know what that balance is so we have a choice whether we want to increase everything or whether we want to use some of those funds for other purposes.

MR. DROST:

Are you speaking of General Fund appropriations?

SENATOR SEEVERS GANSERT:

We have the Executive Budget, and we made recommendations. If there is money left over, and there should be, because we have the \$321 million that will roll forward, what will things look like at that point in time? What number will you use to support the Pupil-Centered Funding Plan and the different weights?

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MR. DROST:

Fiscal's plan is to balance the model based on these decisions, show the updated revenue and provide that to the Subcommittees. You will see the result of these decisions at closing.

SENATOR SEEVERS GANSERT:

Please show us the change.

CHAIR DONDERO LOOP:

We will move to our last item which is Public Comment.

SARAH ADLER (Silver State Government Relations):

I represent a small handful of charter schools based in Washoe County. Under the Nevada Plan, charter schools received transportation and nutrition funding; however, they did not always use that funding for transportation. They may have had to use it to pay the rent. The shift to the Pupil-Centered Funding Plan is great, except it took flexibility out of the charter schools' budget.

My charters schools are glad you did not fund transportation. They need every dollar in the Pupil-Centered Funding Plan and any dollar you might spend on transportation to help pay rent. One of the decisions you made today is online district schools will get the enriched amount of the attendance area adjustment funding. Online charter schools will receive the base per-pupil funding. That results in enriched funding for online district charter schools going to the district level, and they get to use the funding for district float. On the other hand, district sponsored charters, at least in Washoe County, do not get that attendance area adjustment. They do not have that enrichment you provide through your online funding decision today.

Why has Title I of school designation not been a consideration for how you decide who is at-risk? The free or reduced-price lunch with the CEP is fantastic and feeds kids, but free or reduced-price lunch does not work as well as at-risk. Our schools are concerned about recognition for funding at the primary school level because they feel proficiency in basic skills will propel a student to graduation.

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Even though EL pupil funding is a grand idea, it stops when the student passes the World-class Instructional Design and Assessment exam. After they pass, they need two or three more years of support to maintain proficiency. In the future biennium, we should consider an EL pupil's slope, not an EL pupil's cliff.

We are meeting with Washoe County on April 7, 2023, to address the issues you raised, Senator Seevers Gansert, about districts passing through, for example, special education funds to their district-sponsored charters.

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CHAIR DONDERO LOOP:
This meeting is adjourned at 10:26 a.m.

RESPECTFULLY SUBMITTED:

Helen Wood,
Committee Secretary

APPROVED BY:

Senator Marilyn Dondero Loop, Chair

DATE: _____

Assemblywoman Shea Backus, Chair

DATE: _____

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EXHIBIT SUMMARY				
Bill	Exhibit Letter	Introduced on Minute Report Page No.	Witness / Entity	Description
	A	1		Agenda
	B	1		Attendance Roster