MINUTES OF THE
JOINT MEETING OF THE ASSEMBLY COMMITTEE ON EDUCATION
AND THE
SENATE COMMITTEE ON HUMAN RESOURCES AND EDUCATION

Seventy-Fourth Session
February 14, 2007

The Joint Assembly Committee on Education and the Senate Committee on Human Resources and Education was called to order by Chair Bonnie Parnell at 2:37 p.m., on Wednesday, February 14, 2007, in Room 1214 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4412 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda (Exhibit A), the Attendance Roster (Exhibit B), and other substantive exhibits are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/74th/Committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Assemblywoman Bonnie Parnell, Chair
Assemblywoman Debbie Smith, Vice Chair
Assemblyman Bob Beers
Assemblyman David Bobzien
Assemblyman Ruben Kihuen
Assemblyman Garn Mabey
Assemblyman Harvey J. Munford
Assemblyman Tick Segerblom
Assemblyman Lynn D. Stewart

SENATE COMMITTEE MEMBERS PRESENT:

Senator Barbara K. Cegavske, Vice Chair
Senator Joseph J. Heck
Senator Valerie Wiener
Senator Steven A. Horsford
Senator Joyce Woodhouse

ASSEMBLY COMMITTEE MEMBERS ABSENT:

Assemblyman Mo Denis (Excused)
Assemblyman Joseph P. (Joe) Hardy (Excused)

SENATE COMMITTEE MEMBERS ABSENT:

Senator Dennis Nolan (Excused)
Senator Maurice E. Washington, Chair (Excused)

STAFF MEMBERS PRESENT:

Kristin Roberts, Committee Counsel
Carol M. Stonefield, Committee Policy Analyst
Denise Dunning, Committee Secretary
Kelly Troescher, Committee Secretary
Rachel Pilliod, Committee Manager
Patricia Vardakis, Committee Secretary

OTHERS PRESENT:

John Augenblick, President, Augenblick, Palaich & Associates, Inc., Denver, Colorado
Justin Silverstein, Senior Associate, Augenblick, Palaich & Associates, Inc., Denver, Colorado
Dr. Mary Pierczynski, Nevada Association of School Superintendents
Joyce Haldeman, Representative, Clark County School District, Nevada
Dr. Dotty Merrill, Executive Director, Nevada Association of School Boards, Reno
Anne Loring, Representative, Washoe County School District, Nevada
Terry Hickman, Representative, Nevada State Education Association
Lonnie Shields, Assistant Executive Director, Nevada Association of School Administrators
Mary Jo Parise-Malloy, Board of Directors, Nevadans for Quality Education, Las Vegas
Alison Turner, Representative, Nevada Parent Teacher Association, Las Vegas
Keith Rheault, Representative, Department of Education, Nevada
David Schumann, Representative, Nevada Committee for Full Statehood, Sparks
Joseph Enge, Education Policy Analyst, Nevada Policy Research Institute, Carson City

Richard Phelps, Representative, Nevada Policy Research Institute

Chair Parnell:
[Meeting was called to order at 2:37 p.m. Quorum present; roll called.] As many of you know, the 73rd Session of the Nevada Legislature adopted Assembly Concurrent Resolution No. 10 of the 73rd Session. That Committee directed the Legislative Commission to conduct an interim study on the adequacy of the system of school finance in Nevada. It was chaired by Assemblywoman Debbie Smith and vice chaired by Senator Warren Hardy. The following members also served: Senator Bob Beers, Senator Michael Schneider, Assemblyman Richard Perkins, and Assemblyman Brooks Holcomb.

Assemblywoman Debbie Smith:
We learned much and spent an awful lot of time and effort learning about this issue. I want to talk to you for a moment about what the resolution required us to do (Exhibit C). We were to perform an analysis of the Nevada plan—which most of you probably know is the system we use in Nevada for funding our school system—to determine whether the plan provides an opportunity for a meaningful education with adequate educational opportunities. We were to perform a comprehensive analysis of the cost of providing educational opportunities in the future to pupils enrolled in Nevada public schools; to determine whether the Nevada system of financing public schools is calibrated to the needs and educational goals of pupils in Nevada; to perform an analysis of methods of school financing that ensure an effective public school system; and to provide recommendations for legislation that will ensure that the State of Nevada provides its children with an opportunity for a meaningful public education. That and a few other things I will discuss was the basis for the study that was to be conducted.

The legislation required that we hire a contractor from outside the State who specializes in this type of work. There was a competitive bidding process to find that contractor. I will tell you that there are not a great number of companies in the country that do this kind of work. We put out a Request for Proposal (RFP) in late 2005 and selected Augenblick, Palaich & Associates (APA) to do this work. The legislation also required that we look at school transportation as well as school construction costs. It is complex and costly to look at those issues, and while the Committee was required to do that, it was not feasible for us to hire someone to include these two items of school construction costs and transportation costs. We found that across the board. The Committee held seven meetings. We met both in the north and in the south. We also held two public input meetings, one in Las Vegas and one in Reno. We received an update from the contractor every step of the way as they were beginning to do their work. The contractor reported back to us at our regularly scheduled meetings and then gave the full report to us. It has been informative.

As I mentioned, two of the items that we were directed to study not in the Adequacy Study are transportation and school construction. At the back of this document (Exhibit E), there are two letters directed to the committees that deal with school construction and transportation. We devoted an entire meeting to hearing from the districts about school construction. There are seventeen school districts that are not enabled in the same way to raise funds for school construction. The Committee was concerned about that issue and wanted the Legislature to take that into consideration although the Committee did not feel inclined to make a specific recommendation about what the Legislature might want to do. On the school transportation issue we did the same thing. There is a letter enclosed suggesting that the Committees may want to take a look at some of the school transportation issues. For example, we reimburse the districts for their transportation costs, but we found in our presentations that there are varying rules for school districts. That is another letter that you have been provided with and will be asked to take a look at. Finally, when the Committee received our report from the contractor, it was a unanimous decision by the Committee that the report be forwarded to the Legislature. It is a large study with a lot of information and that takes quite some time to go through. If you were to implement a study like this, it would be a long process.

Chair Parnell:
Are there any questions for Assemblywoman Smith? [There were none.] Thank you for being prepared to talk to both Ways and Means, the Senate Finance joint meeting, and ours as well.

John Augenblick, President, Augenblick, Palaich & Associates, Inc.:
We are using two sources of information. One is a set of slides (Exhibit D) and the second is this document which includes the report (Exhibit E). We will begin with slide number 2, which will give you a very broad overview of what we are trying to do.

Let us turn to slide 3. It has already been mentioned that this work was undertaken under the basis of an RFP, which is the case in many of these studies. APA is a firm in Denver, which was founded in 1983. Our clientele is primarily legislatures. When we started, we worked with states to help them to evaluate and, in some cases, build their school funding formulas. We have built those in several states and to this day we help people evaluate those.

I want to spend just a few minutes talking about the items that are listed on the bottom of slide 3. Those are the three broad areas that we were asked to work in here: adequacy, equity, formula factors. For those of you who are familiar with school finance, you know that people bandy about these words "adequacy" and "equity," but they do have some meaning and some context. This notion of adequacy is the first one I will talk about. Over the time that I have been involved in this, there have been waves of reform. There have been periods of time when different kinds of approaches were used to improve education. In 1983, "A Nation At Risk" was issued, which was a report from the federal government that stimulated a particular response in much of states. This idea of standards-based reforms started in the early 1990s and it is currently the longest lasting wave of reform. Under standards-based reform, states have a particular role that they play. The new role is that the state sets the standard; they set the objectives of what they want kids to know and be able to do. Having set those standards, they also measure how well people are doing. Given that they have measures of how well schools are doing, they also have systems in place to hold them accountable. Those are the three characteristics. You set your standards. You measure how well people are doing and then you hold people accountable with consequences. This started in Kentucky in 1990, but it swept the country, and by the late 1990s, many states were involved in this.

The passage of No Child Left Behind (NCLB) in 2001 it became the epitome of standards-based reform and it follows those steps that I just described. Every state defines what it thinks the kids should know and be able to do. Every state measures how well it does and holds school districts accountable for performance for which there are consequences. When that was put in place a few people asked the question, "How much would it cost the school district for their kids to be successful?" Nobody knew how to do that. No one was asking the question. Soon after, this kind of movement started. They would be held accountable, but they did not have the resources to actually be successful. They needed to figure out what those resources were and how much it would cost and then tell their legislators what they found. That started happening around the country. The second topic, equity, is a much older concern of school finance. States have been concerned about this almost from the time they first started providing state aid, which goes back to the 1850s. In the early 1900s, states understood that there were vast differences in the fiscal capacity of school districts and differences in the way the states provided money. This meant that some districts had more than others even when they did not have greater needs.

This concern about equity arose. People are concerned about what they call "student equity," which is measured by the resources that are available in the different districts. Why does one district have more resources than another one? They are also concerned about "tax payer equity," which means the effort that the various jurisdictions make to support education. Understanding the amount of variation and why it exists is what we need to measure. We know how to determine whether a system is equitable or not and we know what to do when we find a system that is not measuring up.

The third thing that we were asked to do was to create formula factors. As you know, this State has a procedure for allocating money to schools. There are differences in size, but also in a variety of other factors that affect the cost of providing education. Any formula has to figure out what those factors are and find a way to take them into consideration. We were asked to figure out how all of the information we were producing might be used in a formula. We will talk about that a little later.

Slide 4 (Exhibit D) has a very broad overview of the process that we used to do this. We had a particular approach to looking at equity. We also looked at the formula factors. If you look at the first part, adequacy, there are several methods that have been developed for figuring this. We chose to use some of them in this case. You will hear people talk about four methods. We focused primarily on two, but we used the other two in a supplementary way. The two approaches we used are the "successful schools approach" and "the professional judgment approach." Both approaches have very different assumptions. In the case of the successful schools, we are looking at schools in this State. We looked at the school level, not the district level, and used just the base cost, which is the cost of serving kids with no special needs who are attending schools in districts that have no special characteristics. The only thing you can do using this approach is figure the base cost. There had to be ways of adjusting for kids in Special Education or with language difficulties.

The second approach, the professional judgment approach, provides not only a base cost, but also information about those adjustments. It is a more rigorous and a richer kind of way, and yields much more information. The assumption that you use when you do this is different. The assumption for the professional judgment approach is that we can get groups of educators together. We can put them in a hypothetical situation, a school district of this size, with this many kids and so on, and they can tell us what kind of resources would be necessary in order for the kids in that district to be successful, to meet the standards that we are talking about. These are people who were selected because of their experience and success in providing educational services. These people's opinions are "costed out" by us later.

There is a third approach which some people refer to as a "statistical analysis." Not many people have been able to use that approach to come up with either the base cost or adjustments. We were able to get some information from the professional judgment approach, but we needed more and we got that from a statistical analysis.

Though it is not written here, the fourth approach is referred to as the "evidence-based approach." That is an attempt to look at the research and say that these are the things people seem to think make schools better. Just as Assemblywoman Smith mentioned earlier, capital funds, capital outlayered debt service, and transportation are not included here; these items are typically not done in these kinds of studies and they are not related to performance of kids. They require a whole different approach in order to study, and it is costly. It was not feasible. When we use the professional judgment approach, we should also require schools to actually deliver services in the very way that those professional judgment groups suggested that they be organized. What should come out of the study is the amount of money that school districts need, but we want them to determine how to spend that money. The whole point is in support of the standards-based performance approach. We need to figure out how much money school districts need, to give them the money, and to let them decide how best to spend it. Your job is to hold them accountable for how well those kids are doing. That is the way it is supposed to work. When you use the successful school district approach, you are looking at how well people are performing today. The figures you get back are related to now. When you do the professional judgment approach, you are looking to the future. You are looking, for example, to that NCLB requirement that almost all children be proficient in 2013-2014. One is looking at the present or slightly backwards, another is looking at the future. To some extent, you are likely to get differences in terms of spending that is associated with those approaches. What you did a year ago helped pave the way for other states to do this kind of work. Maryland is a case in point. Maryland did a study in 2000-2001. It served as the basis of a change in their formula which has been implemented and is being funded. The whole new formula is based entirely on that study and its results. You can go to their website and find all of that. It is out in the public domain. In addition to that, places like Arkansas have used that approach to study this. Pennsylvania, Washington, Rhode Island, New Jersey, and North Dakota are also using this approach. There are more and more official state agencies that are trying to figure out the cost to implement this standard-based form and if that is the way to go. If you go back to slide 4, the equity, I will very briefly describe the statistical approach that we took to measuring that. As far as formula factors go, there are a couple that we were asked to look at. One was "geographic cost differences." This is something that if you go into a state just about everyone agrees exists. They have in their formula a procedure for recognizing the fact that costs in part of the State are different than the costs in another. We were asked to look at inflation and how you might measure that. We also compared the costs of adequacy, district by district, to the actual spending, based on the 2003-2004 year, the latest year for which we had data.

Justin Silverstein, Senior Associate, Augenblick, Palaich & Associates, Inc.:
The first approach we are going to discuss is the successful schools approach. This is a data-driven approach and it has two constraints: looking at current spending and at base-cost figures from successful schools. It does not give us any of the adjustments for the special needs population. We can only get a base-cost figure per student in a regular district that has no special needs. There are four steps that we used in implementing the successful schools approach. The first is that you have to identify the criteria in order to select successful schools. You then actually select those schools. You have to identify the spending for each of those schools. We then took another step when looking at spending and tried to look at the efficiency with which those schools spend in a couple of different categories. The first thing we had to do in implementing the approach was to set a target with which to measure school's success.

We are going to talk about a very specific target. That does not mean schools that did not meet this are not successful or that they are failing or not doing well with their students. The criteria we laid out really had two filters. The first filter was looking at the school's performance on the last three years of performance data available for 2002-2003, 2003-2004 and 2004-2005. We looked at their math and reading performance for every school in the State and compared it to the trend to see what their growth looks like—if their school is growing at a rate that showed that they would meet the 2008-2009 NCLB standards, which are higher than today's standards. We deemed schools successful for this approach on that first filter.

The second filter was taking a look at how well those schools were doing with their special needs population. We looked at six tests for each school: Special Education, At-Risk, ELL, and scores for both reading and math for populations. It gives us six data points to look at with the special needs population. We looked to see if two of those six populations were meeting the current 2004-2005 NCLB standards. We are breaking out the performance for the subpopulation, so the district had to meet two of six. In order to be successful, the school in Nevada had to first meet the growth standard targeting 2008-2009 and also the current standard of having two of six subpopulations, which would meet the 2004-2005 standard. When you put those into place, you come up with 118 successful schools in Nevada. Table II-1 (page 67 of Exhibit E) shows the list of all 118 successful schools that have been identified as part of this process: elementary schools, middle schools, and high schools. We need to know performance of the school and their spending. Private schools, at this time, do not take the State Assessments, so they do not have comparison data. They are not required to turn in their expenditure data to any governmental agency, so they can be included in this analysis.

The first thing we had to do for every school in this State is identify the base cost spending. It is one of the few states that uses data that allows us to actually collect school-level expenditure data, which most states are not doing. We wanted to look at the efficiency again within these schools in three key expenditure areas. We took all base spending and we broke it up into instruction, administration, and building maintenance and operations. Then we looked at those three expenditure areas separately. Looking at all 118 successful schools and developing a metric to measure the efficiency in those three categories for each of the schools. The metric for construction was simply the teachers per 1,000 students in the school. The metric for administration was the administrators per 1,000 students. We eliminated the top 16 percent of schools that either had the highest birth per 1,000 metrics or the higher spending at maintenance and operation. Tables on pages 15, 16, and 17 (pages 68-70 of Exhibit E) show who was included in each of the groups once we have made this filter for efficiency. There were 101 schools left when looking at instruction, 93 left for administration, and 98 of the 118 were left with building maintenance and operation. That leads us to the results on page 13 (page 66 of Exhibit E).

On page 13 is a bolded title identifying their raw base costs. The numbers below break out the per-pupil base-costs figures for each of those three categories. For the 101 schools kept in for instruction, there was a weighted average base cost of $3,277. For the 93 schools—for administration—the cost was $429 per pupil. For the 98 schools—for building maintenance and operations—there was a spending of $556 for that area, for a total of $4,660 per pupil in 2003-2004. The base-cost level was identified through the successful schools approach. That is talking about current standards in 2003-2004 dollars. That is the only number we get from the successful schools approach. Slide 7 (Exhibit D), starts out by talking about the professional judgment approach, which gives us more figures. There are five steps here towards a standard that we use throughout this approach. Again, since we are measuring future results with the professional judgment approach, it is going to be different than what you are measuring with successful schools.

We need to create what we will call hypothetical districts in order for these panels to work. You have to select members from the panels. You have to run those panels and then we, APA, have to cost out the results of the panels. The standard we developed incorporated many of the state standards, both input and output standards for Nevada, and also included in the NCLB future standard of nearly 100 percent of students being successful. That was part of the RFP and the standard that we set for the professional judgment shown in Appendix B (page 170 of Exhibit E). It is a summary of the key points and is the keystone to this whole approach. It is what we keep out in front of these professional judgment panels members the whole time. The hypothetical districts that we have these panels work on are not prototypes. All 17 districts in Nevada are broken up by size and then into three different size points that we wanted to look at in this State. We looked at the average size district within those three groups. We also looked at the average size and type of schools, and whether they run in K-8 or K-5, middle schools, high schools, and the average size of those schools to create the hypotheticals that will have these panels work on. We also look at the average demographics in these groups. When we look at the percentage of At-Risk, Special Ed, or ELLs, we are talking about the average for these size groups in Nevada. We are trying to make these hypotheticals recognizable for the professionals who will be sitting down in these panels. The next step once you identify the hypotheticals is to identify what professionals you actually want serving on these panels. We asked that a number of those participants come from those schools that we had identified as successful. We wanted to make sure we included geographic diversity and size diversity if it did not come out through the successful schools list. In the end, 39 people participated. They are all Nevada educators. They range from teachers to superintendents to business managers, principals, curriculum directors, special education specialists—educators participated from around the State.

There were six panels that look much like those in other states. We added a few new panels here in Nevada: school-level panels with which you build the resources needed for that hypothetical district building process; career and technical education; special needs students panels, which includes Special Education, At-Risk, and ELLs. We had district level panels, and then the statewide review panels. In these panels, we bring the educators together and there are two APA staff members who work with every panel. We facilitate the discussion and collect the data. We do not participate with the panels and our suggestions do not go on the page. We are facilitating discussion over the two-day period and making sure people stay on a time line. We spend an hour to an hour-and-a-half talking about the overall process. When people sit down on these panels, they have never done anything like this, and that is done on purpose. We have asked them to bring their experience to the table and to work in a consensus-building process to talk about what resources are going to be necessary to get up to this very specific standard.

They are not there to build a dream school. You might hear the term, "wish list." That is not what they are there for, and I am sure most of the educators who are on those panels could build you their dream school. Most of these people have been in education for up to 30 years. They could tell you what their perfect school looks like, but that is not what we are asking them to do. We are facilitating discussion that talks about what it is going to take between now and 2013-2014 to get these students up to a high standard, so nearly 100 percent of students meet proficiency level on the State test. That is the discussion point and we make that standard bright yellow and ask them to keep it in front of them at all times. If a party discussion starts going towards what we think is a wish list type of an idea, we hold that up. Page 25 in your report (page 78 of Exhibit D) includes information from that fourth approach, which is the evidence-based approach. The evidence-based approach has been in use around the country for different reasons to look at adequacy. We want the resources to be specific to Nevada. They start again with these resources, which in this case were developed by David Conley from the University of Oregon, and Kent McGuire, Dean of Education at Temple University.

We spend days with each of these panels: the school panels, the career tech panel, the special needs panel, the district panel, and the statewide panel. We build school-level resources first for regular education kids. We ask them to identify additional resources for At-Risk students, Special Education kids and for ELLs. This allows us to build these other parameters that you need to run a formula. We run them through a statewide panel and review all of the information in order to decide whether or not it makes sense for them to be inconsistent due to size—that is the one big factor. The panel has talked about small class sizes and low pupil-to-teacher ratio, especially in the low grades. They wanted more support personnel in the large classes, so that was important. Full-day kindergarten came up in every panel we talked to. We did not come in and say, "You are going to do full-day kindergarten." That was an option for the panels. Every one of the panels identified full-day kindergarten as a need in this State. We looked at before- and after-school programs, summer school programs, and Saturday school programs. Some of those were for all students while some were for just At-Risk students, or Special Education students. They could differentiate who they wanted programs for.

Teachers felt they needed to be able to have more time to develop their skills in order to differentiate learning for all students in their classrooms and to get to this higher standard. As the standard grows, more of those kids in the classroom have to exceed. It all leads to—where we start looking at results is on page 38 (page 91 of Exhibit E). The discussion is about what type of people and how many of them you need for different types of students in order to get to this specific standard. Table III-3A shows the people that those panels identified. This is the result of the work of the six panels and the Nevada educators. In the other tables in this chapter, we lay out some of the technology information. They looked at technology separately. We lay out some material costs and student activities in a number of different cost areas. The next step is for APA to cost out all of these resources and start to look at what the results are for each of the different hypotheticals. In order to do that, we have to apply a salary and benefits to personnel. We took average salaries to cost this out. We made no adjustments to current salaries, so we are not making any determinations as to whether the salaries are correct. That is how we costed out all of these figures, which turns us to the true results of the professional judgment on page 60 (page 113 of Exhibit E).

There are three hypothetical districts—one district with 780 students, one with 6,500 and one with 50,000 students. You start to see the per-pupil costs generated by the resources from Table III, multiplied by the salaries and the benefits, divided by kids, and here are the actual per-pupil numbers. In the 6,500 student district, base-level spending for students with no special needs is $6,242 at the school level. Their district level costs are $1,626 for a total base-cost figure of $7,868. That is the result of the professional judgment at the base level for a moderate district. You then have additional costs associated with the special needs populations. For example, your At-Risk students need an additional $2,256 to secure the resources in a moderate district to get that student up to that higher standard. If you have a moderate size district and one student is also At-Risk, you first need the $7,868 and then an additional $2,256. The next step is to make these figures applicable to all 17 districts in Nevada. That is what John is going to talk about next.

John Augenblick:
How do we translate these numbers that he has just shown you into formulas that can be applied to any district with any set of circumstances? We create ratios to the base cost. In essence, that is building what people around the country have come to call "student weights." A weight is a number that reflects the cost of providing a particular service back to the base cost. We took those figures, graphed them, and created curves that connected them. We looked at the equations for those figures, and we used those equations to figure

out what we wanted to do in terms of setting up these weights. That is also combined with size adjustment. There is a relationship between size, base costs, and adjustments that starts to get complicated.

Using some of the figures from the professional judgment approach and combining them with the statistical approach figures that we had, we created a size-adjusted base cost. Again, these are two different standards that you are trying to meet. An example of its results is shown on slide 10 (Exhibit D).

These results would occur if we applied these formulas to districts with 100, 500, or 2,500 kids. Look down the left-hand column. With a district of 100, 500, or 2,500 kids, you work your way across and see what the base cost would be in 2003-2004. If you use the successful school base-cost figure, it would be $9,975. If you use the professional judgment, it would be $15,480. In addition to that, as you work your way across, you will see the added weight for three different levels of education: mild, moderate to severe, and At-Risk. This is being measured by the number of kids eligible for free or reduced-price lunch, and ELLs. Under that $9,975, you will notice that as the size of the district increases, the figure goes down. There are economies of scale associated with having larger districts. It means the base cost per student actually goes down. Since we are running the same formula for the size adjustment for the successful school and the professional judgment base, the professional judgment goes down too. They are higher because we are achieving a higher standard, but they go down in the same way and they drop fairly precipitously. If you look at slide 11 (Exhibit D), you will see a graph of those two columns showing you that when you are very small, the cost per student is very high, and as you get larger, the cost continue to go down. Go back to slide 10 (Exhibit D) and go to the mild Special Ed count, and there you will see figures—the top one is 1.04, and that figure drops to .89 as you move down. That figure goes down as the size increases and all of the figures go down with the exception of At-Risk.

The next thing we did with those figures is apply them against every school district. We looked at each district and its characteristics, then applied the formulas to determine what the cost of adequacy would be in each district. Now I have a figure in that district, and I want to compare that figure to what they are actually spending. I am looking at what they are spending in 2003-2004, not including transportation and capital outlay. When I do that, I get the figures that are shown on slide 12 (Exhibit D). Now these are statewide totals. Under the statewide totals, if you look at the spending of the districts in 2003-2004, and add it all up, you would come up with $2.23 billion. If you added up all the spending that would be needed to meet the successful school base, the figure would be $2.3 billion, so it is very close. If you were trying to meet much higher standard of every child being proficient, the figure jumps to $3.56 billion. On page 79 (page 132 of Exhibit E), we are looking at the school districts organized by the small, moderate, and large groups. If you run across on the grand total on the far right, you will see a figure of $2.295 million or $6,221 per student. That is in comparison to the $2.231 billion that was actually being spent that year or $6,046 per student. Be aware that this includes districts with spending above the target that we were setting. This is the successful school base figure. So, there were some districts that were spending above that and others that were spending below it. The next couple of pages try to differentiate that.

Slide 13 (Exhibit D) talks about equity. When you are looking at equity, you are looking at the variation among the districts in their spending. There has to be a way of measuring that variation. One of the measures is referred to as the coefficient of variation, which is a statistic. The lowest number you can get if you run that figure is zero. If I had a bunch of school districts where I was looking at the spending and the coefficient of variation was zero, it would mean their spending was the same. In school finance, people talk about a figure of 0.15 being a good figure. There is no basis for that other than experience. We ran that figure against your numbers. We did it several different ways. If you take the spending of each district, divide by the number of kids in the district—counting each district the same, so that the smallest district in the State has the same impact on the result as the largest district does—then you would get a coefficient of variation of 0.473. This appears to be high. It would be perfectly reasonable for a district with a large population of At-Risk students to spend more than a district with a small number of At-Risk students. Taking that into consideration, and using the weights that we just talked about, you could get a coefficient of variation of 0.235. Your student equity is almost perfect. These figures show that the system you are using to allocate money is sensitive to the needs of the district. Our conclusion is that the general construction of your formula seems okay. You are one of the few states that requires all districts to have the same tax rates. Most states permit districts to tax themselves very differently. Here you also have taxpayer equity. Our conclusion is that you have an extraordinarily good system. That means that your school finance system is accomplishing a very important goal. Slide 14 (Exhibit D) summarizes some of the other formula factors we looked at. We determined in this State the primary contributor is the difference in housing costs. If you are able to look at that, you can create what we call a "location cost metric." It is a number designed to take into consideration many different costs between districts. It turns out the differences in the price of food do not make that much difference in the total cost differences between districts. What does make a difference is housing costs. People say it is complicated to take the results of these studies and do something with them. Here is one of the complications. Another adjustment we tried to look at was an inflation adjustment from one year to the next. It does not affect a particular year, but the change from one year to the next. We developed a procedure. That produced a result, and people did not understand or like the result. The legislative staff developed an approach. They came up with a figure that we could use in the future that is about 2.3 percent annual inflation over the next few years. Slide 15 (Exhibit D) is the last slide. A successful schools base reflects the cost of doing business today and meeting the standard as it exists today. When we did this work on the 2003-2004 year, the standard was that about 50 percent of the kids had to be proficient. We are going to 100 percent. People believe that more resources are needed if they are actually going to meet that standard of 100 percent because they have already taken care of the kids who are easy. Now that you have to start dealing with the ones who are difficult, costs go up. The professional judgment base represents the future and what you need to get to. If you were to take these figures and create a formula out of them, you would want to avoid double counting. There are probably students who are both At-Risk and Special Ed. It actually counts them separately as if they are going to get all the weights. You probably would not implement it that way. You would probably want to run it in a way that would only give one weight per student and would lower the cost below what we have done. We do not have any way of knowing who counts in two categories, so you would have to figure that out. Maryland figured out a way to do that. You would also want to take into consideration the availability of federal funds. We are talking about the cost, but now we are going to switch at some point to talk about revenue. Where is the money coming from to pay for this? One source that is not going away is federal money. Most of the federal money is for special needs. You can adjust those weights downwards to reflect the availability of federal money, and we have done that in other places. You can do it here.

Chair Parnell:
I have a question regarding the last page in your document (Exhibit D). It is interesting that you made the comment about avoiding double counting, but in NCLB, the testing not only double counts, but can quadruple count. Something that bothers me about NCLB is that we could have a minority student who is low income in Special Education and his or her score is going to show up numerous times. If you are going to continue, you can almost make an argument for double counting because that individual is tested in that sense as well. I am wondering if other states that have spent a little extra money, saved money down the road. It is like putting double-pane windows in your house to

save money on your gas bill. Are we seeing that and would we expect that as a result of implementation?

John Augenblick:
Hypothetically, we would expect it. If you are putting resources into the lower grades, assume that those resources have some impact and you do not have to take care of a problem in the higher grades. You may not assume 100 percent, but you can assume they have some impact. There are not too many states that are very far down this line. It just has not been around that long, similar to NCLB. Maryland implemented this in 2002, and I think that they took some time to do it. They are in the final or next to final year of full implementation. I know that people are turning to them and asking them that very question. They ask them if it has saved them money or not. Arkansas has been doing this now for a couple of years, and Kansas is in the midst of implementing it. Wyoming is implementing it. I do not know of any research that actually draws the conclusion.

Chair Parnell:
Another argument to consider when looking at the weighted student model is that you take a student who starts kindergarten and first grade with lots of potential and no particular problems, and that child, if issues are not addressed, might become an At-Risk student or might get further behind. You are looking at students who could start at that regular weight and without intervention and programs in place become a more expensive student.

John Augenblick:
That depends on how you count them because when you do it based on the free and reduced lunch that might not happen. What would happen if you chose to do it more directly? Characterizing At-Risk students as those two years behind is the way that people would like to talk about it, but it has not been done yet.

Assemblyman Stewart:
First of all, I understand that you did not include the construction costs in there and that there are too many problems with that, but not including costs is like preparing a home project without including the mortgage. I know in Clark County we have bond issues where we construct about ten schools per year and we remodel many schools, a huge cost. Yet that is never included in this figure. These remodels and new schools provide an environment for the students, which is much more conducive to learning. I think we need to consider that when we are thinking of the total cost of education. Secondly, on your panels—this seems to be common among educational studies—we have

superintendents, experts, principals, and teachers, but we never have students on these panels. In my view, the real experts on determining whether the schools are being successful or not are the kids. We never ask them. Can you comment on those two things please?

John Augenblick:
Well, let me comment on the construction. No one would disagree with you, and we understand that. I think that there is information coming out of the Committee related to that. It just could not come out of this study. There are three states—Arizona, Wyoming and Ohio that have done surveys of their buildings. That requires architects and engineers and is costing hundreds of thousands of dollars. They have an $11 billion program in Ohio to improve other school buildings, and they have a process to evaluate whose needs come first, whether the district can pay a portion of it, and how much they are going to pay.

Justin Silverstein:
It is a very good point. We do not have students on the panels. I got started in education by helping to create the Colorado Student Accountability Committee in the early 1990s and saying that students should be involved in coming up with standards-based reform. It is something that we should probably look at. At the same time, the people that we are putting on the panels are able to talk very specifically about resources that are needed. Students could help us talk about programs that really work for them. It is something we did not do here, but should look at.

Senator Heck:
In looking at what schools meet your criteria for being deemed successful, and then backwards engineering to see how much they have spent on education, it seems that you are making the assumption that it is the amount they spend that is directly attributable to their level of success. When you only include two of the six special population screening factors, how do you account for the variables of student demographics, parent involvement, and all of the intangibles that probably have just as much, if not a greater impact, on the level of success of those schools as opposed to the amount spent?

John Augenblick:
No one can argue that any of these approaches are perfect, and we certainly would not. They are an attempt to be logical and orderly about data and information. We are making the assumption that there is some relationship between the spending that is going on in these places and their performance. That is not a statistically obvious thing. Some people will tell you that there is

no statistical relationship. Yet, we have to have a way of funding schools and we have to have some way of coming up with a number. We refer to it as being logical and orderly. We did that by setting the criteria that Justin described. If we had put, for example, that they had to meet all six—English and math for Special Education, At-Risk, ELL, and so on—we might not have found very many places. That would have been tough. That was just a way of finding the places that we thought were on that path to doing well. When we look at their spending, we try to exclude all of the spending for At-Risk kids. We are just looking at the base. We are looking at what they are spending on regular kids, if you will. Without that data, we would have done what we did in Maryland, which was a survey of the school districts and having them estimate those figures themselves because the state did not collect the information. We are doing our very best to make it logical and orderly, but it is not statistically proven.

Assemblyman Mabey:
As I heard your presentation, I heard phrases like, "we made assumptions," "hypotheticals," "we created ratios," "made formulas," "we made the formula fit," or "we are resolving complications or size adjustments". Can you really do an adequacy study? What if the assumption is wrong? What if one of these hypotheticals is wrong? I appreciate the effort, but, in the end, can we really do an adequacy study?

John Augenblick:
Unless someone came up with a different way to do it—and we have not heard any—we think it is quite useful. Legislators in other states have accepted this work, and in some cases, the courts have accepted this work. We hope, as everybody in this business does, that over time and in the world of social science, people do better. This is the best that we can do right now, and we think it is good enough. The choice is up to you.

Assemblyman Beers:
Over the years I have spoken to probably 200 teachers. One of the things that we continually hear is parental involvement. It seems to be one of the baseline standards of an excelling student. It seems to me that it should be part of the baseline in this type of study and what type of resources it takes to gain additional parental involvement. It seems to me that teachers and educators would have thoughts on that.

John Augenblick:
You are absolutely correct and it is not easy to find it in a report. This panel has the same concern. They built in resources, whether it be social workers or

other people that they believe need to be there. It is in there, but it is not identified as a specific item. They are very concerned about that. On page 40 (page 93 of Exhibit E), there are two tables and on the third line from the bottom is something called a "Parent Liaison." Particularly in the case of At-Risk kids, people felt it necessary to improve parental involvement.

Assemblyman Segerblom:
You are saying that if we spend at this higher level, every student in every school is going to be proficient?

John Augenblick:
The people who sat on those panels had specified the resources that we need. We never say 100 percent, but let us say almost all kids meet that standard to become proficient. Now, are you willing to take a blood oath that that is the case? The panelists tell us that based on their experience and their knowledge that they have those resources in place, they could be held accountable for the performance of those kids in a way in which they do not feel comfortable being held accountable today.

Assemblyman Segerblom:
Are you aware of any experience which tells you that you can spend money and make certain people proficient? I just do not think that that would ever happen.

John Augenblick:
I have the evidence-based information and there are many studies. They cannot tell you that they will be proficient. They can tell you that they will improve the performance of the kids. That is where they kind of fall down, and we do not feel too comfortable. I do not have an answer to that. I mean, there is no answer. All of you make the decision about how to fund the schools. There has to be a number out there. Is this kind of analysis better than doing nothing?

Assemblyman Segerblom:
Is there any evidence that if school districts increase their spending, the performance would go up?

John Augenblick:
Yes. In New Jersey there is a group of school districts referred to as the Abbott School Districts. Those are 30 school districts out of 600 that under litigation have special status in that state. Over the past several years, they have received money to do many of the things that we are talking about here. The people would claim that the performance of those districts has improved significantly. I do not have that data, but you are free to get it. Those are the

areas that are urban. They are not very large. They are around 20,000 to 40,000 kids with a very high proportion of At-Risk kids. They now have summer programs, before-school programs, after-school programs—many of the things that the people here thought were important. They will tell you that they have improved dramatically.

Assemblyman Segerblom:
Would you agree that if we decreased the class size to half or doubled the number of teachers, that there should be some kind of statistical improvement? If we did that in Nevada, we would be able to see some type of improvement?

John Augenblick:
I would hope so, but I have no idea whether that is true or not.

Assemblyman Munford:
What is the role of the teachers? I think that is a factor. How do they enter into this performance on the part of the students? I know that they do, but have you included anything related to teachers?

John Augenblick:
If you look at those tables on page 40 (page 93 of Exhibit E)—go to the main report—you will see the list showing how many teachers are needed. For most of the people on those panels, the teachers are the most important. They are trying to determine how many teachers they think they will need and how big those classes should be in order to accomplish the standards. The teachers are the starting point in all of this.

Assemblyman Munford:
Are you setting standards for the teachers in terms of their backgrounds?

John Augenblick:
No, that is a separate question. That is a policy question as to whether the State wants to do that. The assumption here is that you are getting people who are qualified to do the work. This analysis determines how many you think you need.

Senator Wiener:
My passion is fitness and wellness. Have you found any indicators of a movement towards that in a successful district and if that is a component in performance?

John Augenblick:
No. We have not seen it, but that is probably because it has not been asked. If we do not ask, we do not know. One of the things that we are trying to do now is to get into some of the schools found to be successful and find out what is actually going on there. It is not as if people have not done that before. That is where they include the leadership and focus and all the rest.

Senator Wiener:
Schools that receive funding for food and services and so on are now happily participating in wellness programs because the Department of Agriculture has encouraged that in order to continue funding. That should be a substantial consideration. If you do start asking the question, it is a profound commitment that the State is now making to its children.

John Augenblick:
We suggest that you check with Arkansas about that issue.

Senator Cegavske:
The teachers who we talked about said they had to learn more of how to teach the children. Was this something they were learning from taking courses in higher education, or was this something they felt that the state district needed or was responsible for?

Justin Silverstein:
I have mentioned that as part of the professional judgment explanation. It was not part of our discussion. We did not discuss what they needed to do to have the institution at a higher level. This was not from the universities as part of their professional development within the district. They would be working together in teams to talk about what is best for the students to achieve.

Senator Cegavske:
Did you enter that into the costs? Was that part of the per-pupil cost? If teachers feel that they are better able to serve the children when they come into the classroom, would there be a cost savings on that?

Justin Silverstein:
We could not tell you many of those things right now, but you could pick up some cost savings.

Senator Cegavske:
You indicated that everybody felt that every child needed kindergarten. Was that just a blanket statement? I am just trying to figure out why a statement

like that was made on a report like this when there was no analysis. Did all the panels—not necessarily every person—come to the consensus that full-day kindergarten would be necessary in order to get students up to the standard? Did they feel that full-day kindergarten should be implemented across the board?

John Augenblick:
The cost of that is included. Whether it should be required by the State is a different question. They could do it if they wanted to, but we have also told you that the money should go to districts. The districts make a decision. One district may make a decision that all day kindergarten is exactly what they need, and another one may say no. We want to use that money for some other purpose and you have just got to decide how to approach that.

Senator Cegavske:
I probably did not ask the question correctly, but I will accept that answer. With everything that you have given us in the reports, are you coming here to say that everything that you have suggested is a recommendation? Are you putting it upon us to go in and see which we want, or are you coming to us saying that we have to take this whole thing for it to be what it should be?

John Augenblick:
The people on those panels said all of these resources together with the money associated with them should be out there.

Senator Cegavske:
So, you are advocating for everything in the report for the State to accept?

John Augenblick:
In effect, we are carrying a message to you from the people who were on those panels.

Senator Cegavske:
Do we know who those people are?

John Augenblick:
They are listed in the back in Appendix A (page 168 of Exhibit E), and you can contact them. They participated in a survey about their participation, and the results are available from the Legislature.

Senator Cegavske:
These are all employees of the school districts in our State?

John Augenblick:
Yes.

Senator Cegavske:
Were any business people included?

John Augenblick:
No outside business people. There were business officers from the school district included, but no people from the business communities.

Senator Cegavske:
Business officer?

John Augenblick:
I am not sure what the right term is—business managers maybe.

Senator Cegavske:
Administration?

John Augenblick:
Yes.

Senator Cegavske:
The school district's administration.

Assemblyman Bobzien:
Looking beyond the decisions that are made by this Legislature in terms of this report (Exhibit E), I think that it is important we maintain that data in the future. Certainly any accountability measures we are looking at are going to be a major part of it. Based on your experience with other studies and other states, are the shortcomings specific data that you were able to look at? If this were performed again in the future or if we, the Legislature, were to look at a modified version of this in future years, what would we need to have?

John Augenblick:
We certainly appreciate the fact that you have an ability to collect some information at the school level. In some cases, that data is speculative. It does not reflect actual spending of school districts or schools. There is a procedure used to put data into the particular format. If you were to do this in the future, we would encourage the State to actually take on the responsibility of creating data collection at the school level, so that this kind of fiscal information could

be provided. It would be based on accounting, not on formulas that may or may not capture what is being spent. That is the biggest weakness we found.

Assemblywoman Smith:
Something I did not mention in my opening remarks is that we also devoted part of a meeting talking about outside funding. An area of interest to me is how much money we get from outside sources for to our education system. We all know that there are parent organizations, foundations, and businesses contributing millions of dollars to our school system. We had an interesting meeting; we had many people testify and give reports, but it is not anything that we have our arms around. A big factor in this discussion, as we are talking about education and funding, is whether we think that is the right thing to do when we have parent groups raising money, hiring staff, and doing capital improvements or whether that is our responsibility.

Chair Parnell:
This week we have talked about the money needed for the prison and transportation systems. As we were going through the charts, I found it interesting that if you were to inflate your 2003-2004 figures to this year, we are still talking about a cost per student that, I would say, is approximately 25-30 percent of the cost we appropriate per inmate in this State. Just to keep the perspective, we are talking about students. When you are talking about inmates and spending about $20,000 a year, we are kind of immune to it and no one blinks, but yet we are talking here about $6,000-$8,000. Even if we spent $10,000, it would be 50 percent of the approximate cost that the State spends to serve, feed and medically care for our inmates. With that, I will turn this over to public comment and testimony.

Mary Pierczynski, Superintendent, Nevada Association of School Superintendents:
As you know, the superintendents spend much time talking about iNVest. Like everyone in this room, we are concerned about the quality of education and we want to improve student achievement for all of the students in Nevada. iNVest is a long-term plan that, if followed, would do just that—improve student achievement, as well as increase the number of students who graduate from high school skilled and prepared to succeed in higher education and enter the workforce. One of the methodologies used by APA when examining the Nevada per-pupil funding showed that in the same year that iNVest was first introduced—in 2003 that $1.3 billion was needed for Nevada students to meet the expectations of NCLB. Back in 2002, as we prepared the initiative that we eventually brought forth in 2003—in the original iNVest plan—when the numbers were calculated and tallied up, the amount came to about $1.2 billion.

As a group, we decided that it was unwise to bring forth a plan that had the "b" word in it because it would be viewed as simply too much money. We went back to the drawing board and we cut some of the programs simply to keep us in the millions rather than in the billions. Regardless of the funding, methodology used, plan for student improvement, or national comparison list you look at, Nevada students are funded much lower than most states. As we work together towards improved student achievement, the superintendents encourage you to find ways to fund education so our students can reach their full potential.

Joyce Haldeman, Representative, Clark County School District:
In Nevada, school boards and school districts do not control the revenue sources available to them. They are dependent on the State Legislature to give them the money to get the job done. Since they have no taxing authority, they cannot raise taxes or establish other funding sources other than private donations. In addition, school boards and school districts have no control over the type of student that comes into their classrooms. They may be well prepared or they may not. They may be rich children or they may be children living in poverty. They may be healthy or they may have special needs. They may speak English well or they may be uneducated even in their own language when they come to our country. In addition, the school boards and school districts have little control over the expectations placed upon them. State curriculum standards mandate what they will teach in the classrooms. The high school proficiency exam mandates what students must know in order to be graduates. With NCLB there is another layer of requirements put on them as well. They also have to meet the expectations of parents and the business community. With all of those pressures on educators, they are still committed to teaching every child and bringing them all to full proficiency. Rightly so, everyone wants to hold the educators accountable, but they must be given the adequate resources so that they can meet the expectations. On behalf of the Clark County School District, we would like to commend the Legislature for having commissioned the Adequacy Study. We think that it was timely and well done. We recognize there may be people who differ with the methodology that was used, but we believe that it would not matter what method you used to measure adequacy, you would find that Nevada was still at the bottom of the list. The people who were able to participate in this process felt that the opportunity allowed them to be thoughtful and concerned about funding. They did not feel that they were just creating a wish list. One of the parts of the Adequacy Study that really resonated with Clark County and other districts is the notion of a weighted model for students, particularly for ELL and At-Risk students and other measures. In Clark County, ELL students are our fastest growing population and it is extremely important to us to be able to serve those

students. Depending on which methodology you use, you will find that Nevada has the sixth largest student-teacher ratio in the United States. We were ranked 44th in expenditures per student. The per-pupil funding for Clark County is different than the rest of the State. If you were to extract that, it is the lowest in the State. For 70 percent of the students, that funding is even lower than all of Nevada. If you put us in the ranking separately, we would be at 49th in the nation. Even when you include capital expenditures, Nevada only moves up to 42nd in the nation. Meanwhile, Nevada is growing at about four times the rate of the rest of the country with new students. When you put all of those things together, we think the time is right for us to take a look at how we fund education in Nevada. We think this is a good opportunity. The Adequacy Study is a great baseline for you to use and decide how we can improve student achievement by meeting the needs that the superintendents have outlined in iNVest.

Dotty Merrill, Executive Director, Nevada Association of School Boards:
Our school board members believe that this recommendation is important because it is closely tied to the central charge in A.C.R. No. 10 of the 73rd Session. On page 2 of the resolution you will see that a qualified, independent, nationally recognized consultant can get a comprehensive analysis of the cost of providing adequate educational opportunities to all pupils enrolled in public schools in this State, giving primary consideration to, among other factors, the resources and services required to provide a meaningful public education to pupils with limited English proficiency.

The study divides educational services into two categories—those required for regular students, described in this study as the base cost, and those for students that have additional needs. This examined the resources and services required to provide adequate education to students with special needs. It may seem self-evident that this study concludes that students for whom English is not their first language are in the group of students who have additional needs. We sometimes take this for granted. The Association supports the concept in the Augenblick study of weighted per-pupil funding that will enable districts to provide services designed to meet the needs and educational goals of all students in Nevada, specifically ELLs. This is a group that currently comprises about 17 percent of the students enrolled in our schools. These students speak more than 90 different languages in the school districts across the State. In the report before you today (Exhibit E), the Augenblick study suggests a weighted resource distribution formula. The iNVest proposal developed by 17 school boards and superintendents requests an additional percentage for ELLs as a starting place for moving forward with this kind of a funding mechanism. It was intended to respond to the higher costs involved in meeting the educational needs of these students. Although there are many points that could be made about the Augenblick report, the fundamental thing is that the report concludes that funding should be greater for ELLs among other students. We strongly agree with that conclusion, and support a weighted funding concept like that described in the report. Such a funding mechanism is calibrated to do exactly what has been set forth in A.C.R. No. 10 of the 73rd Session, moving the State closer to supplying the fiscal resources required to provide a meaningful and adequate public education to people who have limited English proficiency. If it would be helpful, the Association would be pleased to provide information or research about why it simply costs more to provide an adequate education for English Language Learners.

Chair Parnell:
Are there any questions for any of the three presenters? [There were none.]

Anne Loring, Representative, Washoe County School District:
We are just one year away from the halfway point of NCLB. The years 2013-2014 are the dates by which your school districts are responsible for having all students in Nevada proficient in English, math, and science. It is a huge challenge, and the closer we get to meeting that goal the more difficult it is to reach those final percentages of students who need extra help. Yes, that does translate into dollars. In response to a comment from Assemblyman Segerblom, Washoe County School District has taken teams of trustees, staff members, and in one case, parents, to Brazosport and Aldine, Texas, to districts that are about the size of Washoe, but have very different demographics. These demographics are what we will look like as a district probably within the next ten years. With very challenging student populations, they are making terrific progress in improving the achievement of those student populations. Those folks talked about the work that they were doing to improve that achievement. They were tutoring students, extending the school day, making extra efforts to contact parents to improve the involvement of the parents, and having extra staffing. After about a day and a half, it dawned on us—as we thought of ourselves and what it would take for us to do that—to ask about the dollar amounts per pupil. It was considerably more than what we were spending in Washoe because of additional federal money that they got because of their different demographics. It is also about the programs and what we are doing to help young people to improve their proficiency that does translate into dollar amounts. Our board and district believe that the proposal from the superintendent, school boards, and iNVest is the road map to get us where we need to go, and that we do need to be attentive to the funding that it will take for all of our students to become proficient by 2014. We look forward to working with all of you in that effort.

Terry Hickman, Representative, Nevada State Education Association:
What will it take for every Nevada child to be proficient at grade level in 2013 and 2014? This is not meant to be a rhetorical question, but is a question that Nevada has never been asked and certainly never answered. The Adequacy Study begins to answer that question. I believe the question is not only for us to consider, but also it is the solution. The solutions have been presented in the Augenblick study. These solutions are important because they begin to answer those questions. It is not just enough to say that there are things wrong with education; we must come forward with solutions and the Adequacy Study has done that. Teachers and support professionals are constantly asked to be accountable, and we are. Are we adequate? A roadmap is a way to reach your intended destination. The Adequacy Study is a legislative roadmap for our intended destination and that destination is a quality public education for every child that leads to a well-skilled Nevada workforce.

Lonnie Shields, Assistant Executive Director, Nevada Association of School Administrators:
We also wish to commend this group for having the foresight to have the Adequacy Study completed. We recognize that we are not all going to agree with all portions of that finding, but we have to agree that we must come up with a roadmap which will help bring Nevada to the level of education and excellence that the students of this great State deserve. It will bring that excellence into the 2013-2014 target of NCLB. If we do not, we are failing the students. You and I are not going to be affected, but my grandchildren are going to be affected, so I think we have to work towards that.

Chair Parnell:
Questions for any of the three presenters? [There were none.] I will go down to Las Vegas to the next people who signed up.

Mary Jo Parise-Malloy, Board of Directors, Nevadans For Quality Education:
[Read from prepared statement, (Exhibit F).]

Alison Turner, Representative, Nevada Parent Teacher Association:
[Read from prepared statement, (Exhibit G).]

Keith Rheault, Representative, Department of Education, Nevada:
I think that, if anything, the 2007 Legislature could commit to meeting the requirements that are described in Section 8 of the report (pages 155-166 of Exhibit E) to design Nevada's school finance system to accommodate not only equity, but adequacy. I think you can phase into adequacy. The easiest way to do this is to start by using some of the weighted formulas. We know exactly

what ELLs we have, and what that would cost to fund the weighted formula for them. If you look at it, there is no argument that there are some additional costs when you have to provide additional services for students who do not speak English. Almost one in five students are ELL. Twenty years ago, there were three ELLs in 100 students. They use the same formula and there have been no adjustment to school districts with that increase. It is still just the basic support. Starting with ELLs as weighted would be my priority, but right behind it would be career and technical education programs. I used the analogy that it is like the person who is paying rent, but can never have enough to buy the house because he is putting everything he has into rent. That is what is happening in schools today. They are spending every dollar they have for remediation and meeting adequate yearly progress (AYP) purposes. They are never going to have enough money in that house to buy that house or expend career and technical programs, or to add new ones. I think the Chair is well aware of the advantages of Career and Technical Programs, if those were ever put in place. They can reduce the drop-out rate, improve the graduation rate, and the students are much happier because they have a purpose in a subject area that they want to go to school for. You have already done a study of Special Education because you have recognized, as a Legislature, that Special Education is more expensive. You funded Special Education units for at least 20 years separately, which was an adequacy piece, but it is not totally addressed. That would be my third piece, and then you can start looking at the rest of the things.

Chair Parnell:
I just want to note, for the record, that there are a couple of ladies who would like to speak, but they need to leave. For the record, Progressive Leadership Alliance of Nevada wanted to go on the record as supporting the results of the Adequacy Study.

Assemblyman Segerblom:
I want to ask Mr. Rheault a question. This report indicates that career funding is equivalent to successful schools. I also thought I heard you say that, after some kind of analysis, our equity is perfect. Are you saying that is not true?

Keith Rheault:
No, I agree. We do not need to touch our equity model at all. We have worked this last year to refine it and make it a little better. We need to leave the equity model alone. It is as good as any in the country. I think we are one of three states that have never been sued over equity matters, and it does provide a good equitable base. What I was hoping the Legislature would do is to add to that by providing some additional funding through adequacy. I suggested that you start by using weighted formulas on proven subgroups.

David Schumann, Representative, Nevada Committee for Full Statehood:
Assemblyman Segerblom raised a good question about the direct ties for the dollars. A gentleman by the name of Dr. Milton Freeman has an answer for you.

There is inverse relationship between the amount of money that the State spends on education and the academic results achieved. That is bad news, but that is what he has found after studying this for fifty years. I have distributed a handout from the Organisation for Economic Co-operation and Development (OECD) (Exhibit H). We need to focus on what our kids need. How we compare to Pennsylvania or Connecticut is not very important. The study says that our schools are substandard. When we take the Third International Math and Science test, our kids are below standard. Our kids are below all of the other industrialized nations in the world. We need to do little things like mandate higher minimum requirements of competency of teachers in English, math, and science.

I know that teachers hate pay for performance, but you do not use a state test as a guide. You use the Stanford Test or the Educational Testing Service. They have something called the Scholastic Aptitude Test (SAT), and teachers need to be rewarded for how well their kids do outside the system tests. Finally, switch from the ELL thing to English immersion. This ELL thing has been debunked. Someone said they had 90 languages, or something like that. What you do is duplicate what went on around here between about 1880 and 1920: Kids came into the country from Hungary, Poland, India, or wherever, and they were immersed. Now kids in K-8 or 10th-12th grade have more ability than us old folks to learn new languages. It happened because it worked. Finally, we passed a proposition in California because we got so tired of this. It is Proposition 227, and it was in the mid-1990s. It has English as the medium of instruction, and they do have additional resources for these ELLs, but it is in this immersion business. We need to get away from what is good for the teachers and concentrate on what our kids need. We can compare results with what some of the non-government schools are doing on things like the SAT and the Stanford Test.

Joseph Enge, Education Policy Analyst, Nevada Policy Research Institute, Carson City:
Dr. Phelps wrote an analysis and you should have that (Exhibit I). I do not have any problem with the APA study if we used hypothetical money to pay for these hypothetical schools, but we are not using hypothetical money; we are using real money, and as such, we need to bring in some very basic concepts of macro-economics. One is the law of diminishing returns. The law of

diminishing returns exists in states and in education. You will not be able to double education and double achievement. In fact, Dr. Phelps can give you the exact ratio on that. We will not see that. The answer is not just putting in more money. We need to emphasize where we allocate, as well as how much we allocate. Often we do not look at these elements. Also, I would like us to take a look at opportunity cost when we are focusing on this element. We are not focusing on some other areas that we need to address. I have heard the word "roadmap" used consistently by other speakers. iNVest 2007 is a road map; the APA Adequacy Study is a roadmap.

Richard Phelps, Representative, Nevada Policy Research Institute:
There is no inevitable march of adequacy studies or adoption of this methodology. In fact, I see just the opposite. There is now a track record. Some states, years ago, adopted the recommendations of some of these adequacy studies. Many states did not adopt them when they had a choice, and we know what the results are. In comparison with neighboring states, they have not done better, despite more spending, than their neighboring states. Sometimes they have done worse even though they are spending more. I think the results are very mixed. There is no guarantee that spending more money is going to get you the bang for the buck that you expect. I think you should look at New Jersey, as Dr. Augenblick recommended, but also look at how much money they spent. If you want to have lots of fun, try to calculate the cost-effectiveness ratio. The amount of money that they poured into those districts is just enormous. Far more money than any Western state would spend. Not every state is doing adequacy studies. Not everybody respects it in the disciplines. Education professionals like it. Economists hate it. It is true, however, that there is political pressure in every state to accept this methodology as legitimate.

You might ask yourselves if you would like an inevitable march of adequacy methodology adoption. Do you really want to go through all of this with your off-session committees, professional judgment panels, and all of the other issues you have to deal with—parks, welfare, transportation, safety, and corrections? Do want to go through this for all of those? There is a reason why it is only done in education. The APA recommended very large increases in spending, and the Maryland Legislature did not increase it because of their adequacy analysis. I recall that the Thorton Commission's overall report—which proposed a rather radical revamping of school finance system as a whole—stayed around for a while and died a natural death. Sure, the APA has some successes, but also some failures. I think they should tell you about both.

Assemblywoman Smith:
It was interesting that you remarked about doing studies for all of the other things that we fund, which has been frustrating to me recently. It does not seem like any other thing that we fund in this State generates as much angst as education funding when it is everyone's priority. It is important to us and it is our job to do this. We are trying to do it without being in court and have someone tell us what to do. It is the job of this Legislature to adequately fund our education system, but we do not have as much angst over transportation shortfalls and prison budgets that are going up 30 percent. We do not seem to feel the same way.

Assemblyman Mabey:
Do you know what the Laffer curve is by Arthur Laffer? It states that if you have zero tax, you have no revenue. There is a point where the tax is at a maximum where you get the revenue. After a certain tax, people are not going to want to work so there will be less tax. Is there a Laffer curve for education funding? Is there a curve or some metric we can use to determine what an adequate amount of funding is? We cannot diminish returns if you go to zero. How are you going to pay for school then? On the other hand, if you have lots of money, where is your Laffer curve?

Richard Phelps:
I do not know. It would be hard to separate out taxes. Taxes are fungible. If schools are funded in part or wholly by a state sales tax, those revenues go for lots of things, so which part of it is education? You might be able to do some kind of study to find out if there is dedicated funding just in school districts.

Assemblyman Mabey:
I am just trying to find an answer to the question. What is the right amount of funding?

Richard Phelps:
How do you decide the right amount of funding for anything else?

Assemblyman Bobzien:
Social science, as we understand it in this room, is not always going to be perfectly scientific in terms of hard science. We are up here trying to come up with some sort of methodology to determine what adequate funding is. What can you provide to us, if this does not follow any scientific method? I think we know that you are leveling a charge against this study. What is the right way?

Richard Phelps:
How do you decide how much money to spend on anything else? You do not do adequacy studies. How do you do it?

Joseph Enge:
The thing about hard science is that you can replicate it consistently. With this particular study and consultant they come up with completely different figures for same size schools when I do not believe there is a big variation between Maryland and Oregon. A school in Oregon with 500 kids came out with 23 teachers, according to the study, and then in Maryland and Wyoming it came out to 33. That is a big difference in your payroll costs. That is very unscientific.

Chair Parnell:
I do not think they did Oregon. Is there anyone that would like to rebut this testimony? If not, we will cease testimony.

Justin Silverstein:
We did not do either Oregon or Wyoming. They are included in our reports on tables to actually lay out the issues that they are bringing up, so that you could have different resources and different places. Keep in mind that all states have different standards, and that some of these studies were done before NCLB. You would expect resources to be a little different. We did some research during the break when the assertion was made that we had been a little dishonest about Maryland. The Maryland resources, as best we can tell, were fully implemented. It was a six-year phase-in and there were issues about where to appropriate the revenues. The actual recommendations from the Thorton Commission based on the adequacy work we did—using both successful schools and professional judgment—were implemented almost fully into their current finance system. We can give you information on exactly how much money was raised over time. I believe they put in an extra $400 million from last year to this year based on these recommendations. In fact, the information that we could find is that state funding over these six years was going to be increased 75 percent. They used the weighted system. It is a 1.0 weight for their ELLs, backing off a piece of that for the available federal revenues for At-Risk students. I do not know the exact weight for Special Education, but it is somewhere over 1.0. All of that is in their current finance system. It is generally regarded in school finance as the first place for adequacy. It was put into place outside of a court case and has been in place for a number of years.

Assemblyman Segerblom:
Are you aware of any studies that have been done to compare various occupations? If we are trying to recruit teachers, is there a study that compares salaries of teachers to occupations such as police officers, firefighters, or lawyers? Is there any study that shows that money directed at teachers produces a better teacher?

Justin Silverstein:
I could not refer you to a study specifically on that point, but I know people are looking at what it takes to attract or obtain qualified teachers and what it would take to get them to come in from other professions. That depends partly on the economy. When we had recessions, people were coming to teaching from other industries. When the economy got better, they went away. To me that would say that the pay was an indicator.

Chair Parnell:
Meeting adjourned [at 5:27 P.M.]

RESPECTFULLY SUBMITTED:

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Denise Dunning
Committee Secretary

APPROVED BY:

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Assemblywoman Bonnie Parnell, Chair

DATE:____________________________________

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Senator Maurice Washington, Chair

DATE:____________________________________

EXHIBITS

Committee Name: Assembly Committee on Education/Senate Committee on Human Resources and Education

Date: February 14, 2007 **Time of Meeting: 2:30 p.m.**

Bill	Exhibit	Witness / Agency	Description
	A		Assembly Agenda
	B		Attendance Roster
	C	Assemblywoman Smith, LCB	A.C.R. 10 Study
	D	John Augenblick, Augenblick, Palaich & Associates	Power Point Slides
	E	John Augenblick, Augenblick, Palaich & Associates	School Financing Adequacy Report
	F	Mary Jo Parise-Malloy, Nevadans for Quality Education	Written Testimony
	G	Alison Turner, Nevada Parent Teacher Association	Written Testimony
	H	David Schumann, NV Committee for Full Statehood	OECD Economic Survey
	I	Joseph Enge, NV Policy Research Institute	"analysis" "The School Funding Adequacy Evasion"