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

Seventy-Fourth Session
April 10, 2007

The Assembly Committee on Ways and Means and the Senate Committee on Finance, Joint Subcommittee on K-12/Human Services was called to order by Chair Debbie Smith at 8:18 a.m., on Tuesday, April 10, 2007, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, 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 Debbie Smith, Chair
Assemblywoman Barbara E. Buckley
Assemblyman Mo Denis
Assemblywoman Heidi S. Gansert
Assemblywoman Sheila Leslie
Assemblywoman Valerie E. Weber

SENATE COMMITTEE MEMBERS PRESENT:

Senator Barbara K. Cegavske
Senator William J. Raggio
Senator Bernice Mathews
Senator Dina Titus

STAFF MEMBERS PRESENT:

Mark W. Stevens, Assembly Fiscal Analyst
Gary Ghiggeri, Senate Fiscal Analyst
Bob Atkinson, Senior Program Analyst
Mindy Martini, Program Analyst
Carol Thomsen, Committee Secretary
Connie Davis, Committee Secretary

Chairwoman Smith informed the Subcommittee that the meeting would begin with a presentation on iNVest '07, and she asked those present on behalf of iNVest '07 to come forward and address the Subcommittee.

Dr. Mary Pierczynski, Superintendent of the Carson City School District and President of the Nevada Association of School Superintendents (NASS), introduced the following persons to the Subcommittee: Sheila Moulton, Board of Trustees, Clark County School District and President of the

Nevada Association of School Boards (NASB); Paul Dugan, Superintendent of Washoe County School District and Vice-President of NASS; Dr. Walt Rulffes, Superintendent of the Clark County School District; and Joyce Haldeman, Executive Director, Community and Government Relations, Clark County School District. Dr. Pierczynski advised the Subcommittee that Ms. Moulton would begin the presentation with background information about the iNVest program.

Ms. Moulton stated that she was present at the hearing to represent the NASB, which included the 17 elected school boards across the State. Ms. Moulton commented that every conscientious legislator and taxpayer wanted proof that money dedicated to school programs was well spent. Legislators and taxpayers had a right to know that the programs they were funding were effective and producing the desired results.

Ms. Moulton referenced the PowerPoint presentation regarding iNVest '07 (Exhibit C), which included the return on the investments that commenced with the 2003 Legislature. Although there was still room for improvement, the NASB believed that schools had turned the corner with respect to student achievement.

According to Ms. Moulton, during the 2004-05 school year, 5 of Nevada's public schools were designated as exemplary, and during the 2005-06 school year, that number grew to 17 schools. During the 2004-05 school year, 52 of Nevada's schools were designated as high achieving, and during the 2005-06 school year that number increased to 79 schools. Ms. Moulton explained that during the 2004-05 school year, 165 of Nevada's schools were designated on the watch list, and that number dropped to 55 during school year 2005-06.

Ms. Moulton stated that, most importantly, more schools reached the adequate yearly progress targets for the 2005-06 school year than in any previous year. Well-documented evidence demonstrated that academic achievement in the 17 school districts was moving upward, and the NASB appreciated the fiscal support provided by the Legislature to help Nevada schools on the road to improvement.

Ms. Moulton stated that the iNVest initiatives were born in 2001, prior to the 71st Legislative Session, when the superintendents from the state's two largest school districts met with then Governor Guinn to encourage him to increase funding for K-12 education. Governor Guinn informed the superintendents that the proposal was too late to have an impact on the budgets considered by the 2001 Legislature, and the superintendents should unify the education community to present a collaborative proposal designed to improve education across the State to the 2003 Legislature. Ms. Moulton said that after the conversation with the Governor, the superintendents and school board members worked together to develop a blueprint to answer the question about what was needed to improve student achievement in Nevada.

Ms. Moulton indicated that the result of that work was a document now known as iNVest, an acronym for "Investing in Nevada's Education, Students, and Teachers," submitted for the first time for consideration to the 2003 Legislature. Thanks to the assistance from the Nevada Legislature during the 2003 Session, more than one-third of the programs identified in iNVest were approved and funded, either in part or in total.

According to Ms. Moulton, prior to the 2005 Legislature, school board members again worked collaboratively with school superintendents to develop a new iteration of iNVest. During the 2005 Session, the Legislature responded to the iNVest proposal in part by continuing several essential programs, and providing additional funding for two major initiatives: (1) full-day kindergarten; and (2) educational excellence. Ms. Moulton said the fruits of that funding could be seen in the previously described improved academic achievement.

Ms. Moulton explained that the iNVest '07 proposal, as contained in A.B. 563, was based on a pyramid that included three important educational policy concepts:

1. Districts must have adequate basic support.
2. Districts must have the capacity to attract and retain a quality workforce.
3. Districts must have the means to improve student achievement.

Ms. Moulton stated that each of the funding initiatives included in the iNVest '07 proposal were tied to the three segments of the pyramid. Ms. Moulton indicated that the speakers who followed her would provide additional information about the linkage between the three segments and the funding requested in the bill.

Ms. Moulton was pleased to report that a number of initiatives in the proposal had been addressed in other bills that were heard by other legislative committees. Ms. Moulton reported that school board members were concerned that increases in state funding for education had not been expanded to include the needs that were identified by superintendents and school board members in iNVest '07 and A.B. 563.

School board members and superintendents were appreciative of the work of legislators who had incorporated some of the initiatives of the iNVest program into their legislative proposals. However, Ms. Moulton said that the assistance of the entire Legislature was needed to maintain and expand the funding required for the state's schools to increase the academic achievement of Nevada's students.

Dr. Pierczynski indicated that she would commence with testimony about the base of the pyramid referenced by Ms. Moulton, which included the first of the three educational policy concepts of iNVest '07: Districts must have adequate basic support (Exhibit C). Under that concept, the first initiative was that the Distributive School Account (DSA) should include annual inflation costs. Dr. Pierczynski explained that without adequate funding at the base of the pyramid, school districts could not effectively address the remaining educational policy concepts, and while there might be discussion and debate about which iNVest '07 initiatives should be funded, there was no debate regarding adequate basic support. Dr. Pierczynski emphasized that without adequate funding through the DSA, which included annual inflation costs, school districts would need to utilize funding from educational programs to address the necessary operational costs to keep the school doors open. Dr. Pierczynski said that everyone was aware that the cost of utilities, liability insurance, and gas for school busses continued to increase every year, and an inflation factor should be built into the DSA.

The second initiative was to continue augmented funding for books, educational supplies, and equipment. Dr. Pierczynski explained that with the continued increase in the cost of textbooks, instructional supplies, and equipment, the funding provided by the Legislature helped school districts meet the expectation that all students would have access to textbooks and instructional materials. According to Dr. Pierczynski, it was important that the allowable use of that funding be maintained and expanded to include computer software and library books, as those were critical components of the instructional materials necessary to maintain a quality educational program.

Continuing her presentation, Dr. Pierczynski stated that the third initiative was to protect the ending fund balance. The NASS believed that the third initiative was simply good business sense, and allowed school districts to protect a percentage of their budgets through the *Nevada Revised Statute* (NRS) from arbitration that might come about when negotiations were disputed. Dr. Pierczynski indicated that the difference in the iNVest '07 proposal was that rather than asking for a protected ending fund balance of 5 percent, iNVest '07 requested that every school board be allowed to set the level of protection, not to exceed 8.3 percent, which was defined in the *Nevada Administrative Code* (NAC).

Dr. Pierczynski asked whether there were questions from the Subcommittee regarding the first three initiatives.

Senator Raggio said he had a question concerning the second initiative to continue augmenting textbook funding. In the past, the Legislature fenced-off a set amount of funding in the DSA for textbooks because it was constantly being criticized about the lack of funding for textbooks. Senator Raggio asked whether textbooks were still as important and necessary as in the past because of the technology available to students today. Senator Raggio asked whether there should be changes to textbook funding because it appeared that the fenced-off funding was not utilized over the past biennium.

Dr. Pierczynski replied that schools utilized a significant amount of technology, but there would always be a need for textbooks. Many students had access to computers at home, but many students did not. There were some experimental programs throughout the country where students utilized computers in place of textbooks, but those programs were not free of cost. Dr. Pierczynski noted that computers were expensive, program licensure was expensive, and the maintenance of the computers was expensive. The $50 fence-off funding for textbooks was very important to Nevada's school districts.

Dr. Pierczynski explained that the mechanism to utilize the fence-off funding was that the school district had to expend a certain amount of money to meet the threshold and access the additional funding. When the threshold was set fairly high, it became a problem for the smaller rural districts to attain that funding. Dr. Pierczynski said that the school districts appreciated the textbook funding, which had helped many schools, and the expansion of that funding to include software and library supplies would be a further enhancement. Dr. Pierczynski said that she could not foresee a time when textbooks would not be used in schools.

Dr. Pierczynski introduced Mr. Dugan to the Subcommittee and indicated that he would continue presentation of the program.

Paul Dugan, Vice-President, NASS, and Superintendent of Washoe County School District, said the second critical level of the iNVest '07 pyramid was: Districts must have the capacity to attract and retain a quality workforce

(Exhibit D). The fourth initiative under that level was salary increases for educational personnel. Mr. Dugan stated that adequate compensation was an essential element in hiring teachers, and school districts needed to offer competitive starting salaries and salary increases to attract and retain highly qualified teachers. Mr. Dugan stated that iNVest '05 called for a 3 percent increase in teacher salaries, and iNVest '07 was calling for a 5 percent increase in teacher salaries, because a 3 percent increase in salaries was lower than the projected cost of living increase. Mr. Dugan stated that everyone was aware of the increased cost of housing that made it difficult to attract qualified applicants.

The fifth initiative was health benefits. Mr. Dugan explained that health benefits were an important part of the compensation package for teachers. The NASS was asking that the education budget be constructed with health benefit funding that would keep pace with the cost of medical services in Nevada.

Mr. Dugan said it was also critical that the Legislature fund the full cost of retiree subsidies, as stipulated by A.B. No. 286 of the 72nd Session.

Mr. Dugan stated that the NASS suggested that a direct appropriation be made to the Public Employees' Benefits Program (PEBP), rather than channeling the funding through the DSA. Mr. Dugan referenced page 10 of Exhibit D, "iNVest '07, Investing in Nevada's Education, Students and Teachers" that outlined the statutory changes related to trust funds that would be required by the Government Accounting Standards Board (GASB) beginning in FY 2008.

Mr. Dugan indicated that to attract a highly qualified workforce, iNVest '07 addressed incentives for licensed educational personnel (Exhibit C). Initiative six addressed incentives for teachers. Mr. Dugan reported that the first incentive was increasing the signing bonus for new teachers from $2,000 to $2,500. The second incentive was to attract effective, highly qualified teachers to at-risk schools. The third incentive was to attract highly qualified teachers in critical shortage areas, such as mathematics, science, special education, and English language learners (ELL).

The fourth incentive was to eliminate the one-fifth retirement credit, but retain the dollars in an incentive fund. Mr. Dugan noted that there had been some confusion over elimination of the one-fifth retirement credit; however, offering incentive grants to teachers was more necessary than ever in today's competitive world. Allowing teachers to choose the incentive that was most effective for them would be a bonus, and was highly compatible with the idea of empowerment schools. Mr. Dugan emphasized that it was critical that the funding for the one-fifth retirement credit remain available for incentives to teachers.

Senator Cegavske commented that she had been told during other committee meetings that the one-fifth retirement credit incentive for teachers was not being utilized, because new teachers preferred other incentives and were not interested in retirement credits. Senator Cegavske asked whether that was also the perception among school superintendents.

Mr. Dugan replied that he had heard the same comments about the one-fifth retirement credit incentive, and he believed that the confusion arose when the Legislature thought that school districts did not want to retain the funding for the one-fifth retirement credit. Mr. Dugan indicated that the NASS believed that funding teacher incentives was critical, but school districts needed the flexibility to use the funds in a more effective manner. Mr. Dugan concurred that he had heard from teachers in the Washoe County School District that the one-fifth retirement credit was not an attractive, effective incentive, but there were many other incentives that could be offered to teachers.

Senator Cegavske stated that she was curious about the incentives that would be offered to teachers with the funding from the one-fifth retirement credit. She noted that the iNVest '07 proposal asked that the one-fifth retirement credit be eliminated and that the funding be retained in the incentive fund.

Mr. Dugan explained that there were a number of alternative incentives, one of which would be to allow teachers to choose a cash incentive that could be used to purchase retirement credits or could be used by the teacher in another manner. That would provide the flexibility that school districts would like to offer with incentive funds. Mr. Dugan said that school districts were asking that the funds not be earmarked for a specific incentive, such as the purchase of retirement credits.

Senator Cegavske said when the Legislature approved the funding for the one-fifth retirement credit it was searching for an incentive or program that could be monitored to determine whether or not it was effective. Senator Cegavske stated that she could not support legislative action that simply provided funding to the school districts to use in whatever manner they chose for teacher incentives. The one-fifth retirement credit program could be monitored and provided a reward, but because the teachers were not using that incentive program, the Legislature would like to explore other avenues. Senator Cegavske indicated that if the school districts no longer wanted to use the one-fifth retirement credit incentive program, she would like to see other incentive programs that could be monitored to determine the effectiveness of the program.

Dr. Pierczynski referenced page 12 of Exhibit D, which depicted other incentive programs that could be offered with the funding from the one-fifth retirement credit incentive program. Those incentives included tuition-free graduate classes, loan-forgiveness programs, and other attractive incentives for younger teachers. Dr. Pierczynski stated that one of the problems with the one-fifth retirement credit incentive was that the teacher had to be vested in the retirement system to take advantage of that incentive, which was an issue for some teachers.

Assemblywoman Leslie said that for some teachers the one-fifth retirement credit was a good incentive, but it apparently was not a good incentive for every teacher. Ms. Leslie assumed that elimination of the one-fifth retirement credit would allow school districts to offer teachers a selection of appropriate incentives from which to choose, and she asked whether that was accurate. Mr. Dugan indicated that was accurate.

Ms. Leslie indicated that the Legislature tried the one-fifth retirement incentive, which apparently was not successful, but the point was that some type of incentive was needed to recruit experienced, top quality teachers to assume the added burden of teaching in at-risk schools so that those schools could continue to improve.

Dr. Pierczynski advised the Subcommittee that Dr. Walt Rulffes would continue the presentation regarding the iNVest '07 program.

Dr. Rulffes, Superintendent of the Clark County School District (CCSD), said that over the years he had heard many funding proposals that people believed were critical to their initiatives. He indicated that one "test" question was how much existing money was being devoted to the initiative that was believed to be so important. The second "test" question was if the person had access to additional funding would that person fund the initiative.

Dr. Rulffes said that the third "test" question should be what would be the return on the investment, which was the basis for the name of the iNVest program. The program was designed based on the potential outcome of those test questions. The iNVest program was designed to be a program in which school superintendents had control of the funding and had the discretion about how that funding should be used. Dr. Rulffes said it was also an investment that would produce an outcome that resulted in improved student achievement.

Dr. Rulffes indicated that he could provide examples of districts throughout the State that actually used discretionary funds for programs that were aligned with the iNVest '07 initiatives (Exhibit C). Some examples were: full-day kindergarten, empowerment schools, longer school days, and discipline programs.

Dr. Rulffes said the NASS had great faith in the return on investment from the iNVest program. The NASS believed that the return on investment was virtually guaranteed in improved student performance as a result of the iNVest program.

According to Dr. Rulffes, the third educational policy concept, and the top of the pyramid, was that school districts must have the capacity to improve student achievement (Exhibit C). The seventh initiative under that concept was programs to assure progress for all students. One component of that initiative would build on, and permanently fund, successful programs launched with funding provided by S.B. No. 404 of the 73rd Session. Dr. Rulffes commented that the legislation was an early version of empowerment on the part of the Legislature. By offering additional funding, the Legislature gave the districts the discretion to initiate programs that would improve student achievement. According to Dr. Rulffes, many school boards had received presentations from their school districts about the results of the funding provided by S.B. No. 404 of the 73rd Session.

Dr. Rulffes explained that the CCSD would approach its school board in the near future to report on the outcome of the programs put into place with funding from S.B. No. 404 of the 73rd Session. The CCSD experienced difficulty in hiring additional people and had to redirect a portion of those dollars into other areas. However, Dr. Rulffes said, the NASS believed that the funding from S.B. No. 404 of the 73rd Session should be continued, because that funding had produced some very productive programs.

Continuing his presentation, Dr. Rulffes explained that the eighth initiative was programs for English language learners (ELL). Students who could not speak English should not be expected to take tests in English. Dr. Rulffes believed that it was fundamental to student achievement to be able to speak English, and like many other states across the country that were receiving a high influx of Hispanic populations and other non-English-speaking populations, the NASS was seeking help to provide supplemental assistance to students who could not speak English. Dr. Rulffes explained that those students would then perform better in attaining the standards set by the State.

The ninth initiative was full-day kindergarten. Dr. Rulffes noted that there had been a great deal of dialogue about the future holding power of full-day kindergarten. Dr. Rulffes said that NASS based its testimony on results realized in Nevada, along with other states that showed the value of full-day kindergarten. Dr. Rulffes opined that full-day kindergarten had enormous potential academic value for students. Like higher education, where students were expected to be ready to attend college directly from high school, the elementary schools wanted students that were ready for the first grade from kindergarten. Dr. Rulffes said there was a growing student population in Nevada that did not have the cultural background to be ready to enter the first grade, and that was the reason for the proposal for full-day kindergarten.

Dr. Rulffes stated that the tenth initiative was professional development for student achievement. Throughout Nevada's school districts, there were new teachers and administrators from out-of-state entering the system. Dr. Rulffes pointed out that understanding the state-of-the-art teaching that met Nevada's standards, and the outcomes expected by the Legislature, the communities, and the taxpayers was an enormous cultural adjustment for new teachers and administrators. Dr. Rulffes said iNVest '07 requested an increase in the number of days in the school year from 180 to a greater number of days, thereby allowing the full 180 days to be available for student instruction.

According to Dr. Rulffes, the basic tenant was that teachers needed more time to address the expanded curriculum during the school day. If additional time for professional development was provided, teachers would not be required to give up instructional time for professional development. Dr. Rulffes said it would also give teachers a slight pay increase.

Dr. Rulffes stated that the eleventh initiative was classroom discipline and school safety. Everyone had been horrified by incidents of violence within America's schools, and the NASS was seeking increased attention on the part of the Legislature to help with school safety and discipline issues that were a major distraction to the learning process in classrooms.

The twelfth initiative was career and technical education (CTE), which had already received legislative attention during the 2007 Session. Dr. Rulffes stated that his children had all received college degrees, but they had gone into occupational careers because those careers were very lucrative. Dr. Rulffes opined that the population of Nevada was such that CTE was an ideal fit, and additional career and technological opportunities were needed for Nevada students. To that end, the school board in CCSD actually developed a program to build five additional CTE academies to expand the choices for students.

Dr. Rulffes explained that CTE programs included academics and were designed to graduate students who had access to a two-way path: (1) to enter college after comprehensive college preparation in the CTE program; or (2) to enter the workforce with the skills learned in CTE. Dr. Rulffes explained that themes had been developed for students to select a program in which they were engaged and interested, and based on existing models, excellent results were realized from those programs.

Senator Cegavske thanked Dr. Rulffes for his presentation and stated that she strongly supported CTE, and was happy to hear that additional CTE academies would be constructed in Clark County. Senator Cegavske asked that additional information regarding the proposed CTE academies be forwarded to the Subcommittee.

Senator Cegavske stated that she was puzzled why iNVest '07 asked for a mandate for full-day kindergarten, when the previous legislative mandate for class-size reduction was not fulfilled in Clark County. There did not appear to be sufficient space or teachers for class-size reduction, and Senator Cegavske asked why full-day kindergarten should be mandated when there was a lack of teachers and space.

Dr. Rulffes explained that the issues raised by Senator Cegavske were operational issues, which were challenges that the Legislature paid school superintendents to overcome. For example, school districts were able to hire kindergarten teachers and were able to locate sufficient elementary school teachers. Dr. Rulffes indicated that the problem arose in the specialized areas of mathematics, special education and autism, and science. The teacher shortage was often perceived to be across the board, but it was not. Dr. Rulffes explained that the teacher shortage was very profound and severe in some areas, but was not a problem in other areas. Hiring kindergarten teachers was a challenge that school districts could meet, but additional space and facilities were separate issues.

Senator Cegavske asked whether the school districts could locate qualified kindergarten teachers and sufficient room in existing facilities for classrooms. Dr. Rulffes believed that the school districts could recruit kindergarten teachers.

Regarding facilities, Dr. Rulffes said that school districts needed time to bring facilities online. The bond program and the proposals currently before the Legislature on behalf of the CCSD provided for some facility support. Dr. Rulffes reported that there were other school districts in Nevada that drastically needed help with facilities, and those were problems that had to be overcome to maintain a good educational system in Nevada.

Senator Cegavske asked whether Dr. Rulffes believed that every child needed to attend kindergarten. Dr. Rulffes stated that he did not, but believed that the children who required additional preparation should attend kindergarten, and perhaps, that would not include every child. Dr. Rulffes said that he was not sure that every child needed to attend the first grade, but the system was designed to accommodate every child.

Chairwoman Smith noted that kindergarten was not mandatory in Nevada, and she thanked Dr. Rulffes for his presentation.

Senator Raggio said that every one of the initiatives in the iNVest '07 program had worthwhile potential and worthy goals. Page 23 of Exhibit D depicted the cost of the iNVest '07 program, if fully implemented, in excess of $1 billion over the biennium. Senator Raggio noted that most of the initiatives were not included in the contemplated budget for the Distributive School Account (DSA). There was a cost of living increase included in The Executive Budget, which the Legislature would consider, for 2 percent increase during the first year of the biennium and 4 percent increase during the second year of the biennium. Senator Raggio noted that one of the incentives in iNVest '07 was for a 5-percent-per-year cost of living increase.

Senator Raggio stated that the cost of the iNVest '07 program was far in excess of the ability of the Legislature to even consider. The Legislature was already aware that revenue projections would be far less than the amount predicted by the Economic Forum in December 2006. Senator Raggio noted that the shortfall was expected to be in the vicinity of $100 million to

$130 million less than the Legislature and the Executive Branch anticipated would be available for General Fund purposes. One major source of funding for the General Fund, sales tax, had performed far less than anticipated, and the Legislature was aware that it would be required to make some adjustments and reductions during the budget process.

According to Senator Raggio, Governor Gibbons indicated that he would request budget reductions, and to his credit, he had not requested reductions from the K-12 education program. Senator Raggio stated that the iNVest program was presented to the Legislature every session, and every session he asked that school superintendents prioritize the initiatives; however, to date the program's initiatives had not been prioritized.

Senator Raggio wondered how CTE programs would rank in the prioritization, and indicated that it was not helpful to the Legislature when testimony indicated that every initiative was important. However, Senator Raggio stated, the question might be moot for the 2007 Legislature because it did not appear that excess funding would be available. The question for the 2007 Session might be where did the superintendents think that the Legislature could find the money to fund the iNVest '07 program.

Senator Raggio said he would like see the Legislature provide additional funding to education, but they also had to deal with the potential problem facing the Nevada Department of Corrections (NDOC). The NDOC was experiencing overcrowding that could eventually lead to a mandate from federal courts requiring the State to spend more money than anticipated to address the overcrowded prison system.

Senator Raggio indicated that he was asking for assistance from school superintendents to advise the Legislature whether there was a source of funding that could be utilized to adopt some of the initiatives in the iNVest '07 program.

Dr. Pierczynski explained that iNVest was the consensus of all 17 school districts, and every school district had different needs. The school districts appreciated the fact that the Legislature had reviewed iNVest during the 2003 Session and again during the 2005 Session and funded some very important programs for the school districts. Dr. Pierczynski said there was no answer to Senator Raggio's request for prioritization because the needs of the school districts were so varied. The 12 initiatives of the iNVest program were what school districts needed to improve student achievement in Nevada, and the Legislature had helped fund several of the initiatives in the past.

Dr. Pierczynski explained that iNVest was a long-range program, and she wished that NASS could shed some light on the question of funding, but it was the professional responsibility of school superintendents to present to the Legislature those things that superintendents knew were needed to improve student achievement.
Dr. Pierczynski said that NASS appreciated that the Legislature was in the very difficult position of determining how to balance all budget issues.

Dr. Pierczynski noted that the Legislature had assisted the school districts by funding programs from iNVest in the past. According to Dr. Pierczynski, iNVest was a long-range program that could not be entirely funded by the 2003 Legislature or the 2005 Legislature. The 2007 Legislature was now considering the same 12 initiatives in iNVest '07, because those were the initiatives that were needed to help improve student achievement in Nevada.

Dr. Pierczynski stated that school superintends appreciated the past funding and attention given to iNVest by the Legislature.

Dr. Rulffes commented that he and his colleagues recognized the problems facing the Legislature. Dr. Rulffes' dream was to sit in front of the Legislature representing a quality school district, rather than one of the largest school districts in Nevada. It was against that background that the 17 superintendents approached the Legislature with the proposals for a good, high quality, and eventually world class, instructional and academic system in Nevada's public schools.

Dr. Rulffes felt that the Legislature would be disappointed if NASS did not present proposals each session to improve education. The superintendents of the 17 school districts were well aware that funding was not available for the entire iNVest program, and Dr. Rulffes thought the Legislature should be commended for the gains that had been made in many, if not most, of the areas of the iNVest program. That was why NASS continued to approach the Legislature each session to present the iNVest program in the hope of realizing even small gains in each of the initiatives.

Dr. Rulffes explained that NASS could not prioritize CTE programs as more important than full-day kindergarten, because all programs were essential for a well-rounded quality education. The NASS readily accepted that the dollars were not available to fund the entire iNVest program, but NASS wanted to keep a package of initiatives in front of the Legislature that it believed would bring a better performing education system to Nevada's public schools.

Dr. Rulffes said the most difficult question asked by Senator Raggio was where the State would secure the funds for iNVest. Dr. Rulffes said that one proposal was to use the reversion money, which consisted of dollars that were committed to education, but were recovered by the State through the reversion process. If that funding could be accessed by the school districts, because the dollars were originally committed to education, Dr. Rulffes believed that a number of meaningful and major gains could be made in the iNVest program.

Senator Raggio said that use of the reversion funds would exacerbate the problem for the Legislature. Senator Raggio explained that the State was the guarantor of basic support for the DSA, and during the years that local governments did not receive the necessary level of funding based on dedicated taxes, the State had to provide additional education funding.

According to Senator Raggio, the 2007 Legislature would allocate $80 million or more to the DSA because sales tax revenue was not being realized as anticipated by the local school districts. Senator Raggio indicated that became an $80 million "hit" on General Fund revenue that the Legislature had not anticipated. During past years, the reversion was the excess money that was appropriated for the DSA, and that money was returned to the General Fund and utilized for other state purposes.

Senator Raggio believed it would be helpful for the Legislature to hear suggestions about how the State could better achieve the goal of improving student achievement by better utilizing the available funding. Senator Raggio remarked that there had not been much testimony about how to better utilize existing funding, but rather the Legislature heard testimony that additional funding was necessary to initiate programs. Senator Raggio believed that there were better ways to utilize existing funding. The empowerment program that was initiated in the Clark County School District, although minimal, was an example of better ways to use available funding to achieve increased student performance.

Chairwoman Smith asked Dr. Rulffes when information would be available regarding the autonomous schools in CCSD. Dr. Rulffes said that there were a number of examples of how the CCSD was redirecting dollars through energy savings, low administrative growth, and other means, which were not always easy, but were essential. Dr. Rulffes believed that the CCSD had to ensure that every dollar spent would give taxpayers the "best bang for the buck," before approaching the Legislature for additional funding.

Dr. Rulffes indicated that the CCSD had anecdotal data available and preliminary academic data that could be shared about the empowerment program, but the district was a bit apprehensive about the early returns. There appeared to be early indications of long-term success of the empowerment program in Clark County, but the holding power of the program over a long period of time was not known. Dr. Rulffes believed that the anecdotal data would be of great interest to the Legislature.

Dr. Rulffes pointed out that parental engagement was a major issue in student improvement, which was an area that CCSD was committed to increasing. The empowerment schools were one of the best examples of parental engagement and bringing the community back into the schools. Dr. Rulffes said that the CCSD could see how parental engagement and the engagement of the surrounding community affected the academics of the students.

Dr. Rulffes invited members of the Subcommittee to visit an empowerment school in the Las Vegas area. However, he did not want the empowerment schools to overshadow the beneficial programs that existed elsewhere within the CCSD. Dr. Rulffes believed that it would shortchange the other schools to let the Legislature think that empowerment schools were the only schools that should receive recognition within the CCSD. Other programs, such as the magnet programs, increased scores for the high school proficiency examination, and the increased number of graduates and reduced number of dropouts, were also worthy of as much praise and recognition as the empowerment schools.

Chairwoman Smith agreed and believed that was Senator Raggio's point, that utilizing existing funding to replicate beneficial programs could enjoy much success and positively affect student achievement without additional funding. Chairwoman Smith said that both she and Senator Raggio were very interested in the parental engagement issue, and she looked forward to hearing about the successes in that program.

Dr. Rulffes explained that the CCSD had funded the empowerment schools at an increased rate of $600 per student and not at the same level as other schools within the district.

Senator Titus pointed out that Senator Horsford sponsored a bill to expand empowerment schools, which was based on many of the existing aspects of the CCSD program. Senator Titus explained that Senator Horsford had been working with Senator Washington on the bill, which would come before the Senate on April 13, 2007. The proposal was to expand the program without a significant amount of additional money and without taking money from other programs to fund the empowerment schools.

The funding provided by S.B. No. 404 of the 73rd Session was the legislative version of empowerment, and Dr. Rulffes believed that continuation of those programs would be a major benefit to every school district in Nevada.

Senator Titus indicated that the plan was to continue the programs funded by S.B. No. 404 of the 73rd Session, and she was glad to hear that the programs were beneficial and that school districts would support the plan.

Chairwoman Smith asked presenters to complete the presentation on iNVest '07 so that the Subcommittee could consider budget issues. Dr. Pierczynski stated that iNVest was a long-range plan, and the adequacy study that was conducted by the interim Legislative Committee on School Financing Adequacy created by A.C.R. No. 10 of the 73rd Session, confirmed that the enhancements being requested through iNVest were appropriate. The focus of iNVest was to improve student achievement. The NASS appreciated the fact that the Legislature partnered with NASS by helping to fund iNVest programs over the years. Dr. Pierczynski said that school district superintendents accepted the responsibility of identifying the programs needed to improve student achievement in Nevada. Dr. Pierczynski indicated that A.B. 563 was the bill that included funding for iNVest '07, and the NASS encouraged the Legislature to support the initiatives.

Dr. Pierczynski stated there were other persons in the audience who wanted to testify on behalf of iNVest.

Chairwoman Smith asked whether there were questions from the Subcommittee for Dr. Pierczynski and, there being none, thanked her for the presentation. The Chairwoman asked the remaining persons in the audience to come forward and present their testimony on behalf of the iNVest '07 program.

Mary Jo Parise Malloy, representing Nevadans for Quality Education (NQE), emphasized that NQE supported every initiative of the iNVest '07 program. NQE's major concern was the child in the classroom, and the organization normally did not fight for teacher issues, such as pay raises or incentives. Ms. Malloy said that NQE could, however, understand the need for increased teacher salaries to attract and retain a quality workforce, which was a major concern of NQE because teachers had a direct impact on student performance.

Ms. Malloy pointed out that the CCSD empowerment program required additional funding, as did empowerment programs in other states throughout the country; however, empowerment schools were not the "fix all" for student improvement. Ms. Malloy opined that school superintendents had been very knowledgeable in the construction of the iNVest program.

Richard L. Siegel, Ph.D., President of the American Civil Liberties Union of Nevada and Professor Emeritus of Political Science, University of Nevada, Reno (UNR), referenced the Memorandum of April 10, 2007, regarding the iNVest '07 proposal (Exhibit E).

Dr. Siegel stated that some of his points might sound politically incorrect, and he asked the Subcommittee to keep in mind that his comments were addressed to the state of Nevada.

Dr. Siegel indicated that he was the chairman of the board of directors of a non-profit organization, and he was present because his organization realized how vital it was to have the best possible quality product from Nevada's public school system, as well as the state's higher education system.

Dr. Siegel said he represented the interests of minority students and students who had problems as they approached school, including the students in the bottom third of the classes who were not receiving the assistance needed to improve achievement.

Dr. Siegel opined that 20 or 30 of the primary Chief Executive Officer's (CEOs) of Nevada corporations should be present at the hearing. The question was, "Where were the CEOs of Nevada corporations when the issue was the investment and quality in K-12 education in the state of Nevada?"

Dr. Siegel commented that $100 million to $200 million would make a significant difference in the issues facing school districts today. Nevada's university system received that amount of money from private donors. Dr. Siegel noted that at least half of the funding to build the knowledge center at UNR was received from private donations. The Boyd School of Law and the University of Nevada, School of Medicine, on the campus of the University of Nevada, Las Vegas (UNLV), were both supported by private donations.

Dr. Siegel noted that taxes were not on the table for consideration, but there were three of the 100 wealthiest individuals in the world residing in Nevada and there was more wealth in the State than ever before. Dr. Siegel pointed out that Nevada was ranked 47th in K-12 education, while three of the wealthiest individuals in the United States resided in the State. The price of gold and silver was near an all-time high, as was stock in Harrah's Entertainment, Inc.

Dr. Siegel stated that, while there was much wealth in Nevada, there was also much poverty in K-12 education. Dr. Siegel emphasized the use of private funding, such as was available for higher education. Dr. Siegel believed that the Legislature and the citizens of Nevada could make a difference in K-12 education.

Dr. Siegel indicated that he and Assemblywoman Leslie, along with others, set out 15 years ago to address Nevada's mental health budget, and with the support of Senator Raggio, were able to triple the mental health budget in the State.

In 1985, the State decided to make the university system in Nevada better than the mediocre facility it was in 1985, and Dr. Siegel stated that with support from Senator Raggio, professors received raises that meant that a full professor would finish his career with a salary in the range of $100,000 to $140,000 per year.

Dr. Siegel commented that K-12 education appeared to be the "step child" of the State. The adequacy report completed by the interim Legislative Committee on School Financing Adequacy, created by A.C.R. 10 of the 73rd Session pointed out that in every year since 1990 Nevada had fallen further behind in K-12 funding because of the state's basic funding formula. Dr. Siegel said the only additional funding provided to K-12 education in recent years was the funding provided by S.B. No. 404 of the 73rd Session.

Referring to a statement made by Senator Raggio, Dr. Siegel opined that Nevada would not be admonished by the federal government for prison overcrowding.

Dr. Siegel said that 2.8 percent of the General Fund moved from K-12 education to the Nevada Department of Corrections (NDOC) between 1986 and 2001.

Chairwoman Smith thanked Dr. Siegel for his testimony and asked whether there was further testimony to come before the Subcommittee about the iNVest '07 program and, there being none, closed the hearing.

Chairwoman Smith opened discussion on Budget Account (BA) 2610.

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

Bob Atkinson, Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), indicated that the first issue in BA 2610 related to the supplemental appropriation of $8.2 million for retiree health insurance subsidies, which was included in A.B. 541.

Mr. Atkinson stated that the budget for the upcoming biennium included $18.4 million for FY 2008 and $21.5 million for FY2008-09 for retiree health insurance subsidies. The supplemental appropriation and the amounts included in the budget all appeared reasonable to LCB staff. However, during an earlier budget hearing, it was suggested that the Subcommittee might consider putting the supplemental appropriation for retiree health insurance subsidies into basic support, as opposed to funding the subsidies as a separate line item.

Mr. Atkinson explained that the concern arose from the requirements of the Governmental Accounting Standards Board, Statement 45 (GASB 45), which required that the long-term liability for health insurance subsidies would be on the state's financial statements rather than those of the individual school districts, as long as the funding was guaranteed as a separate line item by the State. Mr. Atkinson further explained that if the State guaranteed the funding then there would be no incentive at the local level to manage the subsidy.

Mr. Atkinson said that conversely, projection of the expenditure with any degree of accuracy was extremely difficult, because neither the State nor the school districts controlled the number of school district retirees who participated in the Public Employees' Benefits Program (PEBP) because that decision was made by the retiree.

Mr. Atkinson believed that the situation might become more concrete based on the stipulations of S.B. 544, sponsored by the interim Committee to Study the Public Employees' Benefits Program. The recommendation in S.B. 544 would limit the number of retirees who participated in PEBP to retirees from entities whose active employees also participated in the program.
Mr. Atkinson stated that the existing local government retirees who already participated in PEBP would be "grandfathered in," but the suggested action in S.B. 544 would limit the number of retirees who could participate in PEBP in the future.

Mr. Atkinson said if the Subcommittee desired to continue the program funding as a specific line item, no action would be required; however, if it was the Subcommittee's desire to move the funding into basic support, staff should be so directed prior to budget closure.

Chairwoman Smith stated that it was worthwhile to discuss the retiree subsidies in view of the requirements of GASB. The idea of school districts participating in the management of employee health insurance subsidies was also worthwhile. Chairwoman Smith asked that the Subcommittee consider the input from LCB staff about the issue of retiree subsidies.

Senator Cegavske believed that the Subcommittee should review the stipulations of S.B. 544, as presented by Senator Mark E. Amodei, Chairman of the interim Committee to Study the Public Employees' Benefits Program, which had been heard by the Senate Committee on Finance. Senator Cegavske opined that the bill was very fair and worthy of discussion. She asked Mr. Atkinson to review the bill for the Subcommittee.

Chairwoman Smith clarified that she was asking the Subcommittee to consider the idea of moving the appropriation into the realm of the school districts rather than the State.

James Wells, Deputy Superintendent, Finance and Administrative Services, Nevada Department of Education (NDE), said the major concern of the school districts about moving the appropriation into basic support was that there was not much control over the program at the present time. Access to the PEBP as an option for retirees would be sufficient enticement for many local governmental retirees to choose the PEBP. Mr. Wells indicated that S.B. 544 included a provision for limiting the retirees who could join PEBP to entities whose active employees participated in the program.

Mr. Wells believed that the legislation presented a very equitable solution, because there were currently 375 active nonstate employees in the PEBP system and 4,500 retirees. The PEBP program was so overwhelmed with nonstate retirees that it was very expensive to maintain. Mr. Wells stated that if S.B. 544 were passed and limitations were attached to retiree insurance selection based on whether an entity's active employees were also in the PEBP system, the NDE would have fewer reservations about whether the funding was included in basic support. Mr. Wells indicated that without the guarantee that there would be some limitation to the number of retirees in the PEBP system, it would be too large a financial burden on the school districts.

Mr. Wells stated that the NDE would prefer that the Subcommittee continue the funding through a special line item as opposed to funding through basic support for the upcoming biennium. The NDE believed that might be appropriate action until the results of S.B. 544 had been analyzed.

Assemblywoman Buckley believed that the interim Committee to Study the Public Employees' Benefits Program had done an excellent job in its recommendations. Ms. Buckley was of the opinion that S.B. 544 would receive bipartisan support from both Houses. Obviously, the bill had to be heard by both the Senate and the Assembly, but Ms. Buckley felt that in all likelihood the bill would be processed. Ms. Buckley believed that the Subcommittee should take the advice of LCB staff and discontinue funding through a special funding line item and provide the funding through basic support. That would ensure that the school districts had the incentive and responsibility to manage the costs.

Mr. Atkinson explained that the stipulations in S.B. 544 included the recommendation to change the composition of the PEBP board and include a representative from local government employee organizations. The bill also included the requirement that local government health insurance plans provide for their active employees and retirees within the same plan of insurance and that the active employees and retirees would be commingled for rating purposes. Mr. Atkinson stated that local governmental entities that provided insurance to employees through PEBP would be required to remain in the program for a minimum period of four years.

Mr. Atkinson indicated that at the present time any retiree from a local governmental entity could choose to join PEBP at the time of retirement, even if the retiree had never participated in PEBP in the past. If the retiree did not choose PEBP at the time of retirement, there was an open enrollment process every two years, at which time nonstate retirees could join PEBP. Under S.B. 544, that provision would be eliminated and local government retirees would continue to participate in their employer's plan of insurance. Mr. Atkinson explained that would eliminate the provision that allowed retirees to join PEBP at the time of retirement unless the entity's active employees also participated in PEBP. Should the local government entity decide to leave PEBP in the future, that entity's retirees would also be required to leave PEBP and be insured under the entity's new health insurance program.

Mr. Atkinson reported that much of the discussion by the interim committee was that health insurance was part of the responsibility of local government entities. Comments were made that legislators did not like the State program being the "insurer of last resort" or the "dumping ground for retirees" that could not find another source of insurance.

According to Mr. Atkinson, existing local government retirees currently in PEBP would be "grandfathered in" and could remain in PEBP on an individual basis. Even if the entity from which the person retired had ultimately terminated its contract with PEBP, if the retiree was a member of PEBP on June 30, 2007, that retiree could remain in the program.

Mr. Atkinson indicated that the final provision of S.B. 544 would not affect school districts, but would affect local governments, because the legislation enhanced the law allowing collection of subsidies owed to PEBP by local governmental entities.

Chairwoman Smith asked whether there were further questions about S.B. 544. She asked the Subcommittee to think about possible action regarding the funding of retiree subsidies. The Chairwoman asked Mr. Atkinson to continue his budget presentation.

Mr. Atkinson indicated that the second issue in the DSA budget was high impact and at-risk teacher retirement credits, which The Executive Budget recommended be reallocated to the new empowerment school program. Mr. Atkinson explained that the amounts built into the budget as retirement credits and moved to the empowerment school program were $29.7 million in the first year of the biennium and $31.1 million in the second year of the biennium.

Mr. Atkinson explained that a portion of A.B. 568 would remove the statutory requirements for the retirement credit incentive, while allowing school districts to offer a cash stipend in an amount equal to the cost of the one-fifth requirement credit. The stipulations of A.B. 590 would provide an option for school districts to purchase the retirement credit or provide $4,000 in cash payment to eligible employees. Mr. Atkinson said that S.B. 238 and S.B. 304

authorized school districts to establish a program of empowerment schools with funding from the one-fifth retirement credit incentive and established the criteria for participation in a program of empowerment schools.

The Subcommittee should be aware that the amounts budgeted for the one-fifth retirement credit, which would become the basis for the empowerment school program, $29.7 million and $31.1 million, were based upon the amounts budgeted for the current year for the retirement credit incentive. Mr. Atkinson said it appeared that the actual expenditures would be approximately $7 million less for the current year than the budgeted amount. Should the Subcommittee decide to retain the retirement credit and not redirect that money to the empowerment school program, LCB staff would work with NDE to develop updated projections of the amount budgeted for the retirement credit for the upcoming biennium.

Chairwoman Smith hoped that after all the discussions about budget issues that the Subcommittee would remain open-minded about the issue of retaining the funding for an incentive pool for teachers. Offering an incentive to teachers to accept employment in at-risk schools, and retaining those teachers, was critical to the Legislature's mission for improved student achievement. Chairwoman Smith had grave concerns about eliminating the funding for the one-fifth retirement credit or moving the funding to the empowerment school program.

Dr. Keith Rheault, Superintendent of Public Instruction, NDE, believed that previous testimony offered to the Subcommittee indicated that the one-fifth retirement credit incentive was helpful in the recruitment of teachers. One thing that had not come to light was that the NDE was required to certify 100 percent of its teachers as highly qualified by June 2006. Dr. Rheault explained that the NDE was required to submit a teacher-equity plan to The Education Trust, and the key priority stressed by The Education Trust was how NDE would ensure that high-poverty schools received the same equivalent of high-quality teachers as low-poverty schools.

Dr. Rheault explained that the formula used by The Education Trust was to take the top 25 percent of the highest poverty, free and reduced lunch schools, and compare those to the lowest poverty schools in the State. There was approximately a ten percent differential between the numbers of highly qualified teachers at low-poverty schools compared to high-poverty schools. Dr. Rheault said one of the key pieces of NDE's plan, amongst other issues about recruitment and selection of teachers, was inclusion of the incentives that NDE was able to offer teachers in at-risk schools. Those incentives proved very beneficial to NDE's equity plan.

Dr. Rheault stated that the federal government would monitor NDE's progress with the equity plan in approximately one month, and he would hate to report to federal representatives that NDE was no longer able to offer incentives to teachers in at-risk schools.

Chairwoman Smith felt there had been much confusion about the one-fifth retirement credit not benefiting new teachers and not being utilized, so the thought was to eliminate that incentive rather than make the funding available for other incentive packages.

Dr. Rheault agreed and explained that he had received many calls from teachers asking whether there was a program available in Nevada that would assist teachers in repayment of student loans. Dr. Rheault believed that more and more teachers were entering the workforce in debt because of student loans of up to $50,000. Many younger teachers would be very pleased if NDE offered to pay the equivalent of one-fifth retirement credit toward their student loans every year that the teacher remained with the school district, up to a period of five years, or for the maximum number of years determined by the Legislature. Dr. Rheault believed that incentive alone would help recruit a number of younger teachers, although other teachers might prefer to have a cash incentive to meet the moving and housing expenses for relocation to Nevada.

Chairwoman Smith asked whether there were further questions on the issue and, there being none, asked LCB staff to continue the budget presentation.

Mindy Martini, Program Analyst, Fiscal Analysis Division, LCB, explained that the next item for consideration under the DSA budget concerned the Regional Professional Development Programs (RPDP). Ms. Martini stated that The Executive Budget included $27.7 million over the biennium to continue all services through the RPDPs, as well as a statewide evaluation of the programs.

During previous budget hearings, Subcommittee members had questions concerning the number of teachers and administrators that had been trained. Ms. Martini stated that, according to the statewide evaluation report submitted by WestEd, during the 2004-05 school year a total of 11,808 teachers and administrators received training, and during the 2005-06 school year the number increased to 12,128. Ms. Martini reported that those figures represented unduplicated counts of recipients of RPDP services for each fiscal year.

Ms. Martini noted that the Subcommittee also questioned the effectiveness of the RPDPs on teacher-student academic achievement. Ms. Martini referenced Exhibit F, "Professional Development for Educational Personnel," which had been provided to the Subcommittee. The exhibit consisted of four pages from the *2007 Nevada Education Data Book* that was assembled by the Research Division, LCB. Ms. Martini said each page of the exhibit represented an evaluation specific to one of the four RPDPs and would provide members with information from the data collection efforts of the RPDPs about the effectiveness of their programs.

Assemblywoman Buckley believed that there was a need for increased funding for the RPDP programs, and the Subcommittee should continue to work with the programs to fund the expansion. Ms. Buckley was not sure that the budgeted amounts were feasible.

Ms. Martini stated that due to the large increase in state General Fund that was recommended through The Executive Budget, the Subcommittee asked LCB staff to work with each of the four RPDPs to obtain information and prioritize the enhancements.

Ms. Martini reported that the Southern RPDP consisted of Clark, Esmeralda, Lincoln, and Nye counties. The Executive Budget recommended $7.5 million in FY 2007-08 and $7.6 million in FY 2008-09 to continue the RPDP. Based upon information from the Southern RPDP, approximately $5.6 million in FY 2007-08 and $5.7 million in FY 2008-09 would be required to maintain the program at the current level. The remaining approximately $2 million in each year of the biennium would support enhancements to the program, including 13 new regional trainers:

- One elementary math trainer
- One middle school math trainer
- Three high school math trainers
- Two secondary English trainers
- Two elementary science trainers
- Three secondary science trainers
- One social studies trainer

Rather than prioritizing the positions, the Southern RPDP asked Ms. Martini to make sure that the Subcommittee understood that the highest priority was math and science, particularly because science was one of the new subject areas that would be included in the high school proficiency examination.

Chairwoman Smith asked that persons representing the Southern RPDP come forward to answer questions from the Subcommittee.

Senator Cegavske asked about the extra duty pay that was being requested by the RPDP for data analysis, program evaluation, and continuation of the website for the program. She asked why those duties could not be competed during regular working hours. Senator Cegavske wondered whether the Subcommittee could consider elimination of one of the high school math trainer positions. Senator Cegavske also asked whether teachers were being removed from the classrooms to become trainers in RPDP training programs.

Bill Hanlon, Director, Southern RPDP, explained that he had attempted to hire within the school districts, but because of the teacher shortage, he had hired six regional trainers from outside the school districts. Those trainers were retired teachers from Arizona and Utah. Mr. Hanlon said he was doing everything in his power not to add to the current teacher shortages. Mr. Hanlon explained that there were programs that brought in revenue or where the RPDP broke even on the costs. Nevada ranked very low in the number of highly qualified teachers, and the Southern RPDP offered certificate programs that paid for themselves, such as the 18-credit programs in which teachers became highly qualified in the areas they taught. Mr. Hanlon said that teachers were also recruited from the elementary level to teach in charter schools and middle schools in math and science.

Mr. Hanlon said that for the first time, the state of Nevada offered an Advanced Placement (AP) program. In the past, Nevada's teachers were required to travel out-of-state and pay a registration fee of $595, and the teachers, school districts, or RPDPs would pay airfare, hotel and per diem costs. Mr. Hanlon said the program was now being offered in Nevada free of charge.

Chairwoman Smith asked Mr. Hanlon to provide an explanation regarding the request for extra-duty pay.

Mr. Hanlon stated that the request for extra-duty pay was for active teachers who were teaching in the certificate program, which they taught after the end of the school day or on weekends.

Senator Cegavske asked why the pay was not included in those teacher's salaries. Mr. Hanlon explained that the teachers were working on a part-time basis for the RPDP. Senator Cegavske asked whether the pay was for staff of the RPDP. Mr. Hanlon stated that the extra-duty pay would not be utilized for the RPDP's full-time staff. Senator Cegavske asked Mr. Hanlon to provide additional detail about the request for extra-duty pay, and Mr. Hanlon stated that he would provide the information. Senator Cegavske also asked Mr. Hanlon to identify areas in which a position might be eliminated or consolidated.

Chairwoman Smith asked Mr. Hanlon to continue his presentation.

Mr. Hanlon said that through a partnership with the Clark County School District and the NDE, the State now hosted its own Advanced Placement (AP) program sanctioned by the College Board Advanced Placement Program. To teach advance placement classes, teachers had to receive training that was sanctioned by the College Board.

According to Mr. Hanlon, the Southern RPDP budgeted approximately $60,000 per year for the certified College Board trainers to offer the AP program in Nevada. It was the Southern RPDP's goal to require that out-of-state participants paid a registration fee that would cover the cost of the program, including the cost of the College Board trainers. Mr. Hanlon said that because the Advanced Placement Summer Institute was scheduled during the second or third week of June, the set-aside of $60,000 to host the event could not be used for professional development during the school year. The $60,000 reverted to the General Fund, along with the tuition that was paid by the out-of-state participants. Mr. Hanlon said that reduced the budget of the Southern RPDP by approximately $60,000 in the second year of each biennium.

According to Mr. Hanlon, by allowing the Southern RPDP to retain funding in an amount not to exceed $50,000, for the specific purpose of the AP Institute, Nevada could maintain its own AP Institute program with funds allocated by the Legislature. Mr. Hanlon indicated that grant-funding was available for the AP program if the RPDP could produce matching funds. The Southern RPDP fought to be able to offer an AP program in Nevada.

Mr. Hanlon said he would like to attach a reversion statement about the money realized by the AP program through out-of-state participant registration fees, so the Southern RPDP could establish a fund of not more than $50,000 rather than taking the funding for the AP program from its budget.

Chairwoman Smith asked Mr. Hanlon to work with LCB staff to determine the mechanism needed to establish the requested fund. Mr. Hanlon said that he would work with staff.

Chairwoman Smith asked Ms. Martini to continue her budget presentation.

Ms. Martini stated that for the Northwestern RPDP, which included Washoe, Pershing, and Storey counties, The Executive Budget recommended $2.7 million in the first year of the biennium and $2.8 million in the second year of the biennium to continue the program. That represented a 30 percent increase over the amount legislatively approved for the current biennium. Ms. Martini said that to maintain the program at the current level, the RPDP indicated that it needed approximately $2.2 million in FY 2007-08 and $2.3 million in FY 2008-09. The Northwestern RPDP submitted an enhancement list which was in priority order:

- One half-time Storey County regional trainer
- One half-time program evaluation consultant
- One full-time, K-12 school improvement regional trainer
- One full-time, K-12 science regional trainer

- One full-time, 7-12 literacy regional trainer
- One full-time clerical support
- One full-time, 7-12 math regional trainer
- One full-time, K-6 math regional trainer

Chairwoman Smith asked representatives from the Northwestern RPDP to come forward and answer questions from the Subcommittee.

Senator Cegavske asked whether there were any positions that could be either consolidated or eliminated. Math and science appeared to be the focus of the RPDPs, and Senator Cegavske asked what would occur if the full-time, K-6 math regional trainer position was eliminated.

Sue Denning, Co-Director, Northwestern RPDP, explained that the full-time, 7-12 math regional trainer could pick up some of the duties of the full-time, K-6 math regional trainer. The Northwestern RPDP had one current K-6 math trainer and one 7-12 math trainer, and the requested positions were in addition to existing trainers because the need was increasing based on the adequate yearly progress (AYP) results.

Senator Cegavske recognized that there was a need for additional trainers, and appreciated the work of the RPDPs, but the Subcommittee would like to know whether it was possible to consolidate positions.

Ms. Denning said that the Northwestern RPDP had taken consolidation into account with the prioritization of the positions, and if funding for positions did not extend through the K-6 math trainer position, the 7-12 math trainers could absorb those duties.

Senator Cegavske asked about the request for one additional 7-12 literacy regional trainer position and noted that the Northwestern RPDP had two existing 7-12 literacy trainers.

Ms. Denning explained that, currently, the Northwestern RPDP had one 7-12 literacy regional trainer and the requested position would expand the training in light of the adequate yearly progress (AYP) results.

Senator Cegavske noted that information provided to the Subcommittee indicated that the Northwestern RPDP had two 7-12 literacy regional trainer positions. Ms. Denning replied that the RPDP had one literacy trainer that was fully responsible for 7-12 literacy and one additional writing trainer who handled 4-12 literacy.

Senator Cegavske commented that the K-6 math regional trainer position could be eliminated based on the two existing trainers. Ms. Denning concurred that the position could be eliminated. There were three trainers currently in the elementary literacy area, but the needs were very great in that area, which was the reason the Northwestern RPDP had requested an additional position.

Senator Cegavske asked about the clerical support position. Patti Falk, Co-director, Northwestern RPDP, explained that, if the additional trainer positions were approved, there would be the need for additional clerical support.

Chairwoman Smith asked whether there were further questions about the Northwestern RPDP, and there being none, the Chairwoman asked Ms. Martini to continue her presentation.

Ms. Martini stated that for the Northeastern RPDP, which included Elko, Eureka, Humboldt, Lander, and White Pine counties, The Executive Budget recommended $1.6 million in FY 2008 and $1.7 million in FY2008-09 to continue the program. Ms. Martini explained that the current special education specialist position was funded with grant funding, and that grant funding was expected to be eliminated at the end of the current fiscal year. Therefore, the highest priority for the Northeastern RPDP was to obtain General Fund support for the special education specialist trainer position.

Ms. Martini stated that the remaining enhancements included six programs in which the Northeastern RPDP wanted to expand training for teachers and administrators; expand the Nevada Early Literacy Intervention Program (NELIP); conduct rural school seminars-learning communities for isolated schools; and utilize follow-up strategies, which would be a new program to provide follow-up observations. Ms. Martini said the Northeastern RPDP also requested one new school improvement specialist position; she pointed out that the RPDP did not currently have a specialist in that program.

Chairwoman Smith asked whether there were questions from the Subcommittee regarding the Northeastern RPDP.

Senator Cegavske asked whether the Northeastern RPDP had also prioritized their requests. Hugh Rossolo, Director, Northeastern RPDP, replied that the requests were prioritized.

Senator Cegavske referenced the request for one school improvement specialist position and noted that the Northeastern RPDP currently did not have a specialist position. She asked about the duties of the position.

Mr. Rossolo explained that the Northeastern RPDP was anticipating an increase in schools that would fall into the "needs improvement" category over the upcoming school year based on escalation of the requirements of the No Child Left Behind Act (NCLBA). Senator Cegavske commented that it appeared the Northeastern RPDP wanted to "get ahead of the game." Mr. Rossolo stated that was correct, and that was the reason the Northeastern RPDP was requesting the position.

The Northeastern RPDP contained three staff members that dealt with school improvement across the five counties, and Mr. Rossolo explained that the requested position would assist the staff members in meeting the need.

Senator Cegavske asked about school improvement process training in the amount of $30,000, which was the last item in the list of priorities. Mr. Rossolo explained that the Northeastern RPDP currently provided school improvement process training and anticipated a future need for additional training. School improvement process training involved working with individual staff members at the schools and walking them through the school improvement process.

Senator Cegavske noted that there had been a drop in student reading performance in grades 5 and 6, and she asked why that had occurred. Mr. Rossolo said that the Northeastern RPDP found that in grades 5 and 6 it was assumed that students could read very well. At that point, actual reading instruction stopped, and it became a matter of reading for knowledge rather than reading instruction.

Senator Cegavske asked whether the Northeastern RPDP was evaluating students before and after the school year. Mr. Rossolo indicated that the Northeastern RPDP was not evaluating students at the present time.

Chairwoman Smith asked Ms. Martini to continue budget presentations.

Ms. Martini explained that there were no enhancements requested for the Western RPDP. The Executive Budget recommended a 2 percent increase in each year of the biennium. Ms. Martini stated that the Western RPDP had received a large increase in funding from the 2005 Legislature.

According to Ms. Martini, The Executive Budget recommended $100,000 in each fiscal year of the 2007-09 biennium for external evaluation of the RPDPs. To address administrator training, The Executive Budget included $120,000 in each fiscal year. Previously that amount was $100,000 in each fiscal year.

Senator Cegavske believed that the Subcommittee would need to see justification for the 20 percent increase for administrator training. Senator Cegavske asked whether there was an organization other than WestEd that could evaluate the RPDP programs.

Ms. Martini said that the evaluation process could include a request for proposal (RFP) with additional criteria as approved by the Legislature. Senator Cegavske believed that it would be interesting to look at another organization's evaluation of similar programs.

Senator Cegavske asked that the performance indicators be addressed to produce the results that were required by the Legislature. She asked that staff of the RPDPs work with LCB staff to establish appropriate performance indicators.

Chairwoman Smith asked Roy Casey, Director, Western RPDP, to work with the Statewide Coordinating Council and LCB staff and provide information to the Subcommittee regarding the proposal in The Executive Budget to increase the allocation for continued administrator training by 20 percent.

Chairwoman Smith asked Ms. Martini to continue her budget presentation.

Ms. Martini explained that for Early Childhood Education (ECE) program, The Executive Budget recommended $3.3 million in each year of the biennium to continue the program. That represented a 3 percent increase in funding in each fiscal year. Ms. Martini stated that the funds were used for competitive grants to school districts to either initiate or continue early childhood education programs.

During previous budget hearings, the Subcommittee had discussed several issues concerning the ECE programs. Ms. Martini stated that one issue concerned the evaluation of the ECE programs. A longitudinal evaluation was required by the 2005 Legislature, and NDE had complied with that request. The findings of the longitudinal evaluation indicated that children who participated in the program performed "a little better," "slightly better," and were "better prepared." Ms. Martini said that the concern was that the results were somewhat subjective and not as objective as other statistical evaluations.

Ms. Martini stated that the second issue for ECE programs was the ongoing outcome performance indicators, which somewhat mirrored the indicators of the national Even Start Program for Early Childhood Education. The outcome indicators had been reviewed previously by the Legislature, and the NDE had been asked to review and increase the performance indicators where appropriate.

Ms. Martini pointed out that the NDE had increased the performance indicator regarding participating adults enrolled in ECE for at least four months who met at least one goal related to parenting skills at the 90 percent performance level. However, the actual performance level of 97.5 percent consistently exceeded the outcome level that had been presented for the indicator. Ms. Martini suggested that the performance indicators should once again be reviewed and the performance levels increased.

Chairwoman Smith concurred that the Subcommittee had thoroughly discussed the ECE programs during the last budget hearing. She asked that, prior to closure of the budget, NDE provide different outcome indicators and an evaluation of the program that used more definitive terminology than "a little better." She asked NDE to work with LCB staff and provide that information to the Subcommittee.

Ms. Martini advised the Subcommittee that for the Class-Size Reduction (CSR) Program, The Executive Budget recommended $141.2 million for FY 2008 and $153.7 million for FY 2009 to continue the program as previously funded. The program would be maintained at the same level and included flexibility for the rural county school districts.

The primary issue for the program was the 23.5 teachers for at-risk kindergartens. Ms. Martini said that review of the data indicated that only 21.5 of the 23.5 positions were actually funded for kindergarten. It appeared that two of the positions might have been placed in grades 1 or 2. Ms. Martini said that the NDE was prepared to provide comments about the teachers, and the primary issue was that the funds had not been reviewed separately from the rest of the CSR program. Ms. Martini stated that placing the funding for those at-risk kindergarten teachers into its own category would be one consideration for the Subcommittee. Also, the criteria for those at-risk kindergarten teachers were currently left to the discretion of the Superintendent and Ms. Martini suggested that perhaps it was time for the Legislature to also review those criteria.

Chairwoman Smith noted that the Subcommittee had discussed the CSR program during past budget hearings, and she believed that the Legislature should develop a set criteria to determine at-risk schools. Chairwoman Smith asked Dr. Rheault to comment on that possibility.

Dr. Rheault explained that tracking 23.5 kindergarten teachers appeared to be simple, but the CSR program had been funded since 1989. Many times positions were created for teachers hired to teach in at-risk kindergarten classes, and several years later the teacher would move to first grade. The funding usually tracked with the teacher rather than the position and the school. Dr. Rheault indicated that part of the LCB audit required that the NDE verify the process for tracking teachers at individual schools in first, second, and third grade CSR classes. The NDE auditors had experienced difficulty in tracking the CRS teachers. Dr. Rheault stated that NDE tracked the General Fund teachers and CSR teachers for each school, and the auditors counted the number of teachers for each grade to confirm that the teacher positions were filled. However, the movement of teachers was difficult to track, and the NDE was working on a more efficient tracking and monitoring system for CSR teachers. Dr. Rheault said that NDE would concentrate on the CSR kindergarten teacher positions that were initially funded and those that continued to be funded and would provide the Legislature with a definition for at-risk schools.

Chairwoman Smith thanked Dr. Rheault and asked that he provide the information to LCB staff to establish a process for allocation of funds and the criteria for at-risk schools.

Dr. Rheault pointed out that the full-day kindergarten program was initiated in 114 at-risk schools, and he believed that most of the 23.5 CSR kindergarten teacher positions should have been allocated to those same schools. Dr. Rheault said NDE would check that program as well, which might shift his definition of at-risk schools slightly. Dr. Rheault reiterated that he would submit his criteria for at-risk schools to LCB staff for further discussion.

Chairwoman Smith asked whether there were further questions about CSR teacher positions and, there being none, asked Ms. Martini to continue her budget presentation.

Ms. Martini stated that flexibility in use of CSR funds allowed rural school districts to use CSR funding to operate a program of alternative pupil/teacher ratios. Those alternative ratios could not exceed 22:1 in grades 1 through 3 and could not exceed 25:1 in grades 4, 5, and 6. Ms Martini said that part of implementing a flexible CSR program was the requirement that school districts provide an evaluation of the effectiveness of the programs on team-teaching, the academic achievement of pupils, and student discipline.

According to Ms. Martini, information received from the NDE showed that the program had reduced team-teaching in many of the schools, including a reduction in the Douglas County School District program. It was very difficult to pinpoint the success of one program in academic achievement of students. However, in review of the schools utilizing the flexible use of CSR funds, there had been no reduction in academic achievement, and in fact, there had been a slight increase. Ms. Martini reported that none of the four school districts reported any student discipline issues.

Senator Cegavske hoped that the Subcommittee would consider the larger school districts and allow flexibility in CSR funding. Schools in Las Vegas had extremely high numbers of students in classes for grades 5 and 6, and it would be very beneficial to those schools if the principals and teachers were able to use the CSR flexibility to help the entire school. Senator Cegavske asked that the Subcommittee review and discuss that possibility.

Senator Titus stated that she also appreciated flexibility in CSR funding, but did not think it should become a euphemism for “watering down” the program. Senator Titus asked whether there had been consideration about the number of children in kindergarten classes under the CSR program.

Dr. Rheault explained that the CSR funding and flexibility were available for grades 1 through 6, if schools chose to use the alternative program. It would not help the number of students in kindergarten classes; the NDE had not addressed class sizes in kindergarten. Dr. Rheault explained that the full-day kindergarten program basically doubled the number of kindergarten teachers available to implement that program, but the program was funded at the same class size level as the half-day program.

Senator Titus asked about the average size of kindergarten classes. Dr. Rheault said that the statewide average was 23 students. That included all rural districts, but Washoe County School District had a lower class-size figure for kindergarten. The figure for Clark County School District was approximately 28 students per kindergarten class.

Chairwoman Smith indicated that LCB staff would continue presentation of budget issues, and the Subcommittee could ask questions upon completion of the presentation.

Mr. Atkinson stated that the only question posed by the Subcommittee regarding the Adult High School Diploma Program was whether prison population growth had been included in the computation of the numbers. The NDE confirmed that it was comfortable with the amount of the recommended funding and confirmed that the recommended funding included funding to serve the projected prison population.

The next issue for Subcommittee consideration was textbooks, instructional supplies, and instructional hardware and Mr. Atkinson explained that school districts had expressed concern with the fence-off textbook funding provision. During past budget hearings, Dr. Rheault explained that Lincoln County School District had received a federal grant for the specific purpose of purchasing textbooks, but the county was not allowed to use the expenditures from that grant to help the county meet the requirement for the fence-off funding from the State.

Mr. Atkinson further explained that there were times during the school year when large textbook purchases took place, particularly in Clark County, which drove up the total amount spent for the year. That amount was then averaged for the State, thereby causing problems in the mechanics of the fence-off requirement for smaller school districts.

Mr. Atkinson said there were two options that could be considered by the Subcommittee:

- The amount to be spent on textbooks, instructional supplies, and hardware would be determined by the Legislature for each year of the upcoming biennium. Because of the way the language was written in the DSA funding bill each session, the money had to come from basic support. The suggestion was that the Legislature would allow use of federal grant funding to meet the fence-off requirement. School districts would be required to spend the same dollar amount on textbooks, and it would simply be a matter of which funding could be used.
- The Subcommittee could consider reclassifying the portion of large textbook purchases and other fenced items that caused a district to significantly exceed the minimum requirements to a sub-line item outside the fencing requirement for those extraordinary purchases to prevent such purchases from significantly increasing the minimum requirements in future years.

Mr. Atkinson stated that A.B. 563 and A.B. 565 also dealt with the issue. He explained that A.B. 563 would expand the line items that were fenced off to include library books, software for computers, and equipment related to instruction. Regarding A.B. 565, Mr. Atkinson indicated that the bill would allow the purchase of library books to count toward the minimum requirement if a school district had purchased all textbooks, instructional supplies, and instructional hardware necessary for the school year.

Mr. Atkinson reported that The Executive Budget did not include any funding for utility inflation. The LCB worked with the Budget Division and the Public Utilities Commission (PUC), and the recommendation from both entities was that electricity be inflated 5 percent over the FY 2006 amount in FY 2008, and an additional 5 percent in FY2008-09. The increase for natural gas used the same methodology at a 2.5 percent increase. Mr. Atkinson informed the Subcommittee that the cost of adding the inflation for utilities to the DSA was $9,545,197 over the biennium. At an earlier hearing, information was provided to the Senate Committee on Finance by LCB staff suggesting that 80 percent of that amount, or $7,636,158, be given to the Interim Finance Committee (IFC) for allocation to the school districts that experienced higher-than-anticipated utility costs.

Chairwoman Smith asked whether there was a representative from the Budget Division present to address utility inflation percentages.

Stephanie Day, Budget Analyst 5, Budget Division, explained that as stated by Mr. Atkinson, the Budget Division submitted a budget amendment to address the 5 percent per year inflationary increase for electricity, and the 2.5 percent per year inflationary increase for natural gas. The Budget Division concurred with LCB staff's recommendation to provide 80 percent of the amount to the IFC for allocation.

Chairwoman Smith thanked Ms. Day and asked Mr. Atkinson to continue his presentation.

Mr. Atkinson stated that the Subcommittee requested information about the hold-harmless provision. The 2001 Legislature changed the hold-harmless provision from one-year to two years, and at that time individual charter schools were also included in the hold-harmless provision.

During the current biennium, Mr. Atkinson explained that 11 school districts and 8 charter schools experienced a decline in enrollment and were receiving the benefits of the hold-harmless provision. Historically, additional funding was not included in the DSA for the hold-harmless provision. Mr. Atkinson informed the Subcommittee that at the end of the biennium, any monies expended to cover the hold-harmless provision would either reduce the amount of the reversion to the General Fund or would increase the need for a supplemental appropriation.

Mr. Atkinson stated that the cost of the two-year hold harmless provision for school districts and charter schools for FY 2006-07 was $6,758,883, and the cost for a one-year hold harmless provision for FY 2006-07, such as existed prior to the changes made by the 2001 Legislature, would have been $4,084,469. Additionally, during the late 1980s a provision existed for two biennia that was intended to assist the districts that had the largest decline in enrollments. That provision stipulated that school districts or charter schools in which enrollment declined by more than 5 percent would utilize a two-year hold harmless provision, and school districts or charter schools in which the enrollment declined by less than 5 percent would utilize a one-year hold-harmless provision. Under that scenario, Mr. Atkinson explained that hold-harmless cost for FY 2006-07 would have been $4,240,278.

The Subcommittee might recall the discussion during the 2005 Legislature about other obligations that were inadvertently excluded as budgetary line items in the development of the DSA budget, and the subsequent action by the Legislature to provide additional funding to address that omission. Mr. Atkinson commented that LCB staff was aware of informal discussions about items included in the $133.6 million within the DSA budget for the upcoming biennium that were depicted as "other obligations." Historically, "other obligations" had been budgeted into the DSA, and the amount had continued to grow over the years. Mr. Atkinson stated that "other obligations" represented the designation of fund balances for such items as negotiated contracts, expenditures, increases in opening fund balance, school carryovers, and potential unknowns, such as revenue shortfalls and the cost of large one-time items. Mr. Atkinson wanted to make the Subcommittee aware that individual review and removal of any of those items would reduce the basic support amounts recommended in The Executive Budget.

Mr. Atkinson indicated that, in keeping with the budgetary conventions used for all other budget accounts in which equipment purchases were removed from the base budget and placed in Enhancement Unit 710 (E710), that same requirement was included in the DSA budget. The equipment purchases were removed from the base and included in E710.

Mr. Atkinson reported that the NDE had provided information requested by the Subcommittee regarding student transportation equipment, instructional equipment, computer hardware, and other equipment, and what was included in each of those items:

- $26,426,427 – Student Transportation Equipment: Bus purchases and items related to bus maintenance.
- $2,890,890 – Instructional Equipment: Photocopy machines, vocational equipment, science lab equipment, computer scanners, and sports and athletic equipment.
- $5,818,943 – Computer Hardware: Computers and related equipment.
- $19,586,214 – Other Equipment: Library equipment, administrative and noninstructional computer equipment, custodial vehicles and equipment, administrative and maintenance vehicles, equipment and portable buildings.

According to Mr. Atkinson, in closing BA 2673, the Assembly members of the Subcommittee approved a reduction in the gifted and talented units to provide for the cost of a gifted and talented coordinator position within the NDE. The Senate members of the Subcommittee did not approve that recommendation.

Mr. Atkinson wanted to make the Subcommittee aware that, as the Legislature approached budget closures, the revenues that supported the DSA would require adjustments. Based on the collection of Local School Support Tax (LSST) to date, the Fiscal Analysis Division and the Budget Division worked on potential projections for LSST. Mr. Atkinson pointed out that the actual amount built into the DSA budget would be determined by the Economic Forum on May 1, 2007. However, informal projections indicate that LSST collections in FY 2006-07 would be approximately $20.1 million less than projected by the Economic Forum on November 30, 2006. Mr. Atkinson stated that staff had reviewed other revenue sources within the DSA budget account and projections of reduced expenditures, which would offset the decrease in LSST collections.

That would result in an anticipated reversion from the DSA budget of approximately $186.5 million.

Mr. Atkinson noted that in the 2007-09 biennium, the projected LSST revenue would be reduced by approximately $45.6 million in the first year of the biennium and $35.5 million in the second year, compared to the projections by the November 30, 2006, Economic Forum. Should the LSST revenue be less than recommended by the Economic Forum, additional General Fund resources would be required to maintain the recommended level of support for the 2007-09 biennium.

Chairwoman Smith asked whether there were further questions about the DSA budget, BA 2610 and, there being none, closed the hearing.

The Chairwoman opened the hearing on BA 2699.

DEPARTMENT OF EDUCATION
OTHER STATE EDUCATION PROGRAMS (101-2699)
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Mindy Martini, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), stated that the fist issue for consideration by the Subcommittee was school support teams in non-Title I schools. As the Subcommittee was aware, The Executive Budget recommended General Fund support of $1.17 million in FY 2007-08 and $2.51 million in FY 2008-09 to fund school support teams in non-Title I schools. School support teams were required of all schools in the state of Nevada once they were designed as "demonstrating need for improvement" for three or more consecutive years. Ms. Martini explained that under the No Child Left Behind Act (NCLBA), Title I schools were required to include support teams, but Nevada required support teams for all schools.

Ms. Martini said one issue was that funding had not been provided by the State in the past for non-Title I schools for school support teams, primarily because non-Title I schools had not reached the third year of being designated as "demonstrating need for improvement." Ms. Martini explained that Dr. Rheault estimated that as many as 102 non-Title I schools could reach that third level and be designated as "demonstrating need for improvement" in FY 2007-08, and that number could increase to 236 schools in FY 2008-09.

Chairwoman Smith commented that school support teams in non-Title I Schools were a critical item that the Subcommittee should keep in mind as funding and policies were discussed. As the bar increased for the NCLBA requirements, the numbers would change significantly, and there would be resources that the State would need to devote to those schools and students.

Ms. Martini said that The Executive Budget recommended General Fund support of $321,161 in FY 2007-08 and $336,173 in FY 2008-09 for the System for Accountability Information in Nevada (SAIN). During the 2005 Session, the Legislature approved $200,000 in each fiscal year for the SAIN system. Ms. Martini said the figures for the upcoming biennium represented an approximate 61 percent increase. In addition to General Fund support, The Executive Budget included authority for $442,365 of federal Title VI funding in each fiscal year. In total, the funding commitment for the SAIN system would be $1.54 million over the biennium, should all funding sources be approved.

According to Ms. Martini, as discussed during previous budget hearings, *Nevada Revised Statutes* (NRS) 386.650 provided requirements for the SAIN program, including a longitudinal comparison of the academic achievement, rate of attendance, and rate of graduation of pupils over time.

Ms. Martini believed that the NDE could provide further information about what could be accomplished through use of the SAIN system over the upcoming biennium.

Chairwoman Smith felt that the SAIN system was a very important issue for the Subcommittee because it had become obvious during past budget hearings that the ability to connect student data with the teacher and with Regional Professional Developmental Programs (RPDPs) was critical. The Chairwoman asked for an update from the NDE about whether the proposed funding was sufficient to produce the results needed by the Legislature over the upcoming biennium.

Paul LaMarca, Assistant Deputy Superintendent, Assessments, Program Accountability, and Curriculum, stated that the funding recommended in The Executive Budget would enable the NDE to continue the SAIN program and produce the necessary results.

Chairwoman Smith asked whether there were other questions regarding the SAIN program, and there being none, the Chairwoman asked Ms. Martini to continue her budget presentation.

Ms. Martini indicated that The Executive Budget recommended $30,668 in each year of the biennium to continue the Peer Mediation Program. That amount represented the base expenditures from FY 2005-06. Ms. Martini noted that the Subcommittee had questioned why only $30,668 of the $50,000 allocation was utilized in FY 2005-06, and the NDE indicated that with the new funding available through S.B. No. 404 of the 73rd Session, the peer mediation funding did not receive the appropriate focus. Ms. Martini said that over the current fiscal year, the NDE believed that $48,000 of the allocated $50,000 would be expended on the Peer Mediation Program.

Ms. Martini reported that evaluations were submitted by NDE concerning the Peer Mediation Program, with one report received in September 2006 and the second report just received recently. One issue questioned by LCB staff was that the outcome information was not depicted as outcome information. The data in the final report was unclear as to the effectiveness of the programs.

The following options were presented for the Subcommittee's consideration during the closing of BA 2699:

Option 1: The Subcommittee might wish to approve funding of $30,688 in each fiscal year of the 2007-09 biennium as recommended in The Executive Budget, which represented the base expenditures of the program during FY 2005-06.

Option 2: The Subcommittee might wish to consider increasing funding for the Peer Mediation Program to $48,348 in each fiscal year based upon anticipated utilization of the program during FY 2006-07. That would require an increase in the General Fund allocation of $17,660 in each fiscal year of the biennium.

Assemblywoman Leslie informed the Subcommittee that she argued in favor of the Peer Mediation Program each session. In review of the possible options offered by LCB staff, Ms. Leslie asked the Subcommittee to consider Option 2, which would amount to a slight increase in General Fund support. Ms. Leslie said if the Legislature began decreasing the $50,000 set aside each year for the program, the Peer Mediation Program would eventually cease to exist.

Ms. Leslie also felt that the Subcommittee should request a better evaluation of the program. The data presented to the Legislature in the past showed a dramatic decrease of violence within the schools, and Ms. Leslie stated that she would hate to see the Legislature decrease its commitment to the program. Ms. Leslie asked that when the time came to close BA 2699 the Subcommittee consider Option 2 as offered by staff.

Ms. Martini stated that The Executive Budget recommended $10.78 million over the biennium to support education technology. That amount included funding for the KLVX satellite and the library databases. One major change with regard to the funding was that The Executive Budget recommended that all funding, with the exception of the KLVX satellite and library database funding, be pooled so that the Commission on Educational Technology would have greater flexibility in awarding the funds. Ms. Martini reported that the funding would continue to be allocated for educational technology within the six categories approved by the 2005 Legislature: (1) technology infrastructure; (2) high-quality content material; (3) professional development; (4) technical support; (5) pilot best-practices programs; and (6) an evaluation of the program.

Ms. Martini referenced Exhibit G, "Technology Counts 2007," which had been distributed to Subcommittee members for their information. She pointed out that the publication had recently been released and the state of Nevada received an overall score of "D" as compared to average score of "C+" for other states.

According to Ms. Martini, the money committees of the 2005 Legislature expressed concern with the ongoing request for funds without a needs assessment being completed. A needs assessment was conducted by NDE in the fall of 2006, and NDE believed that approximately $32 million would be needed for educational technology in Nevada over the upcoming biennium. The primary need appeared to be related to technology infrastructure at 53.3 percent; pilot best practices projects at 20.8 percent; professional development at 10.3 percent; high-quality content material at 8.6 percent; and technical support at 7.0 percent.

Ms. Martini stated that when the budget account was closed, the Subcommittee could approve funding to support educational technology as recommended in The Executive Budget, and Ms. Martini offered the following options for the Subcommittee's consideration:

Option 1: The Subcommittee might wish to approve the recommendation in The Executive Budget that the funding be contained as a single pool of resources, with the exception of the funding for the KLVX satellite and library databases, to allow the Commission on Educational Technology greater flexibility in awarding the funds.

Option 2: The Subcommittee might wish to approve funding across the five categories using the percentages as outlined in the needs assessment.

Assemblyman Denis hoped that the Subcommittee would consider Option 1 when closing the budget. Mr. Denis explained that he served on the Commission on Education Technology, and the Commission was aware of the technology needs at the school district level. Districts were asked to come forward and explain their needs, and the Commission could then allocate funding based on those needs. When the funding was allocated by category, Mr. Denis said that it was difficult for the Commission to address the needs of the districts, as additional funding might be needed in one category rather than another. Historically, the Commission had been very prudent in allocating funds, and Mr. Denis again asked the Subcommittee to consider Option 1.

Additionally, Mr. Denis asked that the Subcommittee consider requiring that NDE provide an interim report outlining the Commission on Educational Technology, State Board of Education, and NDE's plan for improving Nevada's ratings based upon the "Technology Counts" report (Exhibit G).

Senator Cegavske thanked Mr. Denis and stated that she always appreciated hearing from Mr. Denis and Senator Beers about technology. Senator Cegavske said that she was concerned about how the funding was being used and whether the technology was beneficial to students and teachers. Those were issues that Senator Cegavske believed should be included in the interim report. She asked how technology would be measured in training and use by teachers. Senator Cegavske stated that over the years, it had become apparent that most students were more knowledgeable than teachers about technology in the classroom.

Mr. Denis said that he had been involved in many discussions about how to measure technology, and it was a major concern. Part of the challenge was that a needs assessment was done and the technology need was $32 million, which Mr. Denis believed was a low number. He commented that additional funding would be necessary to conduct a true needs assessment.

Senator Cegavske said the Legislature continued to pour money into technology, and she was not aware of what could be done with $32 million. Until a needs assessment was conducted that depicted how that funding would be used, she would be reluctant to support the funding.

Mr. Denis believed that Dr. Rheault could address Senator Cegavske's concerns.

Assemblywoman Weber referenced Exhibit G which asked whether Nevada had established policies regarding technology. Ms. Weber asked how difficult it would be to write a policy that covered teacher and administrator standards. It appeared that Nevada was one of only five states that had not initiated a policy regarding teacher standards.

Dr. Rheault explained that "Technology Counts 2007," Exhibit G, referred to whether Nevada required technology course work in all bachelor's degree or licensing areas. Dr. Rheault stated that Nevada did not require that course work, and most states that included a technology requirement to secure a license had included that provision within the past ten years. Dr. Rheault said there had been significant discussion about the requirement, and teacher educational programs in Nevada included technology requirements in almost all programs. The argument was whether Nevada wanted to add a course just to look good in the "Technology Counts" report or whether more important courses were needed. Dr. Rheault said that he would argue that every teacher should take more English as a second language (ESL) courses in Nevada.

Dr. Rheault stated that the same was true of administrator endorsements. The Commission on Professional Standards, which was the separate licensing body in Nevada, had determined not to add technology to Nevada's licensing requirement.

In the past, at least half of the funding for technology was used for infrastructure needs, such as wiring, but Dr. Rheault believed that the Commission on Educational Technology was currently moving in the direction of student achievement, teacher training, and the implementation of technology. Dr. Rheault hoped that when NDE revised the academic technology standards for students, that NDE and the Commission could also work on the long-range technology plan at the same time to address the achievement issues and how achievement could be demonstrated effectively.

Chairwoman Smith asked whether there was a statewide report about technology hardware within the various school districts. The Chairwoman said she was curious about the equity in placing the hardware within schools and student access throughout the districts.

Dr. Rheault said that the "Technology Counts" report usually counted how many computers were available in the classrooms and how many labs were contained in the schools, but he did not have answers regarding the availability of such things as wireless capability in the schools.

Mr. Denis said one of the reports requested by the Commission was about the number of computers and labs throughout the school districts, and somewhere in the vicinity of 90 percent of all classrooms included computers.

Chairwoman Smith said she was interested in the type of hardware that was available and also whether all students had access.

Senator Cegavske said her concern was whether Nevada was still utilizing equipment that did not have the wireless capabilities that were available. She could not believe that the school districts were still utilizing cables and hardwiring computers without first looking at the wireless capabilities.

Dr. Rheault commented that in the past, at least half of the money was usually earmarked for specific infrastructure needs, which could have been wireless or any other type of infrastructure piece that would have assisted the district in implementing the technology plan.

Mr. Denis explained that wiring computers was actually more reliable than the wireless technology, and there were also security issues with the wireless technology. Wireless technology was used in some of the hard to access areas, but in the long run, wired systems were still cheaper and more secure.

Ms. Martini stated that The Executive Budget recommended $1 million in each fiscal year of the biennium to continue the Career and Technical Education (CTE) program. During the last budget hearing, the Subcommittee asked for a breakdown of the proposed use of the $1 million allocation. The NDE submitted the following breakdown of funds over six programs areas, and administration and CTE support:

- Administration: $20,546 – 2.1 percent
- CTE Support: $198,972 – 19.9 percent
- Agriculture: $113,258 – 11.3 percent

- Business/Marketing: $118,855 – 11.9 percent
- Family Consumer Sciences: $32,785 – 3.3 percent
- Information Technology: $186,935 – 18.7 percent
- Trades & Industrial: $317,929 – 31.8 percent
- Health Sciences: $10,720 – 1.0 percent

Ms. Martini pointed out that several bills had been submitted in support of CTE programs. Most of those bills were the result of the interim Subcommittee on the Effectiveness of Career and Technical High Schools of the Legislative Committee on Education.

Ms. Martini indicated that during the 2005 Legislature, speech pathologists were provided a 5 percent salary increase by A.B. No. 580 of the 73rd Session. The increase was not continued in The Executive Budget, and during past budget hearings, the Subcommittee questioned the Budget Division about continuing that increase. Ms. Martini explained that the Budget Division had submitted a budget modification that would support the program over the upcoming biennium.

Regarding supplemental appropriations, Ms. Martini explained that the first concern was the Nationally Certified School Counselors program. The program provided a 5 percent salary increase for all school counselors who held national certification. The $125,000 supplemental appropriation was appropriate to continue that program. Also, Ms. Martini explained that the Teacher Signing Bonus program anticipated a shortfall of approximately $1.5 million in the current fiscal year.

Ms. Martini stated that according to the NDE, there appeared to be sufficient funding included in The Executive Budget to continue the Teacher Signing Bonus program over the upcoming biennium.

Dr. Rheault stated that during the LCB audit, NDE was asked to clarify how it administered the funding for the Teacher Signing Bonus Program. The LCB auditor noted that NDE had provided funding to teachers who had previous experience in Nevada, but had left the system and were then hired back. The auditor asked under what authority NDE offered bonuses to those teachers. Dr. Rheault indicated that the bonus was not necessarily for teachers who were new to the profession. In the past, if a teacher had previous experience in Nevada and the signing bonus enticed them to return to teaching in Nevada, the NDE paid the $2,000 singing bonus. The auditor asked NDE to produce documentation that granted authority to pay signing bonuses to returning teachers. Dr. Rheault said he specifically remembered discussing the issue during the 2001 Legislature.

Ultimately, Dr. Rheault promised to bring the issue before the 2007 Legislature for clarification on the intent of the signing bonus. Dr. Rheault asked whether the NDE could provide signing bonuses to teachers who had previous experience teaching in Nevada, but had been out of the system for at least one or more years. When those teachers were hired back into Nevada's system, could NDE provide those teachers with the signing bonus. Dr. Rheault's personal opinion was that if the NDE could get 100 teachers to consider returning to Nevada to teach based on the $2,000 signing bonus, it would be worth the cost to get those teachers back into the system.

Chairwoman Smith said that there were many licensed professionals not working in the profession for which they were licensed It was the

Chairwoman's opinion that because teachers could only receive the signing bonus one time, that it would be appropriate for returning teachers to receive the bonus.

Senator Cegavske asked about the numbers for new teachers as opposed to rehired teachers. Teachers could have retired and decide to return to the profession and be considered a new hire. Senator Cegavske said she was somewhat concerned about the proposal to pay the bonus to returning teachers.

Dr. Rheault said that the numbers were available, and he would provide that information to the Subcommittee.

Chairwoman Smith asked Dr. Rheault to clarify the situation of retired teachers returning to work while continuing to collect retirement. She believed that those teachers would not be eligible for the signing bonus. Dr. Rheault said that he had never encountered that situation, but the legislative intent could be restated to ensure that retired teachers would not be eligible for the signing bonus. Chairwoman Smith stated that she would not support payment of signing bonuses for retired teachers. Dr. Rheault agreed and stated that he also would not support the signing bonus for retired teachers.

Ms. Gansert asked whether there was data that depicted the average length of time that teachers remained in the system after receiving signing bonuses. Ms. Gansert stated that, apparently, there were no strings attached to the signing bonus.

Dr. Rheault said NDE had not conducted a study about the average length of time that teachers remained in the system. In 2005, the Clark County School District provided data regarding those teachers, but there had been no data collected for the 2007 Session. He believed that part of the problem was that the districts recruited from every state and a mentor induction program was missing in Nevada. Once teachers moved to Nevada, NDE had to work with the teachers to make sure they were comfortable and wanted to remain in Nevada. Dr. Rheault said that once a teacher had remained with the school district for 30 days, those teachers were entitled to the signing bonus with no strings attached.

Regarding CTE organizations, Ms. Martini explained that the amount previously recommended in The Executive Budget was $100,000 in each year of the biennium. The NDE and The Executive Budget recommended adding a sixth CTE organization at a cost of an additional $20,000.

Ms. Martini stated that The Executive Budget recommended $300,000 in each fiscal year to continue the Public Broadcasting Program at the level of the 2005-07 biennium.

Chairwoman Smith noted that the Subcommittee had one additional budget to discuss, BA 2615. The Chairwoman indicated that there was one person in the audience to testify on behalf of that budget, and she asked Mr. Atkinson to present an overview for the Subcommittee.

DEPARTMENT OF EDUCATION
SCHOOL REMEDIATION TRUST FUND (101-2615)
BUDGET PAGE—K-12 ED-16

Bob Atkinson, Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), stated that the account for Programs for Innovation and the Prevention of Remediation, as included in *Nevada Revised Statutes (*NRS) 385.379, specifically stated that "interest and income earned on the money in the Account must be credited to the Account." Mr. Atkinson reported that to date, no interest had been provided in BA 2615, and staff estimated that for the current biennium the amount would have been approximately $3.7 million. For the upcoming biennium, assuming that the spending was somewhat uniform, interest was anticipated at approximately $2.7 million.

Mr. Atkinson pointed out that any interest that was credited to a specific account reduced the amount of General Fund interest that was earned by the State. Staff had been in contact with the Treasurer's Office, and that Office indicated it had adopted the policy that interest earnings would not be credited to accounts that were funded with General Fund appropriations.

Mr. Atkinson stated that if it was the intent of the Subcommittee that BA 2615 received interest on the realized funding available in the account, clear direction should be provided to the Treasurer's Office, or a statutory change might be required.

Chairwoman Smith asked Mr. Winebarger to respond, and she asked how the policy developed by the Treasurer's Office complied with the legislative intent when the Remediation Trust Fund was established.

Mark Winebarger, Deputy Treasurer, Cash Management, stated that the Treasurer's distribution policy on interest had been in effect for a number of years. Kate Marshall, State Treasurer, had continued the policy not to pay interest on appropriations. He offered Exhibit H, "State Treasurer's Interest Distribution Policy," for the Subcommittee's review.

Chairwoman Smith wondered whether the Treasurer had responded to the Subcommittee's inquiry about reconsideration of the policy in relation to BA 2615 and the legislative intent for the School Remediation Trust Fund.

Mr. Winebarger replied that the Treasurer had not reevaluated the policy to date. The Treasurer's Office would be happy to discuss changes needed in NRS to accommodate changes in policy, but it was the opinion of the Treasurer's Office that appropriations did not represent cash in a budget account. Mr. Winebarger emphasized that the Treasurer's Office paid interest only on cash balances.

Chairwoman Smith asked that the Treasurer's Office work with LCB staff regarding BA 2615.

Chairwoman Smith asked whether there was further business or public comment to come before the Subcommittee, and there being none, the Chairwoman declared the meeting adjourned at 10:51 a.m.

RESPECTFULLY SUBMITTED:

Carol Thomsen
Committee Secretary

APPROVED BY:

Debbie Smith

Assemblywoman Debbie Smith, Chair

DATE:

EXHIBITS

Committee Name: Assembly Committee on Ways and Means/Senate Committee on Finance Joint Subcommittee on K-12/Human Services

Date: April 10, 2007 **Time of Meeting: 8:00 a.m.**

Bill	Exhibit	Witness / Agency	Description
* * *	A		Agenda
* * *	B		Attendance Record
* * *	C	Sheila Moulton, NASB	PowerPoint presentation
* * *	D	Paul Dugan, NASS	iNVest '07 Funding Proposal
* * *	E	Dr. Siegel, ACLU	Memorandum of April 10, 2007
* * *	F	Mindy Martini, Fiscal Analysis Division, LCB	Professional Development for Educational Personnel
* * *	G	Mindy Martini, Fiscal Analysis Division, LCB	Technology Counts 2007
* * *	H	Mark Winebarger, Treasurer's Office	State Treasurer's Interest Distribution Policy