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**Presentation to the Joint K-12 Sub-Committee of
The Assembly Committee on Ways and Means and
The Senate Committee on Finance**

Friday, March 7, 2003

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Administrative & Fiscal Services

Suggest that we take the budgets out of order—2699 then 2697, 2713, and 2712, then with the remaining budgets in the order shown on the agenda. This is to accommodate members of the legislature who have interest in specific programs (2699) and school district personnel, who are primarily interested in programs that affect them.

Other State Education Programs (101-2699)

K12-12

This budget does not provide for any employees. The funding is mostly pass-through to school districts or other agencies. The funding is almost exclusively from the state.

The following programs or activities are included in the budget:

- The Apprenticeship Programs
- Vocational Student Organizations (5)
- Peer Mediation
- Byrd Scholarship Operating Expenses
- Project LEAD
- Project GAIN
- Classroom on Wheels
- Teacher Certification
- New Teacher Signing Bonuses
- Counselor Certification

The funding for National Board Certification for Teachers was intended to be \$51,429. We offered \$50,000 as Budget Reduction, thinking that we were starting with the legislatively approved amount from the last session of \$150,000. Instead the \$50,000 was taken from the amount expended in FY2002, \$51,429, leaving only \$1,429 in the budget. This is a hole in the budget that we mentioned in our first presentation on the Department's budgets.

Of the other programs, I want to point out that the Peer Mediation funding continues the base amount from FY2002 in the first year only, but we are asking that the funding be available throughout the biennium—this is the provision approved by the last legislature

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The new teacher signing bonuses was a one-time appropriation from the 2001 session of \$10 million over the biennium, to provide up to a \$2,000 per new teacher stipend in FY2002 and up to a \$2,500 stipend for new teachers in FY2003. As it turned out, the available funding allowed for a \$2,000 stipend in each year. The Governor has proposed the continuation of the new teacher signing bonuses at \$5 million each year in decision unit E-325.

The other component of E-325 is an appropriation of \$285,460 in FY2005 to pay the salary increases for counselors who achieve national board certification for counselors.

The remaining enhancement decision unit by FY2004 and FY2005 is an appropriation for the SMART student records system of \$1.4 million each year.

Finally, I am recommending that consideration be given to moving all programs now housed in the Distributive School Account, with the exception of Basic Support—including Special Education (Category 15), Class Size Reduction (Category 16), and Adult High School Diploma (Category 78), and Special Transportation (Category 80), be moved into the budget. This would bring into this one location all of the special categorical programs the legislature approves and at the same time bring the focus in the DSA back to the primary purposes of that account.

Proficiency Testing (101-2697)

K12-25

This budget pays for the State funded student testing activities the NDE administers. Currently there are four consultant level staff and three support staff paid from this account.

Currently funding is provided in this account for:

- the NRTs (ITBS—formerly TerraNova) for grades 4, 7, and 10;
- the High School Proficiency tests;
- the CRTs based on the new standards; and
- the writing tests for grades 4, 8, and 11/12.

In addition funding is included in this account for the administrative costs related to the Commission to Establish Academic Standards.

Paul LaMarca will discuss the various aspects of the testing program.

Improving America's Schools - Titles II, V, VI (101-2713)

K12-30

The next two budget accounts are where most of the No Child Left Behind is located. B/A 2713 contains the State Assessments and Related Activities Grant, the Enhancing Teacher Quality Grant, and the Educational Technology Grant. The "old" Title VI—now Title V—Innovative Programs continues to be accounted for in this account.

The budget contains 8.0 continuing employees, five of which were added by the action of the Interim Finance Committee—all of these new positions have been filled. They are all funded out of NCLB programs—Teacher Quality and State Assessments & Related Programs.

We have also submitted a request for three additional positions funded out of the State Assessments & Related Programs grant—two education consultants and a program officer. These positions are not included in the Governor's Recommended budget, but have been requested in an additional decision unit submitted to your Staff with the approval of the budget office. We have also provided preliminary NPR-19 information on the positions and the budgetary information that was approved by the US Dept of Education, which includes these positions. We believe that the budget will provided the costs for the development and administration of the new or enhanced testing programs required by NCLB.

(Gloria & Paul can respond to questions)

Improving America's Schools (101-2712)

K12-66

Budget Account 2712 contains several other elements of the NCLB—Title I, Basic, Migrant, Neglected & Delinquent, Even Start, Comprehensive School Reform/Fund for Improvement of Education, and Program Improvement. These are all programs that existed previously, but have been revised—some increased, others decreased.

The one completely new program in this budget is Reading First. The Department is hopefully in the final stages of having this Grant approved. The application was submitted many months ago, and there have been several exchanges of requests and responses, and we hope that soon the approval will be received.

We understand that the first year funding in this program will not be lost, even though the approval is so late in coming. We have received notice that the amount of the program in FY2004 will be increased by over \$400,000.

We currently have authority for five positions to be paid out of this account, including one education consultant position for the Reading First program—however, we have not attempted to fill this position, because we are awaiting the final approval of our application and the release of the federal funds. The program also reimburses other budget accounts for 4 .25 FTE positions.

Education State Programs (101-2673)

K12-1

This account funds the administration of NDE, including the State Board, the superintendent & deputies, the state funded portions of several offices—fiscal accountability, program accountability, standards, curricula, technology, diversity, student transportation, and Southern Office administration.

This current biennium the account was restructured to make it easier to administer by each of the involved offices. Instead of having all operational costs paid out of category 04 and all in state travel costs paid out of category 03, we established an operational category and an in state travel category for each of the offices. We continue to use category 04, but only for those costs that are not easily assigned to any particular office, for example the fees for the legislative review of Department regulations. A separate category was established to account for fees and memberships to the Council of Chief School Officers (CCSSO) and the National Association of State Boards of Education (NASBE).

26.5 employees for 2673; 1.75 employees transferred from other b/a's; 2.25 transferred to other b/a's—2719 & 2720

The decision units reflect only one "enhancement," one administrative assistant 2 to work with NDE's school improvement program, particularly the NERA requirement schools be identified as excelling, meeting requirements, or in need of improvement, and then working with the schools needing improvement.

One decision unit, E-333, removes the expenditures related to the SMART program that had been paid out of this account. The SMART program is considered in B/A 2699.

The E-710 decision unit includes funding in the first year to catch up on the replacement of computers in accordance with the four-year replacement cycle that was postponed during the current biennium, because of the State revenue shortfall.

The other decision units include increased costs for building rent, insurance, information technology, and personnel costs increases.

Teacher Education and Licensing (101-2705)

K12-17

This budget houses the licensing programs for teachers, administrators, and others who are required to be licensed by the State. The program is intended to be self-supporting and has been moving in that direction for the past several biennia. The only state money in the account is \$100 each year, which is intended to provide access to the Interim Finance Committee if that were to become necessary. However, in the four years since the self-supporting aspect was instituted, the account has managed to provide the necessary services and to build a cash reserve, which at the end of FY2002 was \$48,673.

This account contains 12.01 FTE employees. One-half FTE is reimbursed by B/A 2673. 3.5 FTE are located in Carson City and 8.5 are in our Las Vegas Office.

Education Support Services (101-2720)**K12-39**

Budget Account 2720 currently houses 22 employees, including 2 FTE that are paid out of the account but for whom reimbursement is paid by other budgets.

The purpose of this account is to provide support services to the other NDE offices—accounting, auditing, budgeting, personnel, payroll, etc. The Department also pays its share of the Statewide Cost Allocation program and its share of the Deputy Attorney General's cost from this account. The account also pays the office rents for the non-SNS programs. It provides for the copier services needed in the Department.

This budget account is funded by indirect costs assessed against the administrative expenditures in all of the other NDE budgets. The last session of the legislature made one significant change in how this account operates. The state portion of the indirect costs is appropriated directly into this account. Previously the state funding was appropriated into each of the accounts in which the State had responsibility. Then the funds were transferred from those accounts into B/A 2720 after the indirect costs assessments were determined. As the result, at the start of each fiscal year, this account had no cash, until cash was transferred from the previous year. At the closing of each year, the Department reconciles the amounts of indirect cost generated in the state funded accounts with the amount appropriated. Any additional amount paid by the state is reverted. In FY2002 the State portion of the total indirect cost assessments was 52.4%; 47.6% came primarily from the federal programs. In the two years of the next biennium the State will be responsible for 46% and the Federal / Other programs for 54%--the change is primarily due to the new administrative costs associated with the NCLB>

It is vital to this account that a significant reserve be maintained, to ensure that sufficient cash will be available to meet the various budget needs.

Several factors have impacted the budget recently. Because of the increase in staff resulting from the actions of the last legislature as well as the No Child Left Behind federal legislation, we have had to rent additional office space both in Carson City and Las Vegas. In Las Vegas, we added 2,187 square feet to the offices we are renting in the Park Sahara office complex (total: 8,756). In Carson City we have leased about 3,900 square feet in the Point office complex, 1749 Moody Street. The result is that our rental costs (non-state) have increased significantly.

Rent is paid through this account for all department offices, except for those federal programs that have a supplement, non-supplant (SNS) provision.

These programs pay their share of the rental costs for their offices **directly**, while all other offices or programs have rent as part of their indirect cost charge. The SNS programs have a lower indirect cost rate as the result.

Another part of the cost for increased space was the purchasing of furniture for the expanded board room in the Las Vegas office, and the purchasing of a sound system for that room.

This account, and all others, have been impacted by increased costs for group insurance, PERS, DoIT, Insurance, etc.

The indirect cost rates are determined by negotiation with the United States Department of Education. The current year rates are 19.3% for the unrestricted rate and 14.5% for the restricted rate charged to the SNS programs. The budgets we have presented are based on the rates that were in effect in the base year (FY2002): 22.4% & 17.6%. The rates ebb and flow from one year to the next. The calculations are based on the last completed year before the negotiations. FY2003's rates are based on the financial transactions for FY2001. FY2004's rates (currently being negotiated) will be based on FY2002 expenditures.

Nutrition Education Programs (101-2691)

K12-48

This budget currently employs six professional and four support. In addition the budget transfers funding for a .5 FTE auditor to B/A 2720

The nutrition education programs promote and provide Federal funding for several United States Department of Agriculture programs:

- National School Lunch
- School Breakfast
- Special Milk
- Child & Adult Food Care
- Summer Food
- Cash in Lieu of Commodities

Because of the complexities of the various programs and the number of sponsors and agencies that receive monthly payments the Department is required to have a sophisticated computer program. The NDE has recently signed a contract with Kyran, a firm located in Rhode Island, to develop a web based program for the entry of data and the calculation of the funding to be provided.

The state portion in this account is required to help meet the annual maintenance of effort and match requirement. The total match has been consistently set at \$588,732. The State funding in this B/A was \$324,500 until 1990, when the State experienced a previous Revenue shortfall. That amount was reduced to \$189,674. Since then the amount has grown to \$290,000 in FY2004 and \$296,000 in FY2005. The remaining part after the calculation of NDE's appropriation is met by in kind school district expenditures.

Individuals With Disabilities (IDEA) (101-2715)**K12-61**

Budget Account 2715 contains the Special Education federal funding (IDEA—Individuals with Disabilities Education Act). This account contains three federal programs—the basic special education grant, the early childhood special education grant, and Project Promises.

There is one element of state funding in the account, an appropriation of \$325,000 to be used only if needed to support the education programs for students whose IEP's (Individual Education Program) cannot be met in their home school district. This funding, combined with the same amount of federal funding (from the IDEA basic grant), would be used to secure those required services either from another school district within the state or from an agency out of state. If those funds are not needed in the first year, they may be carried forward to the second year. State funds remaining at the end of the second year will be reverted to the State General fund.

Eleven staff are paid out of this account, with .5 FTE being reimbursed from B/A 2673. Seven of the staff are professional level, four are support.

The Project Promises program was added by the Interim Finance Committee upon the receipt of a federal grant. One education consultant and an administrative assistant II was also requested from both the Federal government and the IFC in Nevada. Both agencies approved the new positions. The program is a professional development program primarily for profession development of special education teachers.

Occupational Education (101-2676)**K12-71**

The occupational education program houses the federal Carl Perkins grant for vocational education and the technology preparation grant. There is a maintenance of effort requirement for the Carl Perkins program. The State cannot spend less in one year than it did in the prior year for this program. The total state funding for the Perkins Programs in FY2004 is proposed to be \$413,249 and for FY2005, \$420,468. That compares to \$380,414. The increases are calculated based on the increases in salaries and other costs that are applied proportionately to the state and the federal administrative expenditures.

There is no match requirement for the Tech Prep grant.

A total of 12.5 FTE staff are paid out of the budget and reimbursement for .5 FTE is paid to B/A 2719.

NDE Continuing Education (101-2680)**K12-75**

This budget is for the Federal Adult Basic Education program, which provides about \$2.9 million annually for literacy, English as second language, and basic knowledge and skills for adults. The funding is subgranted to

community based organizations and education agencies, particularly the community college system, who provide the services.

There is a required match of 25%. The full amount of the required match is \$698,138. The state appropriation of 462,706 (FY2004) and 462,514 (FY2005) fulfill about 2/3rds of the match. The balance comes from the community college system.

There are two staff in this budget—one professional level, and one support person.

NDE Gear Up (101-2678)**K12-82**

The Gear Up program is a competitive grant program that the NDE applied for and received. It is a pilot program that works with an specific group of students who were in the seventh grade at the start of the program. One half of the grant funding is received and invested in order to be available when these students graduate from high schools. At that time, they will be entitled to receive scholarships from the trust fund. The students are in schools that have been designated "at risk." The program will monitor these students through their middle and high school careers and offer enhanced programs to improve their academic standing and encourage them to graduate from high school and enroll in colleges or universities. The program is in its second year. The investment portion of the grant is deposited with the State Treasurer and accounted for in B/A 2679. Currently there is \$1,003,883 in the account. The second \$1 million will be deposited after the first of April.

Three full time staff are currently approved in this account. This grant was received during the legislative interim, and received the approval of the Interim Finance Committee in September of 2001.