

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

**Seventy-fourth Session
May 30, 2007**

The Senate Committee on Finance was called to order by Chair William J. Raggio at 7:44 a.m. on Wednesday, May 30, 2007, in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator William J. Raggio, Chair
Senator Bob Beers, Vice Chair
Senator Dean A. Rhoads
Senator Barbara K. Cegavske
Senator Bob Coffin
Senator Dina Titus
Senator Bernice Mathews

STAFF MEMBERS PRESENT:

Bob Atkinson, Senior Program Analyst
Brian M. Burke, Senior Program Analyst
Gary L. Ghiggeri, Senate Fiscal Analyst
Melinda Martini, Program Analyst
Larry L. Peri, Principal Deputy Fiscal Analyst
Michael Bohling, Committee Secretary

OTHERS PRESENT:

Daniel J. Klaich, Executive Vice Chancellor and Chief Operating Officer, System Administration Office, Nevada System of Higher Education
Andrew Clinger, Director, Department of Administration and State Budget Director

CHAIR RAGGIO:

As a result of the compromises which have been reached and publicly released regarding the Distributive School Account (DSA) and the Nevada System of Higher Education (NSHE), we have a lot of work to do this morning. We will begin with the NSHE closing report.

BRIAN M. BURKE (Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

The report I am about to give will highlight the more significant closing actions recommended by the Subcommittee on Higher Education and Capital Improvements. These actions will save \$8.4 million over the biennium.

I will begin with enrollments, formula funding and campuses in hold-harmless positions. The Governor projected a continued slowdown in enrollment growth. At the 85.5-percent formula-funding level, the Governor's budget held several campuses harmless at a cost of nearly \$9 million per year. Based on fiscal year (FY) 2006-2007 annualized data, the Subcommittee recommended reducing student enrollment estimates by 2,717 full-time equivalents (FTE) in

FY 2007-2008 and 3,821 in FY 2008-2009. As a result, student registration fees and tuition revenues dropped by a total of \$28.9 million for the 2007-2009 biennium. The net hold-harmless calculation increased to \$24.8 million in FY 2007-2008 and \$26.4 million in FY 2008-2009.

The Subcommittee recommended adjustments which decreased formula funding based on reduced enrollments and proportionally redistributed General Fund savings to hold-harmless campuses. The adjustments do not bring all campuses out of hold-harmless positions; the affected campuses would all be held harmless equally at 57.59 percent of the calculated amount in FY 2007-2008 and 54.27 percent in FY 2008-2009. The Subcommittee recommended distributing General Fund savings with no net General Fund gain or loss. The net proposed adjustment reflects a loss to the System of \$11.5 million in FY 2007-2008 and \$17.4 million in FY 2008-2009, totaling \$28.9 million for the biennium which corresponds to the total anticipated fee losses.

Regarding fee revenues and allocations, a Letter of Intent was issued by the 2005 Senate Committee on Finance and the Assembly Committee on Ways and Means which communicated that any Regent-approved fee allocations to the State budget below FY 2006-2007 cumulative percentages may not be supported in corresponding General Fund appropriations. The Subcommittee noted that fee distributions for the 2007-2009 biennium fell below the stated levels. The Subcommittee deferred action on this item.

CHAIR RAGGIO:

With reference to the agreement which has been reached between the Senate and the Assembly, the Chair suggests the Committee add the fees at the percentages outlined in the Letter of Intent but not remove the General Fund appropriation. This action results in \$11.8 million in fee revenue for the biennium. This would be consistent with the agreement.

MR. BURKE:

This was the action taken yesterday by the Assembly Committee on Ways and Means and those monies would now be reflected in the State operating budget.

CHAIR RAGGIO:

Will this action put us in accordance with the Assembly Committee on Ways and Means closure?

MR. BURKE:

Yes.

SENATOR BEERS MOVED TO ADD THE FEES AT THE PERCENTAGES OUTLINED IN THE LETTER OF INTENT; TO NOT REMOVE THE GENERAL FUND APPROPRIATION FROM THE NSHE BUDGET; AND TO ACCEPT THE RECOMMENDATIONS OF THE SUBCOMMITTEE ON HIGHER EDUCATION AND CAPITAL IMPROVEMENTS.

SENATOR MATHEWS SECONDED THE MOTION.

SENATOR COFFIN:

Please explain what the hold-harmless amounts would be.

MR. BURKE:

The amounts recommended for approval by the Senate Subcommittee on Higher Education and Capital Improvements were 57.59 percent of the calculated amount in FY 2007-2008 and 54.27 percent in FY 2008-2009. Initially, the Assembly Subcommittee took action to remove approximately \$2 million of the hold-harmless money. Yesterday, the Assembly Committee on Ways and Means restored the \$2 million to bring the hold-harmless calculation to the level approved by the Senate Subcommittee.

SENATOR COFFIN:

Are we now at the level which the universities need?

MR. BURKE:

The hold-harmless monies combined with the General Fund, as the Subcommittee recommended for approval, are 57.59 and 54.27 percent of the calculated amount. When you replace the fee revenues and increase the expenditure authority, the campuses are still not held harmless at 100 percent. I believe four campuses will still be below 100 percent at ranges from 70 to 85 percent of the fee revenues.

SENATOR COFFIN:

What would be the net loss to the University of Nevada, Las Vegas (UNLV) if we agree to what the Assembly has done?

MR. BURKE:

I do not have the specific information for the UNLV. With the \$28.9 million in current revenue losses, we will be bringing back \$11.8 million.

THE MOTION CARRIED. (SENATOR TITUS WAS ABSENT FOR THE VOTE.)

* * * * *

MR. BURKE:

To address budget cut targets, the Subcommittee did not recommend approval of \$3 million in FY 2007-2008 and \$4 million in FY 2008-2009 for workforce and economic development initiatives at the community colleges shown in decision unit E-179.

E-179 Increase Non-Gaming Business – Page NSHE-4

Regarding medical risk management and malpractice in decision unit E-250, the Subcommittee did not recommend approval of \$78,272 in FY 2007-2008 and \$142,460 in FY 2008-2009 for medical risk management and malpractice costs.

E-250 Working Environment and Wage – Pages NSHE-24, 35, 55, 98, 104, 108

In a related matter, at the March 21, 2007, Interim Finance Committee (IFC) meeting, the medical school proposed to use FY 2006-2007 malpractice insurance savings of \$602,989 to provide malpractice tail coverage for physicians recruited to the school. The IFC did not approve the request. The Subcommittee recommends using FY 2006-2007 medical malpractice insurance

premium savings to provide tail coverage for physicians recruited to the School of Medicine.

The Subcommittee considered savings possibilities for FY 2007-2008 and FY 2008-2009, but the University of Nevada School of Medicine (UNSOM) indicated it would not be prudent to continue savings into the next biennium, as a portion of the savings came from partner hospital contracts that are renegotiated annually. The Subcommittee also noted that Senate Bill (S.B.) 66 could increase the amount of damages that may be awarded in certain tort actions brought against a governmental entity or its officers.

SENATE BILL 66: Increases the amount of damages that may be awarded in certain tort actions brought against a governmental entity or its officers or employees. (BDR 3-120)

Recognizing malpractice insurance premium savings are a possibility, the Subcommittee recommended approval of a Letter of Intent directing the NSHE to either approach the IFC for prior approval to spend any malpractice premium savings that may accrue or to revert any savings during the 2007-2009 biennium to the General Fund. Savings could also possibly assist NSHE in covering the anticipated cost increase due to the higher tort cap specified in S.B. 66.

Regarding the Desert Research Institute (DRI) institutional support, shown in decision unit E-253, the Governor recommends General Fund appropriations of \$949,904 in FY 2007-2008 and \$959,376 in FY 2008-2009 to provide salary and benefits for three existing vice president positions, a chief information officer position and four administrative support positions. The positions are currently funded through Indirect Cost Recovery (ICR) revenues generated through DRI's grant and contract activities. The DRI reported the recommended change in revenue source would allow the DRI to leverage ICR funds for enhanced research and business development activities. The Subcommittee recommended approval of the funding recommendation with a first-year reduction of \$8,307.

E-253 Working Environment and Wage – Page NSHE-80

CHAIR RAGGIO:

The Chair recommends General Fund support of \$300,000 in each year of the biennium be approved for this decision unit as indicated in our agreement with the Assembly Committee on Ways and Means. This will be of great value to the DRI since it will allow some of the indirect cost allocations to be used as leverage for grants.

SENATOR CEGAVSKE MOVED TO APPROVE GENERAL FUND SUPPORT OF \$300,000 IN EACH YEAR OF THE BIENNIUM FOR DECISION UNIT E-253, AND TO ACCEPT THE RECOMMENDATIONS OF THE SUBCOMMITTEE.

SENATOR COFFIN SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR TITUS WAS ABSENT FOR THE VOTE.)

* * * * *

MR. BURKE:

Regarding the Western Undergraduate Exchange (WUE), shown in decision unit E-300, the Board of Regents may enter into agreements with other states to grant full or partial waivers of nonresident tuition, conditioned upon reciprocal agreements being available. The Western Interstate Commission for Higher Education added California as a participating member of WUE states. The University of Nevada, Reno (UNR) accepted California WUE students in FY 2006-2007 and, as a result, experienced significant decreases in nonresident tuition revenues. The Governor proposes to add General Fund appropriations of \$1.6 million each year to the UNR's budgets, with corresponding nonresident tuition reductions. The Governor's budget also adds General Fund appropriations of \$525,599 in FY 2007-2008 and \$582,998 in FY 2008-2009 at the UNLV for nonresident tuition losses unrelated to the California WUE issue.

E-300 Improve Pupil Achievement – Pages NSHE-24, 55

On several occasions, the Subcommittee expressed concern that Nevada is a net importer of WUE students. In response, the NSHE changed the WUE enrollment policies at the UNLV and the UNR. The NSHE testified it would take roughly four to six years to achieve a balance.

Based on updated revenue projections, the UNR's General Fund amounts were reduced by \$723,812 in FY 2007-2008 and \$607,268 in FY 2008-2009 with offsetting tuition revenue increases. These savings were contemplated in the formula hold-harmless plan. The Subcommittee recommended approval of the Governor's recommendation as adjusted.

CHAIR RAGGIO:

This is an area in which we had considerable discussion. We need to send a strong message to the NSHE to continue taking the necessary actions to reduce this imbalance. The Chair recommends eliminating funding for the balance of the decision unit which will result in nearly \$3 million in savings.

SENATOR BEERS MOVED TO ELIMINATE GENERAL FUND SUPPORT OF DECISION UNIT E-300, AND TO ACCEPT THE RECOMMENDATIONS OF THE SUBCOMMITTEE.

SENATOR CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR TITUS WAS ABSENT FOR THE VOTE.)

* * * * *

MR. BURKE:

Regarding the P-21 Council and College Goal Sunday event, shown in decision unit E-308, to address budget reduction targets, the Subcommittee did not recommend the approval of the Governor's recommendation to provide

\$200,000 per year for College Goal Sunday operating funding and staff for the P-21 Council.

E-308 Improve Pupil Achievement – Page NSHE-4

Regarding the Chronic Fatigue Syndrome (CFS) research, shown in decision unit E-325, the Governor recommends General Fund appropriations in the medical school budget of \$400,000 in FY 2007-2008 and \$600,000 in FY 2008-2009 to provide funding for 4.75 FTE staff and operating costs to study, research and understand CFS. The new positions will be employees of the Whittemore-Peterson Institute. The Subcommittee recommended approval of the Governor's recommended funding.

E-325 Services at Level Closest to People – Page NSHE-36

SENATOR COFFIN:

I would like to address CFS research in decision unit E-325. I am not going to support this until I feel we can do something for the young men and women in this State who have served our country. I will not vote for these kinds of programs which benefit our wealthy friends.

MR. BURKE:

In the DRI groundwater study shown in decision unit E-350, the *Executive Budget* includes General Fund appropriations of \$1 million each year to map and study Nevada's groundwater resources. The DRI would work in collaboration with the Office of the State Engineer. The Subcommittee recommended approval of the recommended funding and placed it under the control of the Office of the State Engineer, pursuant to the Governor's amended recommendation.

E-350 Environmental Policies and Programs – Page NSHE-81

CHAIR RAGGIO:

As part of the agreement with the Assembly Committee on Ways and Means, the Chair recommends this decision unit not be approved resulting in \$2 million in savings.

SENATOR CEGAVSKE MOVED TO ELIMINATE GENERAL FUND SUPPORT OF DECISION UNIT E-350 AND TO ACCEPT THE RECOMMENDATIONS OF THE SUBCOMMITTEE.

SENATOR BEERS SECONDED THE MOTION.

SENATOR COFFIN:

Is this motion regarding only the DRI groundwater study?

CHAIR RAGGIO:

Yes.

THE MOTION CARRIED. (SENATORS RHOADS AND MATHEWS VOTED NO.)

* * * * *

MR. BURKE:

For the Nevada Scholars program, shown in decision unit E-425, the Subcommittee did not recommend approval of \$100,000 each year at both the UNR and the UNLV, totaling \$400,000 for the biennium, to support the Nevada scholarship and mentorship program.

E-425 Enable, Motivate & Reward Self Sufficiency – Pages NSHE-24, 56

Regarding the Nye County service area transfer, shown in decision units E-500 and E-900, the Board of Regents removed Nye County from the Community College of Southern Nevada (CCSN) service area and placed it in Great Basin College's (GBC) service area, effective FY 2006-2007.

E-500 Adjustments - Transfers In – Page NSHE-87

E-900 Transfer from CCSN, BA 3011 – Page NSHE-87

E-900 Transfer to GBC, BA 2994 – Page NSHE-99

CHAIR RAGGIO:

The joint action for this item is to fund the transfer.

MR. BURKE:

Regarding the UNLV intercollegiate athletics operating transfer, shown in decision unit E-900, the Subcommittee recommended approval of the Governor's proposal to transfer funding for support of athletic facilities from the UNLV main campus account to the UNLV intercollegiate athletics account. The Subcommittee recommended staff be authorized to make the closing adjustments necessary to fully transfer funding.

E-900 Transfer to UNLV-ICA, BA 2988 – Page NSHE-56

E-900 Transfer from UNLV, BA 2987 – Page NSHE-60

Regarding the UNLV Paradise Elementary School lease inflation, shown in decision unit M-103, the Governor recommends \$1,570,000 each year for lease cost increases on the Paradise School property. The NSHE appealed the increase to Clark County and, throughout the Session, the Subcommittee attempted to determine the final amount for the lease. However, the NSHE stated repeatedly that negotiations were ongoing and a final appeal agreement had not been reached. Noting the continued uncertainty, the Subcommittee recommended approval of the Governor's funding recommendation with a Letter of Intent directing the NSHE to revert any unspent portion of the lease funding and prohibiting use for other purposes. The Subcommittee recommends directing the NSHE to report to the IFC on the results of any negotiations.

M-103 Inflation - Agency Specific – Page NSHE-53

Regarding the new space operations and maintenance, shown in decision unit M-201, the Governor recommends \$8,170,000 in FY 2007-2008 and \$13,530,000 in FY 2008-2009 for operations and maintenance costs related to new space. The Subcommittee recommended approval of the Governor's recommendations with modifications to occupancy dates, square footage and acreage estimates. The Subcommittee also recommended adding operations and

maintenance support for the new academic and student services building at Nevada State College which was omitted from the Governor's budget. The Subcommittee's actions yield General Fund savings of \$996,859 in FY 2007-2008 and \$44,880 in FY 2008-2009, for a total of \$1,040,000 over the biennium.

M-201 Demographics/Caseload Changes – Pages NSHE-2, 21, 54, 79, 85, 96, 107

CHAIR RAGGIO:

Under the accord which was reached, the operations and maintenance support for the Davidson Academy space within the Jot Travis Student Union Building would be deleted and the Assembly Committee on Ways and Means has closed accordingly. The Chair would suggest the Committee remove the operations and maintenance support for space in the Jot Travis Student Union Building, which will be occupied by the Davidson Academy, which will result in savings in excess of \$242,000.

SENATOR BEERS MOVED TO REMOVE THE OPERATIONS AND MAINTENANCE SUPPORT FOR SPACE IN THE JOT TRAVIS STUDENT UNION BUILDING WHICH WILL BE OCCUPIED BY THE DAVIDSON ACADEMY, AND TO ACCEPT THE RECOMMENDATION OF THE SUBCOMMITTEE.

SENATOR CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN VOTED NO.)

* * * * *

MR. BURKE:

Regarding new space rentals, shown in decision units M-201 and M-202, the Governor recommends \$1,310,000 in FY 2007-2008 and \$1,340,000 in FY 2008-2009 for new space rentals at System Administration, Nevada State College, the DRI and the CCSN. The Subcommittee recommends reducing the amounts by \$100,830 per year at the CCSN and by \$59,110 per year at the DRI to accurately reflect anticipated lease costs. The Subcommittee recommends adding \$29,332 in FY 2007-2008 and \$30,108 in FY 2008-2009 to recognize the GBC's lease costs for vocational training space in Elko excluded from the Governor's budget.

M-202 Demographics/Caseload Changes – Pages NSHE-79, 96, 107

Regarding athletic fee payments, shown in decision unit M-203, the Subcommittee recommended reducing the Governor's athletic fee and tuition cost increases by \$39,670 in FY 2007-2008 and \$40,436 in FY 2008-2009 to reflect updated estimates at the UNLV. To be consistent with the actions taken by the 2005 Legislature, the Subcommittee recommended completely removing athletic fee waivers and instead reflected the costs as direct appropriations in the intercollegiate athletics accounts. To address the NSHE's concerns regarding potential resident/non-resident imbalances, the Subcommittee recommended the following: Issue a Letter of Intent authorizing the NSHE to waive fees for university student athletes that may fall outside the direct appropriation; require the NSHE to build the waived fees back into its Base Budgets during the next

budget cycle; require the NSHE to seek direct appropriations to replace any revenues thus waived via an enhancement request, noting that such replacement is not guaranteed.

M-203 Demographics/Caseload Changes – Pages NSHE-28, 59

Regarding inflation, shown in decision unit M-101, the Governor recommends \$488,442 in FY 2007-2008 and \$729,045 in FY 2008-2009 to cover inflationary insurance costs, including property and contents, allied health, vehicle liability, and comprehensive and collision. The Subcommittee recommends approval of the recommendation with General Fund reductions of \$3,827 each year. Staff notes additional reductions of \$17,729 in FY 2007-2008 and \$18,616 in FY 2008-2009 are needed as technical adjustments.

M-101 Inflation - Agency Specific – Pages NSHE-2, 17, 20, 66, 78, 84, 90, 95, 101, 106

Regarding the UNLV recharge inflation, shown in decision unit M-102, the Subcommittee recommended approval of operations and maintenance recharge funding recommendations with corrections that added appropriations of \$295,833 in FY 2007-2008 and \$291,820 in FY 2008-2009.

M-102 Inflation - Agency Specific – Pages NSHE-52, 66, 71, 90

Regarding Redfield High-Tech Center operations and maintenance, shown in decision units M-204 and M-205, the Subcommittee recommends concurring with the Governor's recommendation to retain funding in Truckee Meadows Community College's budget for high-tech center operations and maintenance costs which will be used to pay the UNR for operations and maintenance services via a recharge mechanism.

M-204 Demographics/Caseload Changes – Pages NSHE-22, 102

M-205 Demographics/Caseload Changes – Page NSHE-102

In the cost-of-living (COLA) adjustments, shown in decision unit M-304, the COLA module introduces COLA funding for part-time instructors at the community colleges providing \$1.1 million for the 2007-2009 biennium. The COLAs were not provided to part-time community college instructors during the 2005-2007 biennium. The Subcommittee recommended a Letter of Intent be sent to reinforce its desire that the NSHE use the community college part-time COLA funding solely to increase part-time instructor salaries. The Subcommittee approved the Governor's maintenance items, recognizing the Subcommittee's actions on individual modules.

M-304 2% YR 1 and 4% YR 2 COLA – Pages NSHE-3, 7, 11, 15, 23, 29, 32, 35, 39, 42, 46, 49, 54, 60, 63, 68, 72, 75, 80, 86, 91, 97, 103, 108

The Governor's budget includes a 2.5 percent merit pool for professional employees below the assistant dean's level. The merit pool totals \$8.7 million in FY 2007-2008 and \$17,620,000 in FY 2008-2009. The Governor's budget did not include the merit exclusion added by the 2005 legislature and did not correctly calculate merit-related COLA. The Subcommittee recommended

making the necessary adjustments that result in net savings of \$197,635 in FY 2007-2008 and \$231,276 in FY 2008-2009.

This is an area in which the Assembly Committee on Ways and Means closed differently.

CHAIR RAGGIO:

They have since closed restoring the level of merit pay.

MR. BURKE:

Nevada has consistently provided the State matching funds needed to secure federal funding for the National Direct Student Loan Program (NDSL). However, the federal contribution for the NDSL program has been set to zero for the past two years. As recommended by the Governor, the Subcommittee recommended approval of \$50,904 each year to continue the program based on student repayments, interest collections and State funding. The Subcommittee recommended authorizing the NSHE to retain the FY 2006-2007 appropriation of \$50,904.

NSHE - National Direct Student Loan Program – Budget Page NSHE-17
(Volume I)

Budget Account 101-2993

Regarding the system administration audit contract, the Subcommittee recommended approval of the Governor's recommendation to increase the cost of the independent audit contract. The NSHE indicated the new contract was competitively bid and the cost was \$250,000 less than the other finalist over the three years of the contract.

Regarding the medical school residency funding reallocation and intergovernmental transfer, the 2005 Legislature approved General Fund appropriations of \$1,280,000 in FY 2005-2006 and \$2,550,000 in FY 2006-2007 to expand the number of State-funded physician trainees by 17 each year or 34 total. The resident physician appropriation approved by the 2005 Legislature would be continued for faculty and related-resident support costs, intergovernmental transfer and direct funding of residents. The UNSOM notes the enhanced funding generated by the intergovernmental transfer would be reflected in NSHE's self-supporting accounts. The Subcommittee recommended authorizing the UNSOM to continue to use the residency funding authorized by the 2005 Legislature, pursuant to its revised plan.

There were two budget amendments to the NSHE accounts considered by the Subcommittee. The first was to support the Women's Research Institute of Nevada (WRIN). In 2005, A.B. No. 580 of the 73rd Session appropriated onetime funding of \$150,000 in each year of the 2005-2007 biennium to support the WRIN at the UNLV. The *Executive Budget* recommended no ongoing funding for the WRIN. However, the Governor submitted a budget amendment to add ongoing funding to the UNLV's Statewide Programs account.

NSHE - Statewide Programs - UNLV – Budget Page NSHE-62 (Volume I)
Budget Account 101-3001

The Subcommittee did not recommended approval of the budget amendment to add General Fund appropriations of \$99,876 in FY 2007-2008 and \$112,686 in

FY 2008-2009 for the WRIN. The Subcommittee noted that Assembly Bill (A.B.) 309 would appropriate \$200,000 annually for this purpose.

ASSEMBLY BILL 309: Makes an appropriation for the Women's Research Institute of Nevada and the National Education for Women's Leadership program at the University of Nevada, Las Vegas. (BDR S-684)

The second budget amendment is in regard to the Nevada Cancer Institute (NVCi). Senate Bill 443 includes annual appropriations of \$5 million to the NVCi for research, community outreach and education. The Budget Division submitted an amendment to place the funding in the NSHE budget. The Subcommittee deferred action to the Full Committee as part of consideration of S.B. 443.

SENATE BILL 443: Makes various appropriations. (BDR S-1234)

SENATOR RHOADS:

I recently read a newspaper article stating there are few doctors from our medical school coming back to Nevada. The intent of forming the medical school was to have more doctors in rural Nevada.

DANIEL J. KLAICH (Executive Vice Chancellor and Chief Operating Officer, System Administration Office, Nevada System of Higher Education):

If I read the same article as you, it was referring to our lack of residencies in the medical school and that doctors have a tendency to practice where they take their residencies more often than where they graduate from medical school. The growth plan we have reported provides for extensive growth in the residency plan for the UNSOM. There was not funding in this biennium to fund faculty positions, but the UNSOM intends to continue to increase its residency programs through partnerships with community physicians and physicians funded by its clinical practice plan.

SENATOR COFFIN:

I am glad we have a budget amendment which removes General Fund support for the NVCi and want to give the Committee advance notice that I will not support S.B. 443 or any appropriation to any of these *United States Code* 501 (c)(3) organizations funded by people of wealth who can easily guarantee funding for these programs without taxpayer support. As long as there is not going to be a vote to support the families and survivors of the Nevada National Guard Reserve members who have been called to active duty, I will not support these types of bills.

CHAIR RAGGIO:

These funds were never in the budget. This is a proposed amendment now under consideration in S.B. 443.

SENATOR BEERS MOVED TO CLOSE THE NSHE BUDGETS BY ADOPTING THE CLOSING REPORT, THE RECOMMENDATIONS OF THE SUBCOMMITTEE AND THE ADJUSTMENTS APPROVED BY THIS COMMITTEE.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR TITUS ABSTAINED FROM THE VOTE.)

BUDGETS CLOSED.

* * * * *

CHAIR RAGGIO:

Yesterday, it was announced publicly that there has been an agreement reached by the negotiators who worked on the overall DSA budget as well as the specific items. Some of the items in the proposed closure of the DSA were the extension of a full-day kindergarten program, the inclusion of an Empowerment Schools Program, funding for career and technical education, whether or not to continue a performance pay module and other items.

There was a lot of give-and-take and emotion toward some of the programs in these negotiations. It was a difficult process to reach a compromise. Before we begin the DSA budget closing, I will invite comments from the Committee.

SENATOR BEERS:

For the record, I would like to say:

There are five or six of our caucus members who have a great deal of anguish over the terms of the DSA budget compromise settlement. Regarding the full-day kindergarten expansion, the Clark County School District's own study showed, barely, a statistically significant improvement in second-grade performance amongst children eligible for free- or reduced-lunch programs that went to full-day kindergarten, and no improvement at all for children who are not eligible for free- or reduced-lunch programs. Most national studies show measurable improvements amongst any children that attend full-day kindergarten disappear by the third or fourth grade. Certainly, by the end of secondary school curriculum, there is no measurable impact.

The amount of money we decided to spend expanding full-day kindergarten would have funded an increase in the first year teacher salary COLA to 2.375 percent. This is a significant number because there was a .375 percent increase in the Public Employees Retirement System (PERS) cost. There are many teachers in the State of Nevada who are going to have an effective COLA of only 1.625 percent which is probably one-half, or less, of next year's projected inflation. In the end, we lost the debate and the DSA will be closed as we are about to hear it described.

To Nevada's teachers: We did our best. On behalf of my colleagues, I apologize.

SENATOR TITUS:

For the record, I would like to say:

I would like to point out that in the past five months we have been in the Legislature, we have gone from Education First to education worst. We are giving business a continued \$20 million tax break at

a time when we have said education is a priority. A time when we are 49th in the country in terms of lack of graduation and a time when we are 50th in the country overall, according to the *Congressional Quarterly*, when it comes to education. We are a wealthy State. We have a high per capita income. Business is not crying out to continue this tax break that we are giving to them. I do not think this budget has too much money; I think it undermines education. It moves us forward, it is half a loaf and I'll vote for it, but it certainly does not make great strides in an area we all claimed, and that the public demanded, was going to be a priority.

SENATOR CEGAVSKE:

For the record, I would like to say:

While I respect the differences of opinion on where money should be spent on education, the work the core group did and what we have ended up with, I still would like to put on the record why I was in opposition to additional money for full-day kindergarten.

Class size reduction was brought to us in the 1990s and we have not yet been able to fulfill that requirement. We put mandates on ourselves and, then, do not finish them. We had an opportunity to give teachers a raise with that money, which has been the biggest outcry, and decided not to do it. That is unfortunate.

We do not have the space, and more importantly, we do not have the teachers. Every single year, we hear the outcry that we do not have enough teachers. This year, I had a bird's-eye view of what the substitute teachers and the students go through because we do not have qualified teachers in the classrooms. That is very unfortunate. This is where not only do we lose, but the students lose.

Starting another new program, with as many kindergarten classes as there are going to be in this program, undermines what we are trying to do in the State. We need to improve the programs that we have. The Clark County School District superintendent stated that he would have no problem getting kindergarten teachers. All I could answer was, "Then, you are getting teachers that are not qualified to teach kindergarten." I put that responsibility on each and every single one of the school districts. When you begin a full-day kindergarten class, and do not have anyone but a long-term substitute, think about what you are doing to those students.

We keep saying that teachers are the issue, and we are supposed to be taking care of them in terms of benefits and pay, but we did not do that this time. While we did give them a raise, I think we could have done more.

There is also an issue with giving parents an opportunity to decide whether or not they want a half-day or a full-day kindergarten class. Now, they will be forced into a full-day program.

I would ask the school districts to see if there is an option to having a half-day or full-day class. Only take that responsibility, because it is an opportunity, if you are sure of what is needed at each school and that this program would be beneficial. Only do it if you have the space and qualified teachers. This was the issue with class-size reduction; we did not have the space and we did not have the teachers. We are doing the same thing with kindergarten.

I want to thank all of those who put in the effort and long hours which I know went into this compromise. I urge each and every one of the school districts to do this carefully, cautiously, and make sure you have qualified teachers before implementing any of these programs.

To the teachers: there will be another session. We will try again.

SENATOR COFFIN:

For the record, I would like to say:

Because I was not on the Joint Subcommittee on K-12/Human Services, I missed the benefit of hearing all of the testimony. I have heard an apology from one Committee member, another member says she will support the compromise even though it is inadequate and another member says it is inadequate because it is another new program while we have failed to support the old programs.

I'm trying to figure out what the common thread is in all of these objections and why people are apparently going to vote for it. I wonder if it has to do with a .01-percent change in the modified-business tax which was passed. Could that be the reason this accord was reached by all of the people who attended these private meetings? I cannot figure out why everybody here is in agreement about something they are not happy about. From what I gather, it has to do with one one-hundredth of a percentage point in the modified-business tax. With that, the teachers would get a pay raise. Would somebody tell me if that is the reason we are not giving teachers the raise and why we are not doing this program right?

SENATOR BEERS:

For the record, I would like to say:

I sought out the *Congressional Quarterly* study after hearing it discussed in the Legislature, and since it is a private sector organization that charges for its publications, I was unable to figure out what methodology was used for the report. After an e-mail correspondence last night with an interested citizen, I went to the National Center for Education Statistics Web site and pulled down the data charts and found some interesting information. For a State which the *Congressional Quarterly* says ranks 50th in funding, the following states have less for each student in total spending than Nevada: Montana, South Dakota, Kentucky, Louisiana, Alabama, North Carolina, Tennessee, Arizona, Oklahoma, Idaho, Mississippi,

Utah, Puerto Rico, the Northern Mariana Islands and American Samoa spend less for each student than Nevada.

I do not understand the *Congressional Quarterly* data. It appears to conflict with data from the federal Department of Education.

SENATOR COFFIN:

I would still like an answer to my question.

CHAIR RAGGIO:

For the record, I would like to say:

The flavor of what you are hearing today is only a small part of the discussions which were held with the negotiating teams. This is why I invited these comments. This is a small part of the long, contentious and time-consuming discussions which went into long days and weekends to come to an agreement in which we could, at least, come to some accord.

With reference to the revision of the modified-business tax, which is at .62 percent during this biennium, the accord of this global settlement increased it to .63 percent. The final resolve between these negotiating teams was in an amount which is the equivalent of \$4.5 million. This is the amount the negotiators were willing to compromise to which the Governor was not willing to accept. When this final accommodation was made to obviate a veto which was threatened by the Governor, the \$4.5 million is the value of the agreement which has been reserved to be put into one-shot programs which pertain to education.

There will be an opportunity for the Senate and the Assembly to have input into this accord. There will be programs which are not currently funded, such as the disruptive children programs, the gifted and talented programs and the New Horizons Academy, which will be utilized in the \$4.5 million in funding.

Overall, as part of the negotiating team, I would have preferred more funding going to the Empowerment Schools Program. This program has been supported by the Governor and has been successful in other areas of the country. I have long indicated I did not feel full-day kindergarten would bring the advantages that are being suggested. I would have preferred to add funding for teacher salaries rather than extending full-day kindergarten. The teachers are taking a hit as a result of some of the rate changes. I could not sell that idea, but I am not going to cry about it. I will say I worked with all of you and the negotiators to come up with the best possible solution we could agree upon.

I will apologize to my daughter, who is a second-grade teacher, that I was unable to get more for her. We have all vented on this and we now have five days to get the DSA out of the Legislature and over to the Governor so we can address other matters that are on the minds of not only this Committee, but of the Legislature as a whole. Rather than pout, whine, point fingers and accuse to

make political points, I am ready, as the Chair of this Committee, to review the DSA budgets and take a motion in which we can pass funding for education and get this show on the road.

BOB ATKINSON (Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

In the "Senate Committee on Finance Closing List #8" ([Exhibit C](#), original is on file in the Research Library), pages 2 through 4 are items which were held by the Joint Subcommittee on K-12/Human Services of the Senate Committee on Finance and the Assembly Committee on Ways And Means and pages 5 and 6 include the recommendations of the Subcommittee.

The first issue in budget account (B/A) 101-2610 is the high impact and at-risk retirement credits reallocated to empowerment schools. The *Executive Budget* recommends \$29.7 million in FY 2007-2008 and \$31.1 million in FY 2008-2009 be reallocated to fund a new program of empowerment schools.

K-12 EDUCATION

NDE - Distributive School Account – Budget Page K-12 ED-1 (Volume I) Budget Account 101-2610

In the event the Committee elects to continue the retirement credit program into the upcoming biennium, staff has worked with the Department of Education to develop revised projections of the cost of the current retirement credit program for the upcoming biennium. Those new projections resulted in a decrease in the amount of funding required in FY 2007-2008 by \$6,723,370 and would still provide the retirement credits to the teachers that would qualify under *Nevada Revised Statutes* 391.165.

Because of the increase in the number of schools likely to not meet the performance targets, with the increase yearly progress, we would recommend no adjustment to the second year of the biennium.

SENATOR TITUS:

There has been much discussion about the teacher incentive program and whether or not retirement credits really work. Some of the teachers who need incentives are at the beginning of their careers and might want a cash bonus or help with tuition for returning to college for a master's degree. Where has that discussion gone and how does it affect this amount of money?

CHAIR RAGGIO:

This is an appropriate time to discuss the Empowerment Schools Program which was agreed to in this accord. As I understand it, funding will be provided through the remediation trust fund for limited purposes. There will be \$180,000 in FY 2007-2008 for planning which consists of \$50,000 each for Clark and Washoe Counties and \$10,000 to 8 other districts that are interested in this project.

In FY 2008-2009, 5 percent of the schools in Clark County, totaling 16 schools, 5 percent of the schools in Washoe County, totaling 5 schools, and 1 school from each of the 8 rural districts, for a grand total of 29 schools, could operate as empowerment schools under the agreement. They would be provided funding at the level of \$400 for each pupil at an estimated cost of \$8.9 million. In

addition, funding would also be provided to the Education State Programs budget to fund the coordinator position which supports the Empowerment Schools Program.

The one-fifth of a year of service credit funding is not being utilized for the Empowerment Schools Program. Instead of having it all be used for a one-fifth retirement credit, it would be available for other incentives, provided the incentives are for the purpose of providing for long-term career teachers and used in at-risk schools, schools which need improvement and in areas where expertise is necessary. This is not in this budget, but it is part of the accord.

SENATOR TITUS:

I was part of those discussions. How will that affect the vote on this budget and where is that money for the retirement agreement?

CHAIR RAGGIO:

The money for the retirement credit has not been changed under the agreement.

MR. ATKINSON:

The funding for the retirement credits recommended by the Governor to be used for the Empowerment Schools Program will continue in the DSA as retirement credit funding. Two Assembly Bills, A.B. 568 and A.B. 590, provide a change in the way funding would be used. The funding could continue in this budget and the policy decision to be made as to what specific incentives can be adjusted in one of the bills.

ASSEMBLY BILL 568: Revises provisions governing the compensation of educational personnel. (BDR 34-1369)

ASSEMBLY BILL 590: Revises provisions governing educational personnel. (BDR 34-434)

CHAIR RAGGIO:

The funding which makes the Empowerment Schools Program funding available comes partly from the reversion which is anticipated in funding from S.B. No. 404 of the 73rd Legislative Session. The balance is continued in this funding together with an additional enhancement of \$10 million. This item could be closed to continue funding for the retirement credits.

MR. ATKINSON:

If that is the desire of the Committee, I would suggest reducing the FY 2007-2008 funding by \$6,723,370.

CHAIR RAGGIO:

Is this consistent with what we have been discussing and the action taken by the Assembly Committee on Ways and Means?

MR. ATKINSON:

Yes.

SENATOR CEGAVSKE MOVED TO CONTINUE FUNDING OF THE RETIREMENT CREDIT PROGRAM AND TO REDUCE THE FY 2007-2008 FUNDING BY \$6,723,370.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN VOTED NO.)

* * * * *

MR. ATKINSON:

The next issue held by the Subcommittee dealt with fencing off textbooks, instructional supplies and instructional hardware. The districts have indicated they have concerns with the increase in the fenced amount caused by the large textbook adoptions, particularly in Clark County. This could cause the amount put inside of the fencing to significantly increase.

In addition, the Lincoln County School District purchased textbooks with a federal grant, but it did not help them meet the requirement for the textbooks they were required to buy. The Subcommittee requested that staff and the Department of Education work together on this issue.

The first option would allow purchases of fenced items that are made with funding other than basic support to be counted in meeting the minimum requirements. This would still require that the minimum be met, but federal or other funds could be used to meet the requirement. This could be accomplished by a change in the DSA language describing how the provision is set by removing the reference to basic support where the minimum amount is established in the DSA. Staff would suggest adding the term "or other money," but we would still meet the minimum amount of textbooks, instructional supplies and instructional hardware which is required by statute.

The second option would be a consideration by the Legislature each session if there is a particular problem in which the amount that would be fenced off in the future could be altered. This would not require any action at this time.

CHAIR RAGGIO:

Could we consider this during the next Legislative Session when we consider the DSA's budget?

MR. ATKINSON:

Yes. It would be considered in every session. In the first option, we would consider whether or not to allow textbooks purchased with funding sources other than basic support to count toward the fencing of textbooks, instructional supplies and instructional hardware.

CHAIR RAGGIO:

In the action of the negotiations and the accord which was reached, all of the items that were enhancements will also be fenced off so they can be used for the specific purposes for which the funding is being provided.

SENATOR BEERS:

Did the Subcommittee look at a three-year rolling average of textbook purchases to get around the cyclical large dollar purchases of textbooks?

CHAIR RAGGIO:

We had a discussion regarding the fact that the costs have not been constant. In past years, a lot of funding was not used and we now come into periods

when more funding is necessary. There is also the issue of some schools which have received federal funding and, therefore, did not need funding from basic support.

When I raised the issue of whether or not the full amount for textbooks was necessary when we have other new technologies available, I was told textbooks were still necessary.

MR. ATKINSON:

In the legislation, we established a statewide amount for textbooks, instructional supplies and instructional hardware. The problem arises when we try to break it down into 17 individual school districts. When we calculate the amount for each district, we use a four-year rolling average. If one of the districts has significantly exceeded their amount and the sum of the averages does not equal the total established on the statewide basis, the difference must be allocated over all of the districts. Because we are not looking for any statutory change in that regard, this is something we could address each time we establish the amount.

CHAIR RAGGIO:

That is a good point. The Legislative Committee on Education should get some input and address that issue.

MR. ATKINSON:

We were looking for is a decision on the other funding sources. If a school district has an opportunity to apply for a federal grant to purchase textbooks, and they are going to lose basic support money if they receive it, there will be little incentive to apply for a grant which will not help them meet statutory requirements. This is where we would suggest changing the language of the DSA bill.

SENATOR TITUS:

What happens to the \$6.7 million we saved in the retirement credit program?

GARY L. GHIGGERI (Senate Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

That funding will be utilized to rebalance the other items that are being added to this account.

SENATOR TITUS:

Will the money stay in the DSA for other things?

MR. GHIGGERI:

It will not necessarily stay in the DSA, but it will stay in the education portion we are currently working on. Part of the money will be used to offset the full-day kindergarten program, Empowerment Schools Program costs and other enhancements which will be discussed later. Instead of appropriating that money for retirement credits based upon what the actual costs are expected to be, it will be free to be used for other purposes in FY 2007-2008 for education within the closing scenario.

SENATOR COFFIN:

The key sentence I am reading, on page 3 of the closing document ([Exhibit C](#)), says the districts have indicated a number of concerns with this fencing

requirement. They feel they have expressed their concerns with the cyclical large-dollar requirements of purchasing text books. How can we limit this? I see a cut in textbook funding here.

MR. ATKINSON:

The amount of funding for textbooks, instructional supplies and instructional hardware for each pupil has increased steadily since the fencing requirement began in 2003.

SENATOR COFFIN:

I understand it not a cut. It is more of a lessening of the growth amount. The school districts are concerned that this does not give them enough money.

MR. ATKINSON:

The districts' concern is not about a lack of funding. They are concerned about the fencing requirement. For instance, if the Clark County School District wants to adopt a new science textbook, they may have to save money for a period of years. If they pay for that textbook in a base year, it becomes part of the money which is fenced off. They have saved the money over several years, and possibly taken some of the funds from maintenance projects or other line items on which they were unable to expend the money and these funds then forever get placed inside of the fence and must be spent on textbooks. If they do not need to adopt the science textbook within the next few years, it artificially increases the amount inside of the fence that must be spent on those items. These are the issues that could be addressed individually in future Legislative Sessions. We are not suggesting any changes relating to that part of the statute. We only want to add language allowing other funding sources to be used to meet the minimum textbook expenditure.

SENATOR COFFIN:

They would, in essence, continue to use maintenance funds or other items to maintain their textbook purchases.

MR. ATKINSON:

The maintenance item would be reduced, if they had to reduce it, to buy the textbooks. They would have to continue to spend the textbook money provided in the textbook line item.

CHAIR RAGGIO:

It is my suggestion to put this on the list of items for the Legislative Committee on Education to review during the interim.

MR. ATKINSON:

The Subcommittee recommended the current two-year hold-harmless provisions be changed to one year in the districts with less than 5-percent decline in enrollment. Districts would remain at a two-year hold harmless if the decline in enrollment was more than 5 percent.

School districts are required to provide notice by May 1 each year to teachers whose contracts will not be continued. Since that date has passed and some districts have contracts in place for the next school year based on anticipated revenues under the existing hold-harmless statutes, staff recommends the Subcommittee consider changing the effective date of the amendment to the hold-harmless provisions to July 1, 2008.

CHAIR RAGGIO:

I think changing the effective date is appropriate. If there is no objection from the Committee, we should include this in any motion we make.

SENATOR COFFIN:

Are you holding the motion on textbooks as well?

CHAIR RAGGIO:

There is no action necessary on textbooks.

MR. ATKINSON:

There could be an action to add language to the statute allowing other funding sources to be used to meet the minimum textbook expenditure.

SENATOR COFFIN MOVED TO NOT APPROVE THE METHOD OF TAKING MONEY FROM MAINTENANCE AND FORCING THE SCHOOL DISTRICTS TO USE IT FOR TEXTBOOKS.

CHAIR RAGGIO:

I will not accept that motion. I want us to be in accord with the Assembly Committee on Ways and Means.

SENATOR BEERS MOVED TO ADD LANGUAGE TO THE STATUTE ALLOWING OTHER FUNDING SOURCES TO BE USED TO MEET THE MINIMUM TEXTBOOK EXPENDITURE AND TO ACCEPT THE RECOMMENDATIONS OF THE SUBCOMMITTEE.

SENATOR CEGAVSKE SECONDED THE MOTION.

SENATOR COFFIN:

Once again, it appears a deal has been made. I was not a part of any accords or a part of any groups discussing these matters. I asked if I could join, and was told I could not.

CHAIR RAGGIO:

As I explained, you could not join since we would have then had four members of this Committee in that group and it would be a violation of the Open Meeting Law.

THE MOTION CARRIED. (SENATOR COFFIN VOTED NO.)

* * * * *

MR. ATKINSON:

We have updated the information for all of the revenue projections. For FY 2007-2008 and FY 2008-2009, we have incorporated the Local School Support Tax (LSST) as projected by the May 1, 2007, Economic Forum meeting. Those projections are approximately \$64.7 million less in FY 2007-2008 and \$53.9 million less in FY 2008-2009 than projected by the November 30, 2006, Economic Forum.

The projected reduction in LSST revenues during the 2007-2009 biennium result from revenue collections not reaching their projected levels in FY 2006-2007.

There is also a potential impact from the Leadership in Energy and Environmental Design-certified buildings being exempt from the LSST.

Both the calculations of basic support and the amount of the State's share are impacted by the amount of property tax. The 50-cent portion outside the DSA affects the basic support amount and the 25-cent portion inside the DSA affects the State's share.

The Fiscal Analysis Division, working with the Department of Taxation and the Budget Division, has developed projections that are approximately \$27.6 million more than the amount included in The *Executive Budget* for FY 2007-2008 and approximately \$36.4 million more than the amount included for FY 2008-2009.

CHAIR RAGGIO:

This is something which was not anticipated and should be considered and included in the remarks members of this Committee have made. When we began this process in November and December, we did not anticipate we would need to compensate for a \$64-million shortfall in revenue at the local level. In addition to revenues decreasing, this is the biggest problem we have had.

MR. ATKINSON:

Using projections provided by the Gaming Control Board, staff has reduced the DSA portion of the slot tax by \$397,814 in FY 2007-2008 and \$474,040 in FY 2008-2009. Staff has increased the projection of interest earnings from the Permanent School Fund by \$3.2 million in FY 2007-2008 and \$3.5 million in FY 2008-09, and decreased the anticipated revenue from mineral leases on federal lands by \$1.7 million in FY 2007-2008 and \$2 million in FY 2008-2009, based on current projections of those revenue sources.

Based on these estimates of revenue projections, additional General Fund support in the amount of \$36 million for FY 2007-2008 and \$16.4 million for FY 2008-2009 would be required to maintain the level of support recommended by the Governor.

SENATOR COFFIN:

The other tax sources available to provide the State's guarantee to the fund are missing from this revenue projection. Is the modified business tax available to the General Fund to guarantee the State's obligation?

MR. GHIGGERI:

The modified-business tax is deposited into the General Fund and is available for all programs which receive General Fund support through General Fund appropriations. It is not limited strictly to the DSA and affects the prisons, human services, elected officials, the legislative budget, the Judicial Branch, the Department of Motor Vehicles and the Department of Public Safety.

SENATOR COFFIN:

That includes the schools. We have an accord with the Governor because he does not want to sign the previously agreed upon bill which will allow the sunset of the reduction to the modified-business tax. We would not need to be reducing the funding for books or hold back a portion of teacher's salaries if some people in this building did not go along with the Governor to hold an incredible no-new-taxes policy for .01 percent in the modified-business tax.

I do not know where the philosophy got so tangled that we dare not challenge the Governor on his veto power. Let him veto. The group that reached this accord somehow blinked when he said he would veto the bill. There is a shortfall in these revenue projections because of a lack of commitment from this Legislature. This Legislature and its staff have worked hard under the confines as defined by the Governor. I have supported a lot of the Governor's programs, but not at the expense of the schools. This makes no sense to me.

CHAIR RAGGIO:

We need to move ahead to the other items which need to be decided.

MR. ATKINSON:

On page 5 of the closing document ([Exhibit C](#)), we begin with the recommendations of the Subcommittee.

The first issue is retiree health insurance subsidies. The Subcommittee recommended the inclusion of the subsidies in the operating expenditures to be funded through the guaranteed basic support for the school districts rather than being a specific line item in the DSA.

The second item is early childhood education. The Subcommittee approved funding as recommended by the Governor and directed the Department of Education to increase the expected performance level for all outcome indicators for the program. The Subcommittee also approved a Letter of Intent directing the department to provide results concerning the effectiveness of the program in terms of objective statistical analysis.

The third item is class-size reduction. The Subcommittee recommended approving funding as recommended by the Governor and directed that the funding for 23.5 teachers for the high-risk kindergarten programs be placed in a separate category. The Subcommittee also recommended a Letter of Intent be sent requiring the Department to develop criteria for the selection of schools that will receive funding for the high-risk kindergarten program and requiring the Department to provide a report to the 2009 Legislature describing the impact of this funding for high-risk kindergarten on student academic achievement.

SENATOR CEGAVSKE:

I would hope the interim Legislative Committee on Education will again address the class-size reduction flexibility we have been trying to implement for several Legislative Sessions. I want to be sure this is reviewed to help offset the burden in the fourth- and fifth-grade elementary classes.

MR. ATKINSON:

The third item is utility inflation. The *Executive Budget* did not include any increase for utility costs. The Subcommittee recommended approving a General Fund appropriation to the IFC to be allocated based on the needs of the individual school districts based on utility costs which may be incurred that are over and above what is included in the budget. The Subcommittee recommended \$2,475,568 in FY 2007-2008 and \$5,160,590 in FY 2008-2009 of additional General Funds for this purpose.

CHAIR RAGGIO:

Staff has generated these amounts as appropriate and, as indicated, this follows a previous policy of allocating the money to the IFC for this specific purpose.

SENATOR CEGAVSKE:

From what I understood, the school districts did not give us any information regarding projected utility cost increases and I want to make sure this does not happen again.

CHAIR RAGGIO:

This was not in the *Executive Budget*, so we had to calculate from the Public Utilities Commission's (PUC) projections of what would likely be required. To make certain the funds will only be used for this purpose, it is being allocated to the IFC.

SENATOR CEGAVSKE:

My issue is why this was not included in the *Executive Budget* to begin with. I want to ensure this does not happen again.

ANDREW CLINGER (Director, Department of Administration and State Budget Director):

We reviewed this in the fall when we put the *Executive Budget* together, and based on the information we had at the time, we did not feel it was something we needed to include. Subsequently, we had a meeting with staff from the PUC and the Legislative Counsel Bureau and came to an agreement on what the inflation funding should be. This is certainly an issue I will take an extra look at during the next *Executive Budget* process.

SENATOR CEGAVSKE:

Were you given a projection of what the utility costs would be from the school districts and the Department of Education? If this is the issue, we need to ensure those projections are included in the next *Executive Budget* process.

MR. CLINGER:

We received utility cost information based on actual 2006 expenditures from the school districts. The school districts did not provide us with any inflationary information. The school districts and State agencies typically do not provide this type of information.

SENATOR CEGAVSKE:

Based on the Subcommittee comments on hold-harmless provisions, we have not made any changes to the school districts or the charter schools.

CHAIR RAGGIO:

We voted to change the effective date.

SENATOR CEGAVSKE:

I am referring to the move in the Assembly to no longer include the charter schools in the hold-harmless provisions. I want to ensure they are still included.

MR. ATKINSON:

The Subcommittee did not recommend the hold-harmless provisions be any different for charter schools than they are for regular schools.

CHAIR RAGGIO:

Are there any issues with the Regional Professional Development Programs (RPDP)?

MELINDA MARTINI (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

The Subcommittee recommended approval of reductions to the Governor's recommended budget for the RPDs in the amount of \$560,842 in FY 2007-2008 and \$563,725 in FY 2008-2009.

The Assembly side of the Subcommittee recommended approval of a reduction in the funding provided for the gifted and talented special units to be transferred to Education State Programs to support a new gifted and talented coordinator position. This is at a cost of \$55,494 in FY 2007-2008 and \$74,503 in FY 2008-2009. Since this funding is transferred to the Education State Programs' budget account, there is no net change in General Fund.

The Senate side of the Subcommittee did not recommended approval of this transfer.

CHAIR RAGGIO:

At this point, we can take a motion to agree with the Assembly to fund this position.

SENATOR RHOADS MOVED TO APPROVE A REDUCTION IN THE FUNDING PROVIDED FOR THE GIFTED AND TALENTED SPECIAL UNITS TO BE TRANSFERRED TO EDUCATION STATE PROGRAMS TO SUPPORT A NEW GIFTED AND TALENTED COORDINATOR POSITION.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

* * * * *

MS. MARTINI:

On page 8 of the closing document ([Exhibit C](#)) regarding B/A 101-2699, The Subcommittee held on a few issues which will be presented for the Committee's consideration.

K-12 EDUCATION

NDE - Other State Education Programs – Budget Page K-12 ED-8 (Volume I) Budget Account 101-2699

The first issue is educational technology and public broadcasting shown in decision unit E-306.

E-306 Improve Pupil Achievement – Page K-12 ED-13

The Governor recommends \$10,780,000 which includes funding for the KLVX Channel 10 local PBS affiliate satellite and the library databases in General Funds over the biennium to continue the State-funded Education Technology program. For public broadcasting, the Governor recommends funding of \$300,000 in each fiscal year of the biennium to continue the Public Broadcasting program at the 2005-2007 biennium level.

The Subcommittee questioned why funding of \$440,000 in Educational Technology funds and the \$300,000 for public broadcasting were in separate categories. According to information received from the Department, the funding provided for KLVX under the Educational Technology program is used to produce statewide courses for virtual high schools as a way to lower the high-school dropout rate and to provide free unlimited access statewide to distance learning courses.

In comparison, the department indicates funding provided through the Public Broadcasting program is intended to be used to meet specific needs of the radio and television stations. Through the public broadcasting system, KLVX received \$71,500 in each fiscal year to expand the fiber optics capability of the station.

The decision before this Committee is whether or not to approve funding of \$10,780,000, including funding for the KLVX satellite and the library databases, to support Educational Technology as recommended by the Governor.

CHAIR RAGGIO:

I am aware of what the Assembly Committee on Ways and Means decided on these options and I believe it is a better approach to funding these programs. They allowed the Commission on Educational Technology to place the funding into a single pool of resources to allow greater flexibility in awarding the funds.

SENATOR CEGAVSKE:

I would agree to having one pool of funding and allowing the Commission on Educational Technology to award the funds.

MS. MARTINI:

The Assembly Committee on Education approved funding as recommended by the Governor. There would still be \$300,000 in each year of the biennium for public broadcasting and funding for KLVX for educational technology purposes would still be included in the total funding for Educational Technology. The single pool of resources was subdivided into many categories for Educational Technology. This would place these funds into a single pool of resources, but there is still separate funding of \$300,000 each year for public broadcasting.

SENATOR CEGAVSKE:

This is where the KLVX money would go into the public broadcasting pool so we do not have separate accounts. I do not want to have a separate budget item again.

MR. GHIGGERI:

The funding is used for two different purposes. The funding for KLVX provides statewide education programs. They produce educational programs which are available statewide and are not only for public broadcasting purposes.

SENATOR CEGAVSKE:

Can the KLVX money be included with the Educational Technology fund and withdrawn with Educational Technology approval for specific purposes?

MS. MARTINI:

The funding for Educational Technology is monitored and distributed by the Commission on Educational Technology, whereas the funding for public broadcasting is distributed by a different process for separate purposes.

SENATOR CEGAVSKE:

If you are saying the KLVX money is for Educational Technology, why can it not be monitored and distributed by the Commission on Educational Technology?

MS. MARTINI:

The KLVX money for Educational Technology purposes is in the Educational Technology account. The other is for specific items for their radio station and they submit an application, just as all other television and radio stations, to obtain the public broadcasting money.

CHAIR RAGGIO:

To whom do they submit the application?

MS. MARTINI:

I believe the Department of Education distributes the money for public broadcasting purposes.

SENATOR CEGAVSKE:

Why are we doing this differently in different parts of the State?

MS. MARTINI:

The KLVX money, under Educational Technology, is for statewide programs.

CHAIR RAGGIO:

They develop and produce the programs at KLVX for use in the entire State.

SENATOR MATHEWS:

Is \$300,000 each year a reduction for public broadcasting?

MS. MARTINI:

No. Historically, there has been \$300,000 appropriated for only the first year of the biennium. In A.B. No. 580 of the 73rd Legislative Session, an additional \$300,000 was approved. This will maintain funding at the same level as last biennium.

CHAIR RAGGIO:

Does staff recommend we take the same action as the Assembly Committee on Ways and Means on this issue?

MS. MARTINI:

Yes.

CHAIR RAGGIO:

Please reiterate the option taken by the Assembly Committee on Ways and Means.

MS. MARTINI:

The Assembly Committee on Ways and Means approved funding as recommended by the Governor to maintain the \$440,000 in General Funds for KLVX through the Educational Technology program to provide statewide programs. They also recommended providing all of the money, except for KLVX and the library databases, in a single pool of resources to provide greater flexibility for the Commission in Educational Technology and to approve the

funding for Public Broadcasting in a separate pool of \$300,000 in each fiscal year of the biennium.

SENATOR BEERS MOVED TO CONCUR WITH THE ACTION TAKEN BY THE ASSEMBLY COMMITTEE ON WAYS AND MEANS TO MAINTAIN \$440,000 IN STATE GENERAL FUNDS FOR KLVX THROUGH THE EDUCATIONAL TECHNOLOGY PROGRAM AND TO APPROVE FUNDING FOR PUBLIC BROADCASTING IN A SEPARATE POOL OF \$300,000 IN EACH FISCAL YEAR OF THE BIENNIUM.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

* * * * *

MS. MARTINI:

The second issue concerns the Career and Technical Education (CTE) programs. As you will recall, A.B. 580 of the 73rd Legislative Session appropriated \$1 million in each fiscal year of the 2005-2007 biennium to establish advisory technical skills committees and to provide for the support of the CTE programs. The *Executive Budget* recommends General Fund appropriations of \$1 million each year to continue the program.

CHAIR RAGGIO:

Part of the accord enhances the \$1 million in funding for each year of the biennium by \$2.5 million. This brings the total amount of funding for the CTE programs to \$7 million over the 2007-2009 biennium.

SENATOR BEERS MOVED TO ADD \$2.5 MILLION IN FUNDING FOR EACH YEAR OF THE BIENNIUM TO THE CTE PROGRAMS.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

* * * * *

MS. MARTINI:

The Subcommittee supported the *Executive Budget* recommendation of \$1,170,000 in FY 2007-2008 and \$2,510,000 million in FY 2008-2009 to fund school support teams in non-Title I schools.

The Subcommittee recommended approval of the Governor's budget of \$321,161 in FY 2007-2008 and \$336,173 in FY 2008-2009 to support the System for Accountability Information in Nevada (SAIN) program.

The Governor recommends \$30,668 in each fiscal year of the biennium to continue the Peer Mediation program. The Subcommittee recommended the approval of \$30,668 in funding as recommended by the Governor and the Assembly Committee on Ways and Means approved funding of \$48,348 in each fiscal year to continue the program which is the amount the Department projects will be spent this fiscal year.

Both sides of the Subcommittee recommended authorizing the Department to utilize 5 percent of the funds for technical support, and through a Letter of Intent, requested the Department to submit preliminary reports showing the effectiveness of the program.

CHAIR RAGGIO:

I suggest we concur with the Assembly Committee on Ways and Means to approve \$48,348 in each fiscal for the Peer Mediation program.

SENATOR RHOADS MOVED TO APPROVE \$48,348 IN EACH FISCAL TO FUND THE PEER MEDIATION PROGRAM, AND ACCEPT THE RECOMMENDATION OF THE SUBCOMMITTEE.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

* * * * *

MS. MARTINI:

The Governor did not originally include continued funding to include a 5-percent salary increase for Speech Pathologists hired by a school district. However, since the budget hearing for this program, the Budget Division has submitted a budget modification to include funding of \$597,268 in FY 2007 2008 and \$706,444 in FY 2008-2009 to support this program.

The Subcommittee recommended approval of the Governor's budget of \$7.2 million in FY 2007-2008 and \$7.6 million in FY 2008-2009 to continue the Teacher Signing Bonus program and a policy on how the money will be provided to teachers.

The Subcommittee recommended the approval of the Governor's budget of \$120,000 in each fiscal year of the 2007-2009 biennium to continue the Career and Technical Student Organizations (CTSO). Funding for the CTSOs is \$20,000 per organization. The Governor recommends increasing funding by \$20,000 to add the sixth CTSO.

CHAIR RAGGIO:

Based on the intermediate votes we have taken, we are in line with actions of the Assembly Committee on Ways and Means.

MS. MARTINI:

The only area in which this Committee has differed from the Assembly Committee on Ways and Means is funding for the CTE programs.

CHAIR RAGGIO:

This is a misunderstanding the Assembly Committee on Ways and Means can correct. The agreement was for a total of \$7 million which would be included in our motion.

SENATOR CEGAVSKE MOVED TO APPROVE THE DSA, B/A 101-2610, AND OTHER STATE EDUCATION PROGRAMS, B/A 101-2699, WITH THE RECOMMENDATIONS OF THE SUBCOMMITTEE AND THE ADJUSTMENTS APPROVED BY THIS COMMITTEE.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN VOTED NO.)

BUDGETS CLOSED.

* * * * *

MR. ATKINSON:

The next account is the School Remediation Trust Fund, B/A 101-2615.

NDE - School Remediation Trust Fund – Budget Page K-12 ED-16 (Volume I)
Budget Account 101-2615

This is the account which includes full-day kindergarten and programs for innovation and the prevention of remediation. On page 14 of the closing document (Exhibit C), I have included a summary of the Governor's funding recommendations for each of the categories.

During the earlier budget hearing, the Subcommittee requested the Department of Education provide an estimate of the amount of funding from the 2005-2007 biennium that would not be expended by the school districts and would be returned to the Trust Fund. Based on information gathered from the school districts, the Department estimates approximately \$17.2 million of the 2005-2007 funding will be returned to the Trust Fund and balanced forward into the 2007-2009 biennium.

CHAIR RAGGIO:

We have discussed how we are funding the Empowerment Schools Program and other aspects of the DSA funding. This is where the \$7.9 million would be carried forward in funding as a part of the accord.

MR. ATKINSON:

On the issue of full-day kindergarten, the Committee could chose to approve the Governor's recommendation to continue the program without any expansion to additional schools or could chose to provide additional funding for expansion of the program.

CHAIR RAGGIO:

At this point, everyone is aware of what the accord provided for the full-day kindergarten program.

MR. ATKINSON:

This would continue the funding for the 11 schools which were funded with grant funds of \$662,436 in FY 2007-2008 and \$705,804 in FY 2008-2009. In the second year of the biennium, there would be an addition of \$13,631,760 which would provide full-day kindergarten to schools with approximately 40.75 percent of the students receiving free- or reduced-price lunches.

CHAIR RAGGIO:

This will total approximately \$15 million for these purposes.

MR. ATKINSON:

The next issue in this account is programs for Innovation and the Prevention of Remediation.

CHAIR RAGGIO:

This will carryforward the balance of \$7.9 million which will go into the fund. The agreement is to add an additional \$10 million to the grant category in FY 2008-2009.

MR. ATKINSON:

The third issue in the account is the Best Practices Conference. There was no funding recommended by the Governor to hold a Best Practices Conference for the programs which were funded through the grants. At the request of the Subcommittee, the Department has estimated additional funding in the amount of \$55,430 should be added to this administrative expense category to provide sufficient funding for reviews of the funded programs and to sponsor a Best Practices Conference.

The Subcommittee should note that S.B. 185, which is currently in the Senate Committee on Finance, would limit the amount of funding that could be utilized for these administrative purposes to \$50,000 each biennium.

SENATE BILL 185: Revises provisions governing the Commission on Educational Excellence. (BDR 34-426)

The decision before the Committee is whether or not to include funding for the Best Practices Conference. Including this funding would move the funding from the grants category into an administrative category.

CHAIR RAGGIO:

We should approve this funding and have staff adjust the account if we process S.B. 185.

MR. ATKINSON:

The final issue is that the trust fund for Programs for Innovation and the Prevention of Remediation was created to earn interest. Due to a technicality in the way the language was written in statute, the fund has not been earning interest through the Office of the State Treasurer's interest distribution. Staff suggests including language in the DSA funding bill to amend the statute to include "such interest and income earned will be calculated and credited to the account based on the Realized Funding Available as recorded in the State accounting system."

Staff estimates the interest earnings over the next biennium would be approximately \$1.5 million in FY 2007-2008 and \$1.2 million in FY 2008-2009. This would be a reduction in the amount of interest which is earned in the General Fund and has been included in the projections of General Fund interest earnings.

CHAIR RAGGIO:

What is the recommendation of staff?

MR. ATKINSON:

Staff would request authority to make the change in the DSA funding bill to allow the fund to earn interest.

SENATOR TITUS:

How will the \$15 million in funding for the full-day kindergarten program be used? We have 9 schools which qualify under the requirements from the last Legislative Session and 11 schools funded by S.B. No. 404 of the 73rd Legislative Session. Will those 11 schools be included in the \$15 million?

MR. ATKINSON:

The 11 schools which are funded by S.B. No. 404 of the 73rd Legislative Session are not full-day kindergarten schools in the traditional sense. They were targeted as at-risk schools. There is one additional teacher in each of those schools with the exception of one school having two additional teachers. Recommended funding for the teachers in those 11 schools is \$662,436 in FY 2007-2008. They would be funded again in FY 2008-2009.

SENATOR TITUS:

Does this funding come from the \$15 million?

MR. ATKINSON:

Yes.

SENATOR TITUS:

That gives us 11 schools which are funded and 9 schools which already qualify for funding. This accounts for 20 of the additional schools.

MR. ATKINSON:

The 9 schools which meet the current 55.1-percent criteria of students receiving free or reduced price lunches would not be funded until FY 2008-2009.

SENATOR TITUS:

I would like it to be made clear which schools are being funded with new money and which schools are being funded with money from S.B. No. 404 of the 73rd Legislative Session. I understood the reversion of funds from S.B. No. 404 of the 73rd Legislative Session was \$17.2 million, not \$7.9 million. This is not really new money; it is rolled-over money.

MR. ATKINSON:

Of the \$17.2 million reversion, approximately \$9 million will be directed toward the Empowerment Schools Program and \$7.9 million will be added to the grant category of funds from S.B. No. 404 of the 73rd Legislative Session.

SENATOR TITUS:

This is not new money being added to the budget.

MR. ATKINSON:

It would be balance-forward money from last biennium's unexpended funds.

SENATOR TITUS:

I want to be clear about what we are really adding and what we are bragging about adding.

CHAIR RAGGIO:

More accurately, the money could have been reverted to the General Fund. Additionally, we are adding \$10 million. The funding for full-day kindergarten is in the second year of the biennium for schools other than those currently utilizing the program. When we return for the 2009 Legislative Session, the money being provided this Session will be more than doubled for the future biennium since we are only funding the program for the second year of the 2007-2009 biennium. We are committing to funding over twice the amount during the 2009 Legislative Session.

SENATOR RHOADS MOVED TO APPROVE THE DSA BUDGET ACCOUNTS 101-2610, 101-2699 AND 101-2615 WITH THE RECOMMENDATIONS OF THE SUBCOMMITTEE AND THE ADJUSTMENTS APPROVED BY THIS COMMITTEE.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN VOTED NO.)

BUDGETS CLOSED.

* * * * *

CHAIR RAGGIO:

There being no further business before the Committee, the meeting is adjourned at 11:02 a.m.

RESPECTFULLY SUBMITTED:

Michael Bohling,
Committee Secretary

APPROVED BY:

Senator William J. Raggio, Chair

DATE: _____