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Issues Pertaining to the DSA Budget
Joint K-12 Sub-committee of the Senate Committee on Finance and the
Assembly Committee on Ways and Means
February 25, 2003
Douglas C. Thunder, Deputy Superintendent

Two changes in the DSA budget as originally budgeted by the Governor:

- 1) The Governor is recommending the inclusion of the full 8% increase in the PERS funding—an addition of \$10.1 million in FY2004 and \$10.6 million in FY2005.**
- 2) In the E-332 decision unit (page 10 of the Executive Budget) provides \$18,583,150 for textbooks, instructional supplies, and instructional hardware, in FY2004 and \$19,245,400 in FY2005. These amounts were placed in the Basic Support Aid to Schools category, which means these funds would be included in the basic support per student that is “run through the DSA formula” to move toward equity among the districts. It is the Governor’s intent that these funds should be distributed among the districts and charter schools on a \$50 per student basis. Therefore the Governor’s DSA budget is recommended to be revised by placing these two amounts in a separate category. This will reduce the basic support per student in the basic program by \$50.00 each year.**

This change will not affect the reporting the expenditures per student to the Federal government, which are compared to other states—because it is a total of all expenditures that is reported, not just basic support.

Enrollments:

In our preliminary meeting before the full joint committee we presented a packet of information entitle “State of the School Districts.” Our office has continued to work on this document and refine it. We are leaving with you a revised version. I mention this at this point because this document contains valuable information and analysis of the projected enrollments of the individual school districts and the state as a whole for the next ten years.

For the 2001-2003 biennium the Departments initial budget projected 344,835 for FY2002 and 360,675 for FY2003—this was for the August 15, 2000 Agency Request Budgets. With the Distributive School Account those numbers are preliminary. They are “firmed up” after we receive and compile the NRS 387.303 Reports, which are due on November 25th. Based on the information submitted by the school districts, those numbers were revised slightly to 344,803 and 360,930. Those numbers resulted in 4.47% and 4.68% growth rates.

The actual audited enrollment for FY2002 was 344,764.8. However, because of the 2-year hold harmless provision we paid for 346,561.4. The audited enrollment was very close to the projected enrollment, however, because of the hold harmless, we were about 1,700 over the projection.

In FY2003 the actual enrollment is 357,323.4 (there could be some adjustments based on enrollment audits). We are paying for 358,722.4. Again, the difference is the additional enrollment resulting from the 2-year hold harmless. The growth rate for FY2003 over FY2002 is 3.64%. The enrollment for FY2003 is 3,606.6 less than the projected enrollment (2,207.6, if using the number that includes the hold harmless enrollment). This is the first time in my memory that we have been that far off in our projection compared with the actual—this, of course, was due to the continuing effects of 9/11.

That brings us to the Hold Harmless provision:

The Governor is proposing reverting to the one-year hold harmless, which had been in effect for several biennia until the last session, when it was increased to two years. **Assembly Bill 122** addresses this issue and would revert back to a one-year hold harmless provision. A hearing on this bill is scheduled for 3/3/03 (next Monday).

In our first presentation, I believe I reported that 10 school districts had declining enrollment in FY2003 over FY2002. Eleven school districts and two charter schools are currently receiving the relief offered by the 2-year hold harmless provision. The cost of the two-year provision in FY2003 is \$7,072,015—less than ½ of 1 percent of the total basic support. If there had been only a one-year hold harmless, the cost would have been \$3,111,518—less than 0.22% of the total basic support.

Reverting to the one-year hold harmless would cause financial difficulty in some of our rural districts, which are having difficulty coping with declining enrollments and reductions in local revenue resulting from mine closures and general business down-turns. I believe some of the potentially affected districts are here today and will discuss their situations with you. I also have received a letter from Elko County School District concerning this issues that they have requested be entered into the record.

One aspect of the Hold-harmless that definitely needs to be addressed, in my opinion, is the inclusion of charter schools in the provision. The provision was never intended to apply to individual schools. Currently we have two charter schools receiving substantially more per student because of the hold harmless. One school is being paid for 130 while they have 66 students enrolled as of count day. In another school, we are paying for 118, while the count day enrollment was 72, and the current enrollment is actually down to about 30.

If we are to continue with a two-year hold harmless provision—or if it reverts to a one-year provision—should we include a line item in the DSA budget to cover the projected increase created for this provision? In the past when the provision was applied only in very limited cases, because most of the districts were growing, we relied on funding being available in the DSA to cover the cost of hold harmless—that works when sales tax comes in higher than projected or enrollments are less than the numbers on which the budget was built.

The Class Size Reduction program—the Governor endorses the requests of many of the districts to permit flexibility in the use of the CSR funds, allowing other districts to adopt plans similar to the one used in the Elko County School District during the last two biennia. We project that this will not result in additional costs. However, a question does arise about how the funds should be allocated in the future, if all or most of the districts opt to use the flexibility option.

- 1) Should the NDE continue to allocate based on enrollment in Grades 1, 2, & 3?
- 2) Or should we be devising a method to allocated on grades 1-6 (or even K-6)?
- 3) Or, should the NDE work toward merging the CSR program completely within the Basic Support, adjusting the teacher allocations in grades 1-6 (or K-6) to reflect the smaller class sizes?

Special Education—the NDE has prepared its biannual report on the status of Special Education in the State. We can ask Gloria Dopf to fill you in on a few of the report's conclusions.

The Adult High School Diploma program—the Department has been working on documenting the Adult High School program and studying how the funding has been used in the past. We anticipate discussing this program in detail at a later meeting. However, Phyllis Dryden, director of NDE's Workforce Education office is here and will make a preliminary presentation and respond to your questions.

The transition to full-day mandatory kindergarten— (Keith) (The Governor has endorsed the idea put forth in the InVest plan adopted by the school district superintendents, and others in the Pre-K 12 public education community, to move toward the implementation of full day kindergarten sessions. Because of fiscal constraints brought on by the State's Revenue situation, the first step toward full day K would be making it available to 30% of kindergarten students—this start would be for at-risk schools (and/or students). We have prepared projections out ten years on the additional cost of this program—this information was provided to your staff. We also provided extension information on the benefits of the program to your staff.)

The Stipends for teachers in at risk schools— (Keith)

The Stipends for teachers in hard-to-fill fields—mathematics, ESL, special education, and psychologists. –Keith

The **Distributive School Account (Budget Account 2610)** has changed over the past three. Up until the 1999 session of the legislature the budget account had two major expenditure categories—Category 15, Basic Support and Category 78, the Adult High School Diploma Program. The 1999 session moved the Class Size Reduction program from budget account 2710 into a new category in B/A 2610. Also a series of special or new appropriations were made for specific purposes—remediation efforts, professional development centers, technology funding, schools to careers, elementary counselors, early childhood programs, testing programs, etc. Some of these "new" (at least new to 2610) have since been moved out or discontinued.

Budget Account 2699 is the other NDE budget that holds primarily State funding that is to be distributed among school districts, charter schools, or other eligible agencies. Perhaps it would be wise to move the individual specific programs from B/A 2610 to B/A 2699, leaving only the basic support, class size reduction, and adult education programs in B/A 2610.

The NDE treats all specific **State funded programs in the same way that it handles Federal programs that it administers**. For each eligible agency a Sub-grant award is prepared and sent to the agency. When the agency desires to receive the funding, a Request for Payment is prepared and transmitted to the NDE. Upon receipt of the Request for Payment, the Department reviews the request for accuracy and appropriateness and then authorizes the release of the funding. If the funding is not expended or obligated within the prescribed time, the money will be returned to the Department and be reverted to the State General Fund. Reports are required for each of the programs.

The three programs which we propose leaving in B/A 2610—basic support, class size reduction, and adult high school diploma—are all paid quarterly, based on apportionments or allocations.

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Finally, the DSA administrator in our office has been documenting the DSA process from the budgeting aspect through to the payments. A packet of information has been produced that contains much of the documentation. We will leave copies with your staff. We hope you will find them helpful.