

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS
AND THE
SENATE COMMITTEE ON FINANCE
JOINT SUBCOMMITTEE ON K-12/HUMAN RESOURCES**

**Seventy-Third Session
May 3, 2005**

The Assembly Committee on Ways and Means and the Senate Committee on Finance, Joint Subcommittee on K-12/Human Resources, was called to order at 8:20 a.m., on Tuesday, May 3, 2005. Chairwoman Chris Giunchigliani presided in Room 3137 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Ms. Chris Giunchigliani, Chairwoman
Mr. Mo Denis
Mrs. Heidi S. Gansert
Ms. Sheila Leslie
Mrs. Debbie Smith
Ms. Valerie Weber

SENATE COMMITTEE MEMBERS PRESENT:

Senator Barbara Cegavske, Chairwoman
Senator Bernice Mathews
Senator William J. Raggio
Senator Dina Titus

COMMITTEE MEMBERS ABSENT:

None

STAFF MEMBERS PRESENT:

Mark Stevens, Assembly Fiscal Analyst
Gary Ghiggeri, Senate Fiscal Analyst
Bob Atkinson, Senior Program Analyst
Mindy Braun, Education Program Analyst
Laura Freed, Program Analyst
Anne Bowen, Committee Secretary
Susan Cherpeski, Committee Secretary

DISTRIBUTIVE SCHOOL ACCOUNT (101-2610)
BUDGET PAGE K-12 ED-1

Bob Atkinson, Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, said A.B. 489, the Property Tax Relief legislation, would reduce the amount of property tax that would be collected by the school districts when compared to the amount included in The Executive Budget. In order to provide the additional support for the reduction in the property tax for the 50-cent

portion that was outside of the Distributive School Account (DSA), and the 25-cent portion that was inside the DSA, it would cost \$12.6 million the first year and \$31.4 million in the second year of the biennium.

The Governor's recommended budget included basic support of \$4,385 the first year and \$4,477 in the second year. The adjustment for the property tax would increase those amounts to \$4,406 and \$4,526.

Mr. Atkinson said the Budget Office submitted Budget Amendments 1, 10, and 13 to include in the DSA the utility inflation that had not been included originally in The Executive Budget. Utility inflation at 4 percent for electricity and 8 percent for natural gas would be the same rates that were built into the budgets for state agencies. The cost would be \$2,658,000 the first year and \$5,683,000 in the second year, according to Mr. Atkinson. If that were accepted, it would increase the basic support amounts to \$4,412 and \$4,540.

Budget number 56 was submitted to provide for the .25 percent salary increase that was relative to the .50 percent decrease in the PERS contribution rate. The impact of that was \$5,112,000 the first year, and \$5,319,000 in the second year. If that amendment were adopted, it would raise the basic support amounts to \$4,425 the first year and \$4,552 in the second year.

Mr. Atkinson commented that a reporting error by Clark and Washoe Counties had resulted in \$34.6 million each year not being included in The Executive Budget. The Budget Office, the school districts, the Department and Fiscal staff, had met and agreed that in order to fund the DSA in the manner in which it had been funded in the past that amount would need to be added to the DSA. Mr. Atkinson said someone from the Budget Office had testified at the last hearing that they supported the addition, but they did not have the funding to submit an amendment. If that omission were corrected it would increase the basic support amounts to \$4,510 in the first year and \$4,634 in the second year. Mr. Atkinson said if those adjustments were added up it would come to \$55,032,365 the first year, and \$77,002,209 in the second year. The Governor's recommended budget included the Economic Forum projections for Local School Support Tax (LSST) from the December 1st Economic Forum meeting. Mr. Atkinson said those figures had been adjusted by the Economic Forum to 13.4 percent in 2005, and 6 percent in both of the out years. That would increase the LSST that would be put into the DSA by \$26,251,137 the first year and \$27,826,205 in the second year.

Mr. Atkinson explained that the net of all the items mentioned so far, if all were approved and the reduction for LSST was made because of the increased LSST, the additional General Fund support required would be \$28,781,228 in the first year of the biennium and \$49,176,004 in the second year.

Chairwoman Giunchigliani suggested considering and voting upon each budget amendment individually, in order to get closer to agreement.

The first issue was property tax relief. Chairwoman Giunchigliani reiterated that the additional support required to offset both the 25-cent portion within the DSA and the 50-cent portion outside the DSA would be \$12,631,191 for FY2005-06 and \$31,369,717 for FY2006-07.

Chairwoman Giunchigliani stated it was her understanding that was a correction based on A.B. 489, which reduced the amount of property tax that would be

collected by the school districts when compared to the amount included in The Executive Budget.

Senator Raggio commented that there was no disagreement about the necessity to compensate for that reduction and he supported that concept. However, he requested that staff recalculate the numbers as he was not sure it was \$44 million in view of the actual effect of the property tax relief.

SENATOR RAGGIO MOVED TO APPROVE THE CONCEPT PENDING
FINAL FIGURES TO BE SUPPLIED BY STAFF.

ASSEMBLYWOMAN WEBER SECONDED THE MOTION.

THE MOTION CARRIED.

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Chairwoman Giunchigliani said the next amendment to consider was utility inflation which had been presented as three different budget amendments. The final required support was \$2,658,254 in FY2005-06 and \$5,682,725 in FY2006-07.

SENATOR RAGGIO MOVED TO SUPPORT THE AMENDMENTS
FOR UTILITY INFLATION.

ASSEMBLYWOMAN LESLIE SECONDED THE MOTION.

THE MOTION CARRIED.

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Chairwoman Giunchigliani stated the next matter for consideration was the salary increase related to the Public Employees' Retirement System (PERS) rate decrease. Additional support would be required in the amount of \$5,112,494 in FY2005-06 and \$5,319,341 in FY2006-07.

ASSEMBLYWOMAN LESLIE MOVED TO APPROVE THE BUDGET
AMENDMENT.

SENATOR RAGGIO SECONDED THE MOTION.

THE MOTION CARRIED.

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Chairwoman Giunchigliani stated the next matter for consideration was the correction of omission of \$34.6 million.

Senator Raggio said he believed everyone was aware that this was an actual error which occurred because \$34.6 million had been included as a line item under "Ending Fund Balance," rather than "Other Obligations."

SENATOR RAGGIO MOVED TO ACCEPT THE CORRECTION OF
OMISSION.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED.

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SENATOR RAGGIO MOVED TO ACCEPT THE ADJUSTMENTS TO
THE LOCAL SCHOOL SUPPORT TAX.

ASSEMBLYWOMAN LESLIE SECONDED THE MOTION.

THE MOTION CARRIED.

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Chairwoman Giunchigliani requested that Mr. Atkinson review the details of the group insurance, Budget Amendment Number 7.

Mr. Atkinson stated that as originally recommended in The Executive Budget, group insurance was built into the DSA based on the increases which, at that time, were projected for the state program. The Budget Office had since submitted an amendment to the state program that would reduce the amount of the PEBP increase and, in accordance with that, submitted Budget Amendment Number 7, which removed all the increases in the group insurance that had been built into the DSA, with the exception of that which resulted from the salary increases. Mr. Atkinson said the basis for that was group insurance in the DSA that was a percentage of the salary. At the last subcommittee hearing the subcommittee requested information from the districts regarding the current costs for group insurance and the anticipated increases. A wide range of information had been gathered, according to Mr. Atkinson. The increases anticipated next year ranged from 0 percent to 26 percent in the various districts. Mr. Atkinson said that attempting to "weight" that average based on the number of employees in those districts came to approximately 8.8 percent in the first year of the biennium. There was no attempt to "weight" the average in the second year of the biennium because not all districts had projected out that far, but the ones which had varied from 0 percent to 30 percent.

The group insurance in the DSA was funded based on the percent of payroll, but in an attempt to determine what could be reasonable, Mr. Atkinson said he had considered the cost per FTE that was funded in the DSA. Based on the information provided by the school districts on a statewide basis the average was approximately \$4,499 per year per FTE, with a range of \$2,358 to \$7,289 per FTE. Mr. Atkinson stated the DSA was funded on averages and if the Subcommittee was to approve the Budget Amendment for FY2005-06, both years needed to be considered separately because they were materially different.

Mr. Atkinson said if the Budget Amendment was approved for FY2005-06 it would provide on average, \$5,017 per FTE, an increase of 11.5 percent. If the budget reduction suggested in Budget Amendment Number 7 was not accepted it would result in a 14 percent increase, according to Mr. Atkinson.

In FY2006-07, if the Budget Amendment was accepted it would provide an increase of 2.9 percent per FTE. Mr. Atkinson said if Budget Amendment Number 7 was rejected in the second year the resulting amount would be \$5,462 per FTE, representing an increase of 8.9 percent increase. In the past, under the authority of the Interim Finance Committee (IFC), money had been

made available for the school districts to access. Mr. Atkinson said that could be a possibility for the Subcommittee to consider.

Senator Cegavske asked if the coverage remained the same as in the past and if there was a co-pay involved. She said she was looking to the future and, if health care kept increasing as it had been, would the State continue to cover it or would a different policy be indicated.

Chairwoman Giunchigliani stated she was chairwoman of an interim committee that was investigating health care for State and public employees. It was a four-year issue and the committee had hoped to arrive at some recommendations but the actuarial reports were not as favorable as expected, so there would be more work after session. Chairwoman Giunchigliani stated the issue of health care was all over the map, and she believed there was not a state in the nation that was not being required to implement increases in premiums. Chairwoman Giunchigliani said she was aware of a bill this session that would allow rural counties to pool their employees' experience in order to form a group for better health care rates.

Chairwoman Giunchigliani noted that Washoe County and Clark County employees' paid a co-payment, unlike State employees.

Senator Cegavske stated she was pleased that something was being done to help the rural areas.

Mr. Atkinson explained that the Department of Education had performed a survey of the districts and they had provided information that the Department had summarized. Mr. Atkinson said he could provide that information to the Subcommittee. That information indicated what the premium was for the employee, and some of the districts had more than one plan, as well.

Chairwoman Giunchigliani called for further discussion regarding Budget Amendment Number 7.

Senator Raggio commented that the rational thing to do would be to accept Budget Amendment Number 7 for FY2005-06, as suggested by staff, and provide an additional amount for FY2006-07, capped at that amount for the purpose of allowing school districts that might need additional funding to come before the Interim Finance Committee (IFC) in FY2006-07.

Chairwoman Giunchigliani stated that she disagreed with Senator Raggio and she believed Budget Amendment Number 7 should not be approved because the actual numbers for FY2005-06 were known and that was 14 percent. If Budget Amendment Number 7 was not accepted that could be funding in FY2005-06, and by not accepting the amendment in FY2006-07, Chairwoman Giunchigliani said it would be approximately 14 percent increase at that time as well.

Senator Raggio asked where the numbers cited by Chairwoman Giunchigliani were coming from, because if he was reading the staff recommendations those numbers were all over the board. He said as he understood it, if Budget Amendment Number 7 was followed it would allow an 11.5 percent increase.

Mr. Atkinson pointed out that group insurance was funded as a percentage of payroll, but in order to analyze it, it had been broken down on a per FTE basis. FY2005-06 was based on the reported information for FY2004-05 of what the districts were actually paying for the current year. Mr. Atkinson said if the

Subcommittee approved the reduction that had been recommended in Budget Amendment Number 7 of \$3,999,398, it would allow for an increase on a per FTE basis of 11.5 percent. If the reduction was not taken, it would allow for an increase of 14 percent.

Chairwoman Giunchigliani reiterated that by not accepting the budget reduction it would be 14 percent.

Assemblywoman Gansert stated that it appeared to her that the figures were certain for FY2005-06. Chairwoman Giunchigliani replied that was correct.

Mrs. Gansert noted that in the staff recommendations FY2005-06 was suggested with the reduction, but FY2006-07 was left alone.

Chairwoman Giunchigliani explained there were two options and the other option was leaving the budget "as is" without accepting the budget amendment. The amendment would decrease everything because education was being treated the same as State employees, which was not appropriate. Chairwoman Giunchigliani proposed not accepting the budget amendment, which would increase the budget 14 percent, but she believed the net would be the same in the long run.

Mr. Atkinson stated the cost difference between the 11.5 percent and the 14 percent would be approximately \$4 million.

ASSEMBLYWOMAN LESLIE MOVED TO NOT ACCEPT BUDGET
AMENDMENT NUMBER 7 FOR FY2005-06 AND FUND GROUP
INSURANCE AT 14 PERCENT.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

Mrs. Gansert indicated that since the cost for FY2005-06 was known, she would be voting no on the motion. She stated she would like to accept Budget Amendment Number 7 just for FY2005-06.

THE ASSEMBLY PASSED THE MOTION WITH ASSEMBLYWOMAN
GANSERT AND ASSEMBLYWOMAN WEBER VOTING NO.

THE MOTION FAILED IN THE SENATE WITH SENATOR RAGGIO
AND SENATOR CEGAVSKE VOTING NO.

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ASSEMBLYWOMAN LESLIE MOVED TO NOT ACCEPT BUDGET
AMENDMENT NUMBER 7 FOR FY2006-07 AND FUND GROUP
INSURANCE AT 14 PERCENT.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

Assemblywoman Smith clarified for the Subcommittee that if both motions passed regarding group insurance there would be no emergency funds available from the IFC. The assumption would be that insurance funding issues would be resolved for the biennium.

Chairwoman Giunchigliani noted that last session health care funding had been short, and although the districts came back to the IFC and received funding it still did not cover the actual costs of the insurance increases. She said if the numbers were available it was time to fund the increases rather than make people come back to the IFC.

Mrs. Gansert said the way she understood it staff was recommending the Subcommittee approve Budget Amendment Number 7 for FY2005-06, but not for FY2006-07. She said she would not vote to approve Budget Amendment Number 7 for FY2006-07.

Mark Stevens, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that the motion would not accept the budget amendment, but if the Subcommittee funded at 14 percent, funding would have to be increased beyond that in order to get to the 14 percent level. If the budget amendment was not passed the increase was approximately 8.9 percent and funding would have to be added between the 8.9 percent and 14 percent.

Senator Raggio suggested that the Senate not vote on the motion.

THE ASSEMBLY PASSED THE MOTION WITH ASSEMBLYWOMAN
GANSERT AND ASSEMBLYWOMAN WEBER VOTING NO.

Mr. Atkinson explained that The Executive Budget included a recommendation for a 2 percent salary increase in each year of the biennium as reflected in Decision Unit M-304, \$41 million in FY2005-06 and \$86 million in FY2006-07. The Subcommittee had requested and been provided with information regarding inflation over the past 10 years as opposed to the amount of funding that had been provided to the school districts for salary increases. Mr. Atkinson noted that the information provided reflected the percentages approved by the Legislature for each year and were not necessarily reflective of the actual salary increases negotiated in each of the school districts.

The Subcommittee had also requested information on a 5 percent raise in each year of the biennium and for a 2 percent raise in the first year of the biennium and a 3 percent raise in the second year of the biennium. Mr. Atkinson informed the Subcommittee that the 5 percent raise would be 3 percent above the Governor's recommendation in each year of the biennium and would cost \$61,349,903 in additional funding required in the first year of the biennium, and \$131,654,531 in additional funding required in the second year of the biennium.

For the 2 percent and 3 percent projected raises, the 2 percent raise was built into The Executive Budget so there would be no additional cost in the first year. In the second year the additional cost would be \$21,981,675, according to Mr. Atkinson.

Chairwoman Giunchigliani commented that the Assembly had suggested the 5 percent raises and the Senate had suggested the 2 percent and 3 percent raises for the biennium.

Senator Raggio commented that whatever raise was decided upon, it would be given to State employees and University employees, as well as teachers, so the cost would be more than what was being considered for teachers alone. Senator Raggio stated he supported the cost-of-living increase that was in the

budget at this point in time. Because of pending tax issues, Senator Raggio said he believed the General Fund could ultimately be reduced and it would be less than prudent to suggest any salary increase in excess of the Governor's recommendation. He further requested that staff prepare a comparison of the actual salary increases that were negotiated in order to be able to compare "apples" to "apples."

Senator Raggio clarified that he was requesting a new 10-year comparison in order to see what the actual salary increases were, not just the amount funded by the Legislature. He further stated that figures from the larger districts would be useful for the Subcommittee's purposes.

Chairwoman Giunchigliani commented that she realized it was expensive but if Nevada was going to attract and retain teachers they were going to have to be above the consumer price index (CPI) and the 2 percent that was recommended would not meet the present CPI. Chairwoman Giunchigliani said that Senator Raggio was correct, generally everyone was treated the same regarding percentage of salary increase, but pointed out that in the University budgets there was a 2.5 percent increase for the merit pool and everyone seemed to get the merit pool so University employees were looking at 4.5 percent.

Senator Titus responded that everyone at the University did not get the 2.5 percent merit increase, it was very competitive. Faculty staff also did not receive longevity increases, according to Senator Titus. She cautioned against making generalizations without the facts.

Chairwoman Giunchigliani commented that at one campus she had worked at everyone received the merit increase and it was unfortunate that it was not applied consistently throughout the system.

ASSEMBLYWOMAN SMITH MOVED TO APPROVE A 5 PERCENT
SALARY INCREASE FOR EACH YEAR OF THE BIENNIUM FOR
SCHOOL DISTRICT EMPLOYEES.

ASSEMBLYMAN DENIS SECONDED THE MOTION.

THE ASSEMBLY PASSED THE MOTION WITH ASSEMBLYWOMAN
GANSERT AND ASSEMBLYWOMAN WEBER VOTING NO.

Senator Raggio stated the Senate would not be voting on the salary increases because of the unknown cost if that raise were applied to State employees as well.

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Mr. Atkinson explained that at the last meeting of the Subcommittee information had been requested regarding inflationary increases for textbooks. The Governor's recommended budget did not include any inflation for textbooks. The CPI for educational books and supplies indicated an average increase of 4.66 percent per year over the past 4 years. Mr. Atkinson said, using that percentage based on the amount included for textbooks in the DSA for the biennium, it would require additional General Fund of \$1,416,685 for FY2005-06 and \$2,958,227 for FY2006-07. Mr. Atkinson also pointed out that Chapter 387 of the *Nevada Revised Statutes* had a provision that required

that textbooks, instructional supplies, and instructional hardware be “fenced off,” and the funding be expended for those purposes only. If the Subcommittee wanted to approve the inflationary increase for textbooks, that amount would be included in the provisions that “fenced off” those expenditures.

Chairwoman Giunchigliani stated that there had been an audit last session on the actual textbook expenditures of all the school districts and it had shown that the school districts had expended more than had been appropriated by the Legislature.

Senator Mathews commented that in her Assembly district the schools were all economically deprived and in January 2005 the high schools still did not have math books. She wondered who checked for the “holes in the fence.”

Chairwoman Giunchigliani replied it should be the school board. It was in statute that textbook money could not be used for any other purpose.

Chairwoman Giunchigliani commented that textbook inflation was built into the budget for Higher Education as well.

Senator Raggio inquired as to the amount of dollars that had been provided for textbooks in the 2003 Session.

Mr. Atkinson explained that while he did not have the exact figure, the approximate total amount that had been fenced off in the last session was \$64 million per year.

Senator Raggio said before any action was taken on the issue he would like to see the dollar amount of that expenditure.

Chairwoman Giunchigliani asked if Douglas Thunder could comment on the issue.

Douglas Thunder, Deputy Superintendent for Administrative and Fiscal Services, Department of Education, stated the 387 report outlined that information and it would be provided to the Subcommittee.

Mr. Thunder further commented that the Subcommittee seemed to be focusing only on the textbooks line and the CPI related to educational supplies and he wondered if the Subcommittee needed to examine the library line along with instructional supplies. The instructional supplies were split off a few years ago because often workbooks and that type of materials were placed in that category, according to Mr. Thunder.

Chairwoman Giunchigliani said she understood Mr. Thunder’s point and noted that it was “textbooks, instructional supplies, and instructional hardware,” that had to be fenced off and funding expended for those purposes only. She requested that Mr. Thunder provide the report that demonstrated the expenditure of the \$64 million.

Senator Mathews said she had not been suggesting any misuse of funds, she was just stating a problem in her district.

Chairwoman Giunchigliani commented that she still got calls from parents saying their child had not received a book to take home to study, and she felt that should not be.

Mr. Atkinson said he wanted to clarify that the information staff would supply was by school district, so it would not inform the Subcommittee where textbooks were purchased for individual schools and he believed that was generally where the complaints were coming from.

Senator Mathews said Mr. Atkinson's comment was exactly right and she did not know how it trickled down to individual schools, but she had visited a high school in Reno and it had been mentioned to her that the school had not received their math books. That was in January 2005 and school had been in session since September 2004.

Chairwoman Giunchigliani commented that the Subcommittee should be able to tell what the schools had been allocated.

Senator Mathews commented that students should have books when they entered school in September.

Both the Assembly and the Senate decided to take no action on Textbook Inflation until more information was available.

Mr. Atkinson explained that the Subcommittee had requested information regarding the hold harmless provision and he had segregated hold harmless into two different issues.

The first issue was the length of the hold harmless provision. Prior to 2001 it had been a one-year hold harmless and the 2001 Session had increased it to a two-year hold harmless. Mr. Atkinson said costs involved in 2004 for the 11 school districts and 6 charter schools that qualified for hold harmless were \$5,067,234. Had it been a 1-year hold harmless provision, 8 school districts and 5 charter schools would have qualified at a total cost of \$2,227,893. Estimates for the current year for a 2-year hold harmless were \$2.9 million and for a 1-year hold harmless, \$1.7 million. Mr. Atkinson said when considering the charter schools in relation to that funding, a 2-year hold harmless would cost \$567,415 and for 1 year, \$323,775 for FY2003-04. For FY2004-05 the cost would be \$915,243 the first year and \$600,700 in the second year.

Mr. Atkinson pointed out that in charter schools each individual school was considered, including the home resident district where the charter schools were, and applied the hold harmless provision based upon the individual school. For the school districts the hold harmless provision was considered for the district as a whole. If one school, or one area of the district, had declining enrollment but the school district as a whole did not, the hold harmless provision did not affect the school district; for a charter school it did.

Mr. Atkinson said he believed the provisions the Subcommittee wanted to consider were modifying the hold harmless provisions from two years to one year and/or the possibility of excluding the charter schools from the hold harmless provision.

Senator Cegavske stated she wholeheartedly supported the one-year hold harmless provision and she would not support removing the charter schools.

SENATOR CEGAVSKE MOVED TO CHANGE THE TWO-YEAR
HOLD HARMLESS PROVISION TO ONE YEAR FOR SCHOOL
DISTRICT AND CHARTER SCHOOLS.

ASSEMBLYWOMAN GANSERT SECONDED THE MOTION.

Senator Raggio said he assumed changing the hold harmless provision would primarily have an impact on rural schools. Since the rural schools had had declining enrollment for the past two years, he said he was cautious about changing the provision at this time.

Chairwoman Giunchigliani said Senator Raggio was correct, but in the 2003 Session it had been generally agreed to move to the one-year hold harmless. She said she believed this would be the "final wrap-up" for returning to the one-year hold harmless.

THE ASSEMBLY PASSED THE MOTION.

THE MOTION FAILED IN THE SENATE WITH SENATOR RAGGIO,
SENATOR MATHEWS, AND SENATOR TITUS VOTING NO.

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Chairwoman Giunchigliani said the second issue would be whether or not to remove the charter schools from the hold harmless provision, since it would be an individual school rather than a school district.

ASSEMBLYWOMAN LESLIE MOVED TO REMOVE CHARTER
SCHOOLS FROM THE HOLD HARMLESS PROVISION.

Assemblywoman Leslie stated that she remembered the discussion regarding charter schools in the 2003 Session and she had felt strongly that charter schools should not receive extra consideration because people had to choose to attend a charter school. If the enrollment in charter schools was declining it meant people were choosing not to attend. Ms. Leslie could not understand why money would be spent on nonexistent, "ghost" students.

ASSEMBLYMAN DENIS SECONDED THE MOTION.

Senator Raggio said he was troubled by Assemblywoman Leslie's comment because it sounded as though charter schools should be treated as second class. He maintained that the children who attended charter schools were equally important and because the charter schools had a declining enrollment they should be entitled to the same consideration. Senator Raggio stated there had been a certain reluctance to allow charter schools the flexibility to fill the need that had made them successful in other states. He said if this support was denied to charter schools even for one year, it would be a disservice to the program and would be penalizing the charter school program beyond what was reasonable.

Assemblywoman Leslie said she did not see it as penalizing the students because by removing that extra money for students who were not attending, that money was following the student where they were attending. If the students were not in the charter schools Ms. Leslie did not see a reason to fund those slots.

Senator Titus said she was inclined to agree with Assemblywoman Leslie because the way the hold harmless provision worked for other schools was based upon the district enrollment decline and not on the individual school's decline. She did not understand why a special circumstance would be set up for charter schools.

Chairwoman Giunchigliani commented that was an excellent point and charter schools in Nevada were public schools so, technically, they were part of a school district yet they were being treated differently.

THE ASSEMBLY PASSED THE MOTION WITH ASSEMBLYWOMAN GANSERT AND ASSEMBLYWOMAN WEBER VOTING NO.

THE MOTION FAILED IN THE SENATE WITH SENATOR RAGGIO AND SENATOR CEGAVSKE VOTING NO.

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Chairwoman Giunchigliani said the next issue, early childhood education, was fairly self-explanatory, but explained that it involved the tracking and performance indicators the Subcommittee had requested regarding all the early childhood education programs. She said she believed the only issue was how the programs accounted to the Legislature. Currently, some of the programs had been doing their performance standards based only on the federal standards for the Even Start program. Some of the early childhood programs had updated their performance standards and were based on state needs. Others, for example, the Classroom on Wheels (COW) program, had not updated their performance indicators since FY2001-02. Chairwoman Giunchigliani said if the funding was approved and longitudinal studies kept in place, the Subcommittee would probably want to consider having the Department of Education work with COW to review the outcome indicators so minimum performance standards were not just tied to the federal standards, but actually would become state standards.

Senator Cegavske said she believed that had been discussed in the last session. Nothing had changed in the indicators for a long time and the same numbers were reused over and over again. Senator Cegavske noted there was no accountability in the indicators and while she did not know the reason, she believed language should be included in the school funding legislation to require the Department to review the outcome indicators for the early childhood education programs and establish minimum performance levels and increase the expected performance rates.

SENATOR CEGAVSKE MOVED TO ACCEPT THE GOVERNOR'S RECOMMENDATION BUT INCLUDE LANGUAGE THAT REQUIRES THE DEPARTMENT OF EDUCATION TO REVIEW THE OUTCOME INDICATORS FOR THE EARLY CHILDHOOD EDUCATION PROGRAMS AND ESTABLISH MINIMUM PERFORMANCE LEVELS AND INCREASE THOSE PERFORMANCE LEVELS.

ASSEMBLYWOMAN WEBER SECONDED THE MOTION.

THE MOTION CARRIED.

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Mindy Braun, Education Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained retirement credits for high impact positions to the Subcommittee and stated that the Governor recommended \$12.6 million to continue retirement credits for high impact positions over the 2005-07 biennium. Ms. Braun said that given the State's projections regarding enrollment growth, the Department recommended a 4.4 percent growth factor be built in for FY2005-06 and a 4.2 percent growth factor be built in for FY2006-07. When applied to the FY2004-05 actual costs, it appeared that at least an additional \$6.5 million would be required over the biennium to continue the retirement credits as they were in the current biennium.

For the retirement credits for personnel in at-risk schools The Executive Budget recommended \$15.5 million over the biennium to continue retirement credits for teachers. Ms. Braun indicated that the updated projections had not been provided to staff by the Department of Education, but the most recent projections were that the budget was approximately \$5.5 million short for the upcoming biennium if it were to continue as it always had.

Ms. Braun noted there were several decision points for the Subcommittee to consider. The first was whether the funding should be limited to the provision of retirement credits, or should other options be available to teachers. A.B. 110 and S.B. 461 allowed for stipends in lieu of the retirement credits.

Ms. Braun said for high impact positions the Subcommittee might want to look at the categories of math, science, special education, English as a second language, and school psychology and decide if those were the appropriate categories to continue with. Staff understood that those positions were still considered to be hard to fill.

Ms. Braun stated the Subcommittee needed to consider if at-risk schools should continue to be defined as those designated as demonstrating need for improvement as well as those in which 65 percent or more pupils were eligible for free or reduced price lunches. A.B. 110 attempted to stabilize the funding because of the increase in schools designated "need for improvement." The bill said just elementary schools that had high free and reduced priced lunch counts would qualify. The Department of Education would have to write a formula for middle schools and high schools to determine which schools were "at-risk."

Ms. Braun addressed personnel at at-risk schools where presently retirement credits for at-risk schools were limited to teachers. A.B. 110 would extend the right to receive the retirement credit to all licensed personnel such as principals, librarians, nurses, and counselors.

Chairwoman Giunchigliani suggested that the Subcommittee approve the Governor's recommendation with the modifications and wait to see what legislation moved forward to provide flexibility in choices for personnel.

SENATOR RAGGIO MOVED TO CONTINUE WITH THE
RETIREMENT CREDITS FOR HIGH IMPACT POSITIONS WITH THE
DOLLAR AMOUNTS OUTLINED IN THE BUDGET CLOSING.

ASSEMBLYWOMAN LESLIE SECONDED THE MOTION.

THE MOTION CARRIED.

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Ms. Braun stated that The Executive Budget recommended \$125.2 million in funding for class-size reduction in FY2005-06 and \$135 million was recommended for FY2006-07.

Ms. Braun said there were several issues for the Subcommittee to address as followed:

- Should funding for the current pupil-teacher ratio of 16:1 in grades 1 and 2 and 19:1 in grades 3 be maintained as included in The Executive Budget.
- Should funding for 23.5 at-risk kindergarten teachers be continued as recommended in The Executive Budget.
- Should flexibility in the use of state class-size reduction funds be continued for the rural districts to provide a 22:1 pupil-teacher ratio in grades 1, 2, and 3 and 25:1 in grades 4, 5, and 6.
- Should flexibility in the use of state class-size reduction funds be expanded to the urban school districts, and would the ratios chosen need to be implemented district-wide or could the school district choose the schools in which flexibility was most needed.
- Should team teaching be eliminated, because in order to maintain current class-size ratios it would cost \$64.02 million to provide and maintain approximately 388 portables statewide.

Chairwoman Giunchigliani called for discussion and commented that S.B. 460 outlined the differences regarding the issue.

Senator Cegavske commented that S.B. 460, regarding flexibility, had been passed out of the Senate.

Senator Mathews commented that flexibility in poor neighborhoods was a concern and provided an example from her Senate district. Senator Mathews noted there was a school in her district called Cannan Elementary School, which was an older school. Approximately 10 blocks from Cannan Elementary School was Bernice Mathews Elementary School, which was a new school. The rooms at Bernice Mathews Elementary School were built so that only 15 to 19 students would fit in rooms for grades 1 through 5, but at Cannan Elementary School the rooms would hold up to 40 students, making team teaching a viable alternative.

Senator Mathews said her concern was that flexibility worked well in some areas, but when children were crowded into rooms as happened in the older schools, there were too many bodies and no matter how good the teachers were, it would not work for the students. She believed that class-size reduction was more important than eliminating team teaching and the ratio needed to be 15:1.

Senator Titus informed the Subcommittee that S.B. 460 had not passed the Senate unanimously.

Chairwoman Giunchigliani said she would entertain a motion for the purpose of budget closings.

ASSEMBLYWOMAN LESLIE MOVED TO NOT EXPAND FLEXIBILITY TO THE URBAN AREAS, MAINTAIN THE AT-RISK KINDERGARTEN CLASS-SIZE REDUCTION, AND ALLOW THE RURAL COUNTIES TO CONTINUE WITH THE FLEXIBILITY PROGRAM.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

THE ASSEMBLY PASSED THE MOTION WITH ASSEMBLYWOMAN GANSERT AND ASSEMBLYWOMAN WEBER VOTING NO.

THE MOTION FAILED IN THE SENATE WITH SENATOR RAGGIO AND SENATOR CEGAVSKE VOTING NO.

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Senator Mathews commented that 15 years from now those students in the packed classrooms were going to be expected to be entry-level employees. It concerned her that an entire generation was being left behind.

Senator Raggio commented that the discussion regarding class-size reduction had been continuous. The State had spent over one billion dollars just on class-size reduction since its inception, according to Senator Raggio. He said there had been waivers given from time to time because no school district had been able to meet the 15:1 ratio. The urban school districts, who had promised they would have the facilities to accommodate class-size reduction at their own expense, had not been able to do it. Senator Raggio said there had been two problems that had arisen in the utilization of class-size reduction; team teaching and portable classrooms.

Senator Raggio said that in the beginning the major school districts in Nevada had indicated that if class-size reduction was implemented they would provide the facilities. In order to deal with the problems created by class-size reduction, the Elko County School District was given the authority to be flexible, and Senator Raggio believed they had used it wisely and removed some of the problems.

Senator Raggio opined that the school boards and the school districts needed to be trusted. The Washoe County School District and the Clark County School District had been requested to study the flexibility in the use of state class-size reduction funds to see if they wanted to implement class-size reduction. Senator Raggio said they had requested to be allowed the same flexibility in the present session and it was his understanding that while they did not want to use it system-wide, they wanted the opportunity to be flexible in the areas where it would serve a good purpose.

Senator Titus said that while the school districts had not been able to produce enough classrooms to accommodate the 15:1 ratio, they had done an excellent job of keeping up with growth. In Clark County, an elementary school a month would have to be built to keep up with growth, according to Senator Titus.

Senator Titus stated the request of the urban school districts to allow flexibility in some areas and not district-wide was the main problem with the approach. That approach, if the urban school districts received flexibility, would not eliminate team teaching, it would make it worse because the flexibility would be used in the older schools where more children could be placed in a classroom. The newer schools with the smaller classrooms where there was no team

teaching would continue as they were, and the older schools would crowd more children into one classroom.

Senator Titus remarked that a school was the anchor of a neighborhood because everyone wanted to live near a good school in order for their children to go there. When the school declined, the neighborhood declined.

Senator Mathews said she had lived through de facto segregation and she was not talking about color, but about economic segregation. In her district, students were being left behind and if the school districts were given flexibility the classrooms would be packed and they would not eliminate team teaching.

Chairwoman Giunchigliani commented that she believed allowing flexibility in the urban areas would equate to economic segregation. The rural counties had a smaller group to deal with in the first place, according to Chairwoman Giunchigliani. She stated even more importantly, flexibility was given to the school districts regarding driver's education and the program was basically eliminated statewide.

Class-size reduction had been implemented in 1989 and had never been fully funded, according to Chairwoman Giunchigliani. Every session the same debate occurred, and Chairwoman Giunchigliani said it should be about what was best for the education of Nevada's students. She said she would not mind if the Legislature told the school districts to take four years and eliminate team teaching, issue bonds, and do whatever it took to accomplish what they had said they would do previously. That would put the onus back on the school districts to create the classrooms they should have been building all along.

Senator Cegavske commented that class-size reduction had been mandated that could not be facilitated in 16 of the 17 counties. For many years, 16 counties had been on waivers because they could not accomplish class-size reduction. Currently, 13 counties were on waivers because they could not provide class-size reduction. Senator Cegavske said, in her view, what flexibility did was attempt to give the school districts another avenue to help facilitate the K-6 class-size reduction. She said she saw it as a very good aid as demonstrated by the Elko County School District.

Senator Cegavske stated she believed flexibility should be available for K-12 in every school district and it should be used across the district.

Chairwoman Giunchigliani asked how the funding would be accounted for, and commented that was why textbooks had been fenced off. The school districts had been given flexibility and it had not been used correctly. She maintained that the class-size reduction had never been adequately funded and that was why the school districts had required waivers.

Chairwoman Giunchigliani asked Mr. Atkinson to explain the Adult High School Diploma Program to the Subcommittee.

Mr. Atkinson said there were two separate issues in the Adult High School Diploma Program. The first was that out of the administrative funding provided to the Adult High School Diploma Program the Department of Education had employed a contractor to administer the program. That contractor was retiring and the Department was suggesting that the same money be transferred to the Continuing Education Budget Account in order to fund a position to perform the duties previously handled by a contractor. Mr. Atkinson stated there would be

very little difference in the cost, the current contractor cost approximately \$86,000 and the maximum cost for a state employee would be \$89,000.

Staff inquired as to whether the Subcommittee wished to approve reduction of \$86,000 in the Adult High School Diploma Program with the understanding that that funding would be added to the Continuing Education Budget Account for the creation of a position to administer the program.

SENATOR CEGAVSKE MOVED TO REDUCE THE ADULT HIGH SCHOOL DIPLOMA PROGRAM BY \$86,000 EACH YEAR OF THE BIENNIUM TO BE ADDED TO THE CONTINUING EDUCATION BUDGET ACCOUNT FOR THE CREATION OF A POSITION TO ADMINISTER THE PROGRAM.

ASSEMBLYWOMAN GANSERT SECONDED THE MOTION.

Mr. Thunder requested clarification that the \$86,000 was for each year of the biennium and Chairwoman Giunchigliani replied that it was.

THE MOTION CARRIED. (Senator Titus was not present to vote.)

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Mr. Atkinson explained that The Executive Budget had not included funding for an Adult High School Diploma Program at the Youthful Offender Facility that would be opened in Jean, Nevada, in the second year of the biennium. The Department of Education and the Department of Corrections had compiled a tentative budget of \$2.4 million. Mr. Atkinson said he had worked with the Clark County School District and the Department of Education and developed a revised estimate based on removal of the special education teachers and supplies that would be provided through special education funding, a decrease in the equipment necessary for the culinary arts program, and a reduction of the number of math teachers from two to one. The proposed budget would be \$1,947,561 for FY2006-07. Mr. Atkinson said that would be General Fund support added to the budget because it had not been included in The Executive Budget.

SENATOR CEGAVSKE MOVED TO APPROVE GENERAL FUND SUPPORT BASED ON STAFF RECOMMENDATIONS.

SENATOR RAGGIO SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Titus was not present to vote.)

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Chairwoman Giunchigliani requested that Ms. Braun explain the School Improvement Programs to the Subcommittee.

Ms. Braun stated that the first area concerned the Regional Professional Development Programs (RPDP) for which the Governor was recommending \$21 million for continuation, a 16 percent increase in funds.

Ms. Braun said there were issues for the Subcommittee's consideration for continued funding for the RPDPs. The first concerned unexpended funds. In

FY2003-04 approximately \$1.1 million was not expended by the RPDPs and was balanced forward to FY2004-05. The primary reasons for the carryover, according to the RPDPs, were vacancy savings and not being able to utilize substitute teachers to the extent that was needed during the current biennium. Ms. Braun said that staff, at the direction of the Subcommittee, worked with the RPDPs and it did appear that each of the programs had developed plans to address the substitute teacher issue and it had been built appropriately into the budgets as requested by the RPDPs. Ms. Braun said the Subcommittee should note that information provided by the southern RPDP indicated that its budget was built with a 5 percent ending fund balance and the budget built by the northeastern RPDP was built with a small cushion in each of the categories. If funding was continued for the RPDPs the Subcommittee might want to eliminate the cushions in the budgets and have the RPDPs build their budgets as other agencies did, with a Letter of Intent going to the governing bodies in support of that plan.

Ms. Braun explained the next issue regarding RPDPs was a budget enhancement for the Western RPDP. That particular program covered Carson City, Churchill County, Douglas County, Lyon County, and Mineral County School Districts. The requested budget represented a 39 percent increase over the legislatively-approved amount for FY2004-05. Ms. Braun said the first part of the enhancement would provide technical assistance for 23 schools designated as demonstrating need for improvement at a cost of \$10,000 per school and \$30,000 for a school that was in its third year or more of needing improvement designation. This would cost a total of \$210,000 over the biennium.

The second issue concerned the addition of four full-time equivalent (FTE) trainers for that program. The Western RPDP currently had 4.5 trainers and the enhancement would increase the number of trainers to 8.5. Ms. Braun said the Western RPDP was requesting one full-time trainer for reading language arts, one for the science area, one for math in the primary grades, and one for math in the secondary grades. It did appear to staff, according to Ms. Braun, that two trainers might be justified due to the number of schools designated as demonstrating need for improvement.

The third issue for the Western RPDP was the Coordinator's salary. The current Coordinator had been with the program since its inception and had donated his time to running the RPDP. The present Coordinator was retiring at the end of FY2005 and the RPDP was requesting funds for a contract at \$40,000 per year for a new Coordinator.

Ms. Braun said the final issue involved the Northeastern RPDP, which was requesting \$90,000 in each year of the biennium to lease four vehicles. There had been some discussion about allowing the Northeastern RPDP to purchase the vehicles, according to Ms. Braun. If the Subcommittee wanted to approve funding for the purchase of four vehicles it would cost \$55,896 in FY2005-06. If approved, this option would provide a savings to the General Fund of \$34,104 in FY2005-06 and \$90,000 in FY2006-07.

The Northwestern RPDP had also indicated that their Coordinator would be retiring at the end of FY2005 and if they had to hire someone outside of Elko County it could require an additional vehicle. The fifth vehicle would cost an additional \$16,674 in FY2005-06 and \$2,800 in FY2006-07.

Chairwoman Giunchigliani asked why the Western RPDP was requesting funding that went beyond the mission of the RPDPs, which originally had been to deal with academic standards.

Bill Hanlon, Director, Southern Nevada Regional Professional Development Program (RPDP), identified himself for the record and stated that since the inception of the RPDPs, which had been created to address the academic standards, many functions had been added to the duties of the RPDPs, such as school improvement programs, administrative training, suicide prevention, paraprofessional training, and high school proficiency exams, to name a few. Mr. Hanlon stated the RPDPs were attempting to perform all of those extra functions while 1,500 to 2,000 teachers per year were being added to the school systems. The RPDPs were attempting to provide ongoing training at the same time as initial training.

Mr. Hanlon said he would say, in support of the entire budget recommended by the Governor, to examine the ratio of regional trainers to the number of schools. For instance, in the Southern Nevada Regional RPDP there were 2 elementary math trainers for over 200 elementary schools, there was 1 secondary science trainer for over 40 high schools, and that particular science trainer was responsible for earth science, biology, chemistry, and physics. Mr. Hanlon stated he could cite many more examples of shortfalls in the system.

Chairwoman Giunchigliani stated that the Western Nevada RPDP had requested funding of \$10,000 per school for technical assistance for the 23 schools designated as needing improvement, and not for standards. She asked Mr. Hanlon if the request was because of legislation that had been passed which had had an impact on the RPDPs and, if that was the case, why was the Western Nevada RPDP the only one requesting technical assistance funds.

Mr. Hanlon noted that the language in the law had been permissive. He said when he had submitted the budget in July 2004, his attitude had been that if it could not be paid for he could not provide the service with the staff currently in place. The solution had been to reduce the number of staff so part-time administrative trainers could be hired. Mr. Hanlon said he had hired former administrators and principals to work with schools in need of improvement with money already allocated. If Mr. Hanlon had known in July what he had discovered in September, he said he would have requested a substantial increase in the budget for the Southern Nevada RPDP as well.

Chairwoman Giunchigliani stated the Subcommittee needed to consider the issue of the ending fund balance. The Subcommittee also needed to consider that the budgets for the RPDPs should be built according to actual need and not include the cushions. Chairwoman Giunchigliani said the Subcommittee would also have to consider whether or not the Legislature wanted to give \$210,000 per year for technical assistance for schools demonstrating need for improvement as opposed to dealing with the standards, how many trainers, if the Subcommittee wanted to approve the \$40,000 for the part-time coordinator, and funding for the leasing of the vehicles.

SENATOR CEGAVSKE MOVED TO CLOSE THE BUDGET WITH GOVERNOR RECOMMENDATIONS, ELIMINATE THE ENDING FUND BALANCE THRESHOLD WITH A LETTER OF INTENT, APPROVE THE BUDGET ENHANCEMENT IN THE AMOUNT OF \$210,000 FOR THE WESTERN RPDP WITH AN ACCOUNTING TO BE REQUIRED, TO APPROVE TWO TRAINERS, TO APPROVE THE PART-TIME

COORDINATOR FUNDING IN THE AMOUNT OF \$40,000 IN EACH FISCAL YEAR, TO APPROVE THE PURCHASE OF FOUR VEHICLES, AND TO ISSUE A LETTER OF INTENT ESTABLISHING IF THE PURCHASE OF A FIFTH VEHICLE WAS NEEDED THE NORTHEASTERN RPDP WOULD BE REQUIRED TO PROVIDE JUSTIFICATION TO THE DEPARTMENT OF EDUCATION AND APPEAR BEFORE THE INTERIM FINANCE COMMITTEE FOR APPROVAL.

ASSEMBLYWOMAN WEBER SECONDED THE MOTION.

Assemblywoman Smith inquired as to whether the technical assistance for 23 schools designated as demonstrating need for improvement had been included in the motion. Chairwoman Giunchigliani responded that was addressed in the request for a budget enhancement in the amount of \$210,000 for the Western RPDP.

Mrs. Gansert stated her only concern was that in the last biennium the Western RPDP had \$308,000 in unexpended funds, but they were receiving \$210,000 and another \$348,000 in addition. She said she was surprised the RPDP was receiving so much additional funding when they had money left over from the last biennium.

Mr. Hanlon commented that when the budgets were closed on June 30th and the RPDP held summer institutes in July, they had to plan for people to attend from outside the regions that were being served and money had to be available. It was more expensive in the rural counties because of transportation and housing considerations. Mr. Hanlon said the RPDPs had to plan for that money to be available, although he said he understood that the Subcommittee wanted that money to be spent by the end of the fiscal year. In his opinion, the RPDPs could not overspend their money and have that picked up by the fiscal agent for the school districts.

Mr. Hanlon explained that while the RPDPs had the ending fund balance they had to plan for a summer institute.

Chairwoman Giunchigliani interjected that what she was trying to get at was that one RPDP had a 5 percent ending fund balance, one had 27 percent, one had 23 percent, and the other had 10 percent. She maintained that was irresponsible, and the ending fund balance should be eliminated or there should be a common maximum amount.

Mr. Hanlon stated he believed the 27 percent ending fund balance had been from the Western RPDP, which had been a rollover from last year to this year. That rollover had happened because the Western RPDP had a two-year budget and they had believed they would have more schools not meeting adequate yearly progress in the second year, so rather than spending all the money in the first year, or splitting it 50-50, they reallocated the rollover to the second year.

Chairwoman Giunchigliani commented that the issue was whether the Western RPDP spent the allocated funds during the biennium. Mr. Hanlon stated that he believed the 27 percent in the Western RPDP was only for the first year.

Mrs. Gansert said she noticed that it was only one year of unexpended funds and she did not have a problem with that.

Senator Raggio stated that the RPDPs were essential to carrying out the Education Reform Act and to training those teachers and administrators to carry out the goals and he did not want a motion passed that would restrict those goals. Senator Raggio requested that Mr. Hanlon give the subcommittee direction regarding what was needed.

Chairwoman Giunchigliani noted that the motion presently on the table eliminated the ending fund balance for the RPDPs, but said the Subcommittee would entertain a 5 percent threshold for each RPDP over the biennium.

Mr. Hanlon explained that the RPDPs were a creation of the Legislature and they would do whatever was asked by the Legislature in any way they were asked to do it. Mr. Hanlon emphasized, however, that with the current staff, there was no way to address all the functions they were being asked to perform.

Chairwoman Giunchigliani asked what percentage of ending fund balance the RPDPs needed over the biennium. Mr. Hanlon replied that he would request the Subcommittee to support the Governor's recommendation.

Mr. Thunder said he would like to remind the Subcommittee that the way the money flowed, the RPDPs probably could not get their money before the middle of July at the very earliest. When the Legislature convened and then went home, some type of ending fund balance was needed for the RPDPs to get started if they were to be ongoing institutions. Mr. Thunder commented that in his opinion 5 percent sounded reasonable.

SENATOR CEGAVSKE MOVED TO AMEND THE MOTION TO INCLUDE A 5 PERCENT ENDING FUND BALANCE FOR EACH REGIONAL PROFESSIONAL DEVELOPMENT PROGRAM OVER THE BIENNIUM.

Mr. Hanlon stated he still had a question and was going to speak as the Chairman of the Statewide Coordinating Council. He said he was very pleased that the Western RPDP was becoming more content-based. In the south content-based classes were typically offered that addressed teacher expectancies, components of effective lessons, and strategies and assessments. Because the Southern RPDP was larger they could offer classes in content for a specific grade cluster. Mr. Hanlon said his point was that the Western RPDP was currently moving toward offering content classes as opposed to a more generic type of professional development. He argued in favor of allowing the Western RPDP to add those additional staff people. He requested that the Subcommittee vote to fully fund the Western RPDP in the amount requested.

Chairwoman Giunchigliani clarified that the Western RPDP had requested four additional FTEs, one for math grades 7-12, one for reading, one for science, and one for math K-6.

Senator Cegavske asked Senator Raggio if he was in support of the four FTE positions. Senator Raggio stated he supported the four positions.

SENATOR CEGAVSKE MOVED TO AMEND THE MOTION TO ADD THE FOUR FULL-TIME EQUIVALENT EMPLOYEES AS RECOMMENDED BY THE GOVERNOR.

THE MOTION CARRIED. (Senator Titus was not present for the vote.)

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Ms. Braun stated that the Governor had recommended the creation of a new budget account, the School Remediation Trust Fund, for remediation funding. The Executive Budget recommended \$50 million for each year of the upcoming biennium for the new budget. Ms. Braun commented that in the past there had been remediation funds and it had been recommended that those funds, in the amount of \$13.9 million, be kept in the DSA to continue the existing remediation programs. Ms. Braun clarified that there were two funds of money for remediation.

Ms. Braun said the Governor proposed providing funding for schools to implement the measures in their school improvement plans. According to the Governor's Office, strategies would include, without limitation, professional development, full-day kindergarten, tutoring, new staff, remediation programs of instruction, or consultant assistance.

Ms. Braun indicated that according to the testimony provided by the Governor's Office the \$13.9 million recommended for the previous remediation program in the DSA would remain as a separate program.

There were three bills introduced in the 2005 Legislative Session that concerned the School Remediation Trust Fund.

S.B. 404 was the Governor's bill and created the Commission on Educational Excellence to oversee the distribution of the funds.

Ms. Braun said S.B. 214 created the Advisory Commission on Highly Effective Academic Programs for School Improvement and Educational Excellence to oversee the distribution of the funds as well. The makeup of the two committees was slightly different.

A.B. 525 would allocate \$25 million of the \$100 million over the biennium to be dedicated to K-12 innovative programs. Ms. Braun said she had forgotten to mention that the Governor's proposal was that the \$100 million be dedicated to K-6 programs and not K-12 programs.

Ms. Braun noted there were several issues for the Subcommittee's consideration.

- Did the Subcommittee wish to approve the Governor's proposed recommendation of \$50 million for each year of the biennium.
- Did the Subcommittee wish to keep the Remediation Trust Fund separate from the existing remediation money that was included in the DSA, or did the Subcommittee wish to combine the two.
- Did the Subcommittee wish to utilize the Remediation Trust Fund for K-6 remediation only, as in the Governor's plan, or expand it to K-12.
- If the Subcommittee chose to keep the existing funds and new funds separate, did the Subcommittee wish to redirect the existing remediation funding to middle and high schools.

- If the Subcommittee wanted to focus all the funds for support of school improvement plans, would the focus be on implementing school improvement plans and, if so, would the Subcommittee place any limits on the funds.
- Did the Subcommittee want that funding to be granted at the district level or the individual school level. Understanding that each of the schools had a school improvement plan, the funding could be based upon the school level plan, but in some cases the Subcommittee might want to consider allowing a district to investigate combining all the programs in order to make better use of the money.
- Did the Subcommittee want to set aside a portion of the Trust Fund monies for innovative programs.
- What grant period did the Subcommittee feel was appropriate for any one school.
- One of the major concerns with the current remediation funding had been the late time when the schools and school districts received the funds. In order to expedite disbursement of grant funds the Subcommittee may want to consider eliminating the Board of Examiners and/or Interim Finance Committee approval and instead give the review committee authority for final approval of funds allocation.
- If the Subcommittee approved a change in the manner in which the remediation funds were distributed, the first year of the biennium would need to be considered a transition year and staff had included a draft time line for FY2005-06 and FY2006-07 forward for the Subcommittee's consideration.
- What accountability did the Subcommittee want to implement for the oversight of remediation funds.

Senator Cegavske commented that the Department of Education had requested a non-Title I school improvement consultant in Budget Account 2673 to oversee the Remediation Trust Fund. She wondered why the Superintendent of Public Instruction had indicated no additional staff would be required when he testified in earlier hearings regarding S.B. 404.

Dr. Keith Rheault, Superintendent of Public Instruction, Department of Education, clarified that when he had testified regarding S.B. 404 that no additional staff would be needed he had meant no additional staff to oversee the Commission, the review process, or to process applications. Dr. Rheault said when he indicated that there were no new positions needed it was in regard to S.B. 404 and not regarding the Governor's recommended budget.

Dr. Rheault indicated the Department still needed the remediation consultant, but had believed the original question from Senator Cegavske was whether they had requested additional positions in S.B. 404.

Senator Cegavske said she believed she had been very specific in asking if any new positions whatsoever would be needed. Dr. Rheault commented that the remediation consultant requested in The Executive Budget was needed for

approximately 40 to 50 schools that were non-Title I schools that were in need of improvement.

Chairwoman Giunchigliani asked if the Governor had recommended that position, and Dr. Rheault replied that he had.

Chairwoman Giunchigliani asked for clarification that the remediation consultant position was not tied to S.B. 404, and if the bill did not pass the position would still be requested in The Executive Budget. Dr. Rheault replied that was correct.

Chairwoman Giunchigliani said she needed clarification. In S.B. 404 she believed the testimony from Lisa Foster was that the remediation account was not a trust fund, and that terminology should not be used. The account was meant to be ongoing, however, Chairwoman Giunchigliani did not want to mislead anyone into thinking it was a trust account and only the interest was being spent.

Senator Cegavske said that was another area she was attempting to reconcile; why there were two separate accounts for remediation to accomplish the same goal. She asked staff what the dollar amount was for each biennium that was placed in the DSA.

Mr. Atkinson informed the Subcommittee that the Legislature had approved the following amounts in the DSA for remediation: \$6,179,109 for FY2003-04 and \$6,513,874 for FY2004-05. The Governor had recommended \$6,818,788 for FY2005-06, and \$7,089,336 for FY2006-07.

Senator Cegavske noted that money had still been budgeted for remediation in the DSA.

Chairwoman Giunchigliani commented that the DSA appeared to continue with the original funding that had been appropriated in FY2005-06.

Senator Cegavske said that Senator Raggio had had a suggestion to use the remediation funding in the DSA for middle and secondary education, but she was still struggling with why two accounts existed and why the funds were not going into one account.

Chairwoman Giunchigliani commented that the current program was a lengthy process and the money had not been received by the schools until approximately seven months after the beginning of the school year. That was why the Governor was recommending going through the School Improvement Plans (SIP), which would eliminate the time-lag. Chairwoman Giunchigliani said the schools and districts could submit the SIP as the request which would speed up the process considerably.

Senator Cegavske asked if there was any way to legislate something with the existing remediation funding to make it a simpler process.

Chairwoman Giunchigliani asked what was currently being spent on high school proficiency remediation.

Laura Freed, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated she would have to find that information for the Subcommittee because the money spent on total remediation programs was not segregated by programs. She stated she could provide those figures for elementary, middle,

and high school awards, but some of those figures would be non-Title I tutoring funds as well.

Chairwoman Giunchigliani said she believed that information would be helpful if shown by individual schools.

Mrs. Smith commented that even if the old remediation funding was retained, it should be changed by making the funds easier to access so that schools could receive funds when needed. The other big difference between the two funds was that the old remediation money was restricted to the approved programs, as opposed to some flexibility that had been suggested in the \$100 million fund.

Mrs. Smith said that, in her opinion, no matter what else was done the system should be made easier for schools to access the money.

Assemblywoman Leslie commented that she had been very surprised and impressed by testimony heard on full-day kindergarten in the Committee on Ways and Means. She said she firmly believed that if full-day kindergarten were implemented there would not be a need for so much remediation in the future.

Mrs. Gansert stated that she agreed that a streamlined process would be very helpful as far as accessing remediation funds. She said she also supported A.B. 525 as far as some of the innovative educational programs were concerned.

Chairwoman Giunchigliani said the Subcommittee needed to ensure that the remediation funding was targeted to where it was really needed and to look at programs such as Ms. Leslie had talked about, such as full-day kindergarten, and the innovative school concept, because both of those programs could reduce the need for further remediation dollars. Chairwoman Giunchigliani said the whole point was to try to be preventative.

Chairwoman Giunchigliani requested comment regarding the supplemental appropriation in A.B. 93.

Mr. Atkinson stated that the information regarding the supplemental appropriation was for informational purposes only and would require no action by the Subcommittee.

A.B. 93 provided a supplemental appropriation to reimburse the school districts for the costs of the group health insurance for the retirees who participated in the State program. Mr. Atkinson said that initially the supplemental request was for \$9.6 million, but the most recent information indicated that the cost might be down to approximately \$8 million. The updated information and recommendation would be presented to the Subcommittee during the May 11, 2005, meeting.

Mr. Atkinson pointed out that before the account could be closed staff would have to make additional adjustments in the minor revenue sources that supported the account.

Chairwoman Giunchigliani adjourned the meeting at 10:24 a.m.

RESPECTFULLY SUBMITTED:

Anne Bowen
Committee Secretary

APPROVED BY:

Assemblywoman Chris Giunchigliani, Chairwoman

DATE: _____

Senator Barbara Cegavske, Chairwoman

DATE: _____

<u>EXHIBITS</u>			
Committee Name: <u>Assembly Committee on Ways and Means/Senate Committee on Finance Joint Subcommittee on K-12/Human Resources</u>			
Date: <u>May 3, 2005</u>		Time of Meeting: <u>8:00 a.m.</u>	
Bill	Exhibit	Witness / Agency	Description
	A		Agenda