

**MINUTES OF THE JOINT MEETING OF THE  
ASSEMBLY COMMITTEE ON WAYS AND MEANS  
AND THE  
SENATE COMMITTEE ON FINANCE**

**Seventy-Sixth Session  
May 3, 2011**

The Joint Assembly Committee on Ways and Means and the Senate Committee on Finance was called to order by Chairwoman Debbie Smith at 12:40 p.m. on Tuesday, May 3, 2011, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4412 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at [www.leg.state.nv.us/76th2011/committees/](http://www.leg.state.nv.us/76th2011/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](mailto:publications@lcb.state.nv.us); telephone: 775-684-6835).

**ASSEMBLY COMMITTEE MEMBERS PRESENT:**

Assemblywoman Debbie Smith, Chairwoman  
Assemblyman Marcus Conklin, Vice Chair  
Assemblyman Paul Aizley  
Assemblyman Kelvin Atkinson  
Assemblyman David P. Bobzien  
Assemblywoman Maggie Carlton  
Assemblyman Pete Goicoechea  
Assemblyman Tom Grady  
Assemblyman John Hambrick  
Assemblyman Crescent Hardy  
Assemblyman Pat Hickey  
Assemblyman Joseph M. Hogan  
Assemblyman Randy Kirner  
Assemblywoman April Mastroluca  
Assemblyman John Ocegüera

**SENATE COMMITTEE MEMBERS PRESENT:**

Senator Steven A. Horsford, Chair  
Senator Sheila Leslie, Vice Chair

Senator Barbara K. Cegavske  
Senator Moises (Mo) Denis  
Senator Ben Kieckhefer  
Senator David R. Parks  
Senator Dean A. Rhoads

**STAFF MEMBERS PRESENT:**

Rick Combs, Assembly Fiscal Analyst  
Mike Chapman, Principal Deputy Fiscal Analyst  
Rex Goodman, Principal Deputy Fiscal Analyst  
Julie Waller, Program Analyst  
Connie Davis, Committee Secretary  
Cynthia Wyett, Committee Assistant

Chairwoman Smith welcomed audience members and those watching via the Internet or video broadcast to the Joint Meeting of Assembly Committee on Ways and Means and Senate Committee on Finance. The Joint Committee was meeting to close the State Distributive School Account (DSA) and other K-12 budgets that were not previously closed.

Chairwoman Smith advised that she would begin the meeting with presentations from representatives of the Office of the Governor and the Department of Administration's Budget Division, which would be followed by public comment.

Heidi Gansert, Chief of Staff, Office of the Governor, introduced Andrew Clinger, the Director of the Department of Administration. Mrs. Gansert began her presentation and advised that, based on the Economic Forum's latest May 2, 2011, revenue projections, \$267,265,010 could be added back to the Governor's recommended budget for K-12 and the Nevada System of Higher Education (NSHE).

Mrs. Gansert provided the following information:

- In March, Nevada businesses created over 10,000 new jobs, and the unemployment rate dropped from 14.9 percent to 13.2 percent.
- Six weeks ago, approximately \$120 million was added back into the budget because of budget adjustments, and during the previous week, another \$50 million was reinvested in critical programs.

- The additional funding, projected by the Economic Forum, would add \$241 million to K-12 Education; \$20 million to the Nevada System of Higher Education (NSHE), and \$5.8 million to maintain the statutorily required minimum 5 percent General Fund ending fund balance.
- All funding could be restored for class-size reduction and all-day kindergarten.
- Funding of \$223 million of the original \$238 million in reductions or 94 percent of funding could be restored to Basic Support funding.

Mrs. Gansert advised that because of the additional funding there would be no reason to lay off teachers and that all programs should be reinstated because so much of the funding would be restored. Additionally, she said the Administration was asking for priority triggers and that as revenue was received during the interim, funding for education should be prioritized.

Mrs. Gansert reported that with the additional \$267 million projected by the Economic Forum, the \$120 million from budget adjustments, and the \$50 million previously added back, a total \$440 million would be reinvested into essential services and to K-12 and NSHE.

Andrew Clinger, Director, Department of Administration, distributed two spreadsheets to the Committee that detailed the funding restorations to which Mrs. Gansert referred.

Mr. Clinger began his presentation by referring to the document entitled, "Executive Budget Amendments for K-12 and the Nevada System of Higher Education (NSHE) 2011-13 Biennium As of May 3, 2011" ([Exhibit C](#)):

- The first item provided General Fund appropriations to restore \$111,500,000 in each fiscal year of the biennium for K-12 Basic Support funding. The restoration of funding increased K-12 basic support to \$5,160 per pupil in fiscal year (FY) 2012 compared with \$5,192 in fiscal year 2011, and increased per pupil funding to \$5,167 in fiscal year 2013.
- The second item restored \$4,488,759 over the biennium for full-day kindergarten, the same amount originally reduced in The Executive Budget for full-day kindergarten.

- The third item fully restored the proposed budget reduction of \$7,374,874 for the Student Achievement Block Grant (SABG) that included Class Size Reduction (CSR) in the second year of the biennium.
- The next item listed, based on the latest Economic Forum projections, added General Fund appropriations of \$6,627,688 to fund the net loss of local revenue in the Distributive School Account (DSA), which included the loss of property tax, the increase in the Local School Support Tax (LSST), and adjustment for the debt reserve transfers.
- The next item added \$20 million in FY 2013 for the Nevada System of Higher Education.
- Additional funding of \$5,773,689 was required to maintain the statutorily required minimum 5 percent ending fund balance for the General Fund.

Mr. Clinger referred to the second document entitled, "Governor's Recommended General Fund, Distributive School Account (DSA) Funding and Nevada System of Higher Education Property Tax Funding Amended Executive Budget Versus May 1, 2011 Revised Projections" ([Exhibit D](#)) and provided the following information on the Difference column for fiscal year 2011, fiscal year 2012, and fiscal year 2013.

- The first item was the Economic Forum forecast that provided a total increase of \$217,693,510 over fiscal years 2011, 2012, and 2013.
- Listed under General Fund Revenue Adjustments were items that were included in The Executive Budget as additional revenue. Based on the changes in the forecast, \$14,379,440 of extra revenue was added to the 2011-2013 biennium.

Mr. Clinger advised that, based on an update to the revenue adjustments, a total of \$232,072,950 in additional funds was available over the biennium.

Mr. Clinger reported that the next section detailed the increases in the following major sources of Distributive School Account (DSA) Funding:

- Local School Support Tax (LSST) - \$113,330,000 of additional funding over fiscal years 2011, 2012, and 2013.

- Property Tax – A tax rate of \$.25 per \$100 of assessed valuation that the state guaranteed the school districts over the biennium reflected a loss of \$2,075,774.
- Property Tax – a tax rate of \$.50 per \$100 of assessed valuation, the portion not guaranteed by the state, reflected a loss of \$19,380,559 over the biennium.
- Annual Slot Tax - a minor change in the annual slot machine tax resulted in a loss of \$139,498.
- Transfer from the Debt Service Reserves – The Executive Budget recommended \$301,931,464 over the biennium. Based on updated property tax forecasts, the recommendation was reduced to \$147.4 million over the biennium for a \$54,511,152 loss in transfer funds to the operating account.

Mr. Clinger referred to the total net requirements within the DSA and based on the revenue changes, he said additional DSA funding reduced the supplemental requirement by \$43,850,705 in fiscal year 2011. However, DSA reductions in the biennium required additional funding of \$809,901 in fiscal year 2012 and \$5,817,787 in fiscal year 2013.

Mr. Clinger advised that taking the adjustment of all property tax forecasts into account, the property tax funding for the Nevada System of Higher Education (NSHE) reflected a decrease of \$2,030,957 over the biennium.

Closing his remarks, Mr. Clinger advised that taking all factors into consideration, the total net change over fiscal years 2011, 2012, and 2013 was an increase of \$267,265,010.

Chairwoman Smith advised the members of the Committee that she would take technical questions concerning the preceding presentations.

Senator Rhoads questioned the Modified Business Tax loss in fiscal year 2012 and fiscal year 2013.

Mr. Clinger advised that the 2009 Legislature changed the tax rate for the Modified Business Tax and created a two-tiered system at 0.5 percent and 1.17 percent, which under current law would expire on June 30, 2011, and revert to 0.63 percent for all payroll levels. Mr. Clinger indicated that the Administration recommended maintaining the two-tier system with the lower

tier remaining at 0.5 percent and the top tier at .63 percent, which resulted in an \$8,300,000 loss in fiscal year 2012 and an \$8,400,000 loss in fiscal year 2013.

Mrs. Gansert provided the following additional information concerning the budget reductions to education:

- The 5 percent salary reduction for teachers would be continued.
- All school district employees would be required to contribute 25 percent to their retirement.
- The \$142 million merit increase suspension would continue to be required. Mrs. Gansert indicated that the suspension of merit increases should be considered a disappointment rather than a cut.

In summary, Mrs. Gansert advised the Committee that the Administration took into account all revenue sources and revised projections to restore funding for education programs including full-day kindergarten and class-size reduction.

Chairwoman Smith noted that the numbers provided were straightforward enough for the Committee to proceed with closing the Education budget.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, asked for a clarification concerning whether the Debt Service Reserves were \$147.4 million or \$247.4 million and whether the entire \$54,511,152 loss in the transfer from Debt Service Reserves was the result of a decrease in property tax projections.

Mr. Clinger clarified that the transfer from the Debt Service Reserves was recommended at \$247.4 million, and the reduction in the transfer from Debt Service Reserves was a combination of property tax forecast adjustments, the details of which he would provide to the Committee's staff.

Chairwoman Smith asked for clarification concerning the restoration of the funding to class-size reduction and full-day kindergarten because she noted there were policy bills that eliminated the requirement for full-day kindergarten and class-size reduction.

Mrs. Gansert advised that funding that had been designated for full-day kindergarten and class-size reduction would be restored, which would provide schools districts the flexibility to expend the funds as they preferred.

Chairwoman Smith reiterated her question concerning whether the Administration's legislation request to eliminate the requirement for class-size reduction and full-day kindergarten would continue to go forward.

Mr. Clinger advised that the Administration's policy bill to eliminate the requirement for class-size reduction and full-day kindergarten would continue to move forward.

Chairwoman Smith thanked Mrs. Gansert and Mr. Clinger for their presentations and advised that she would take some public comment before beginning the closing process.

Paul Johnson, Chief Financial Officer, White Pine County School District, advised that much of what he had prepared was no longer relevant after learning about the restoration of funding to the Education budget. He said, however, that he would provide "for scale" how the budget prior to the restoration of funds would have affected the White Pine County School District as well as his own family.

Mr. Johnson advised that one of his sons attended the University of Nevada, Las Vegas, the other attended high school in White Pine County, and as the Chief Financial Officer for the White Pine County School District, he had just given his wife, a first-year teacher, a reduction-in-force notification.

Mr. Johnson provided the following information concerning proposals the White Pine County School District was considering prior to the most recent revenue projections:

- The District had a \$1.9 million operating deficit that would have been subsidized with a \$700,000 fund balance from the current fiscal year.
- Per pupil funding would have declined from \$7,226 per student to \$6,197, a reduction of a \$1,000 per student.
- K-12 student populations from schools in the rural communities of McGill and Lund would have been combined and moved into centralized areas in the City of Ely.
- Workforce reductions of 33 percent of administrative staff, 26 percent of certificated staff, and 15 percent of support staff would have taken

place, which targeted approximately 1 in every 5 positions for elimination.

- o Programs and services such as the nutrition program, extra curricular programs, counseling services, library services, and health services would have been reduced or eliminated.

Mr. Johnson commented on the transfer from the Debt Service Reserves and reminded the Committee members that White Pine County had an annual budget of approximately \$200,000 for capital improvements. He said that currently the District had about \$7.5 million in deferred capital costs and \$65 million in school construction that was pending. Mr. Johnson advised that David E. Norman elementary school, which was built in 1908 and White Pine Middle School, built in 1913, demanded more than \$200,000 a year in capital improvements. He said the projects that cost more than \$200,000 were added to the deferred projects list, which continued to increase each year.

Mr. Johnson advised that a "rollover" bond initiative, passed by the voters, allowed the District to accumulate and use funding from the Debt Reserves for capital projects. Mr. Johnson pointed out that funding from the Debt Reserves was the only significant source of revenue for District facilities. He said that transferring funds from the Reserves would significantly "cripple" the District's ability to meet future facility demands and that it was guaranteed to add to the capital projects list.

Mr. Johnson explained that resurfacing just two parking lots at the Lund schools cost \$50,000 and considering a total annual capital outlay of \$200,000, there would be little available revenue remaining. Even by reauthorizing the bonds, currently scheduled to expire in 2018, Mr. Johnson said the debt rate only justified about \$5 million worth of bonds, which would not even build a new school, and meant that school construction would remain a problem.

Mr. Johnson pointed out that the Lund K-12 School was the last school constructed in White Pine County and was funded by the State of Nevada from a fund created prior to 2001. He said the fund, available to school districts that met certain financial emergency conditions, also provided for structural improvements to White Pine Middle School and White Pine High School. Mr. Johnson pointed out that unless there was a dynamic change in the local economy or a change in the tax policy, the fund was the only way he could envision school construction in White Pine County.



Mr. Johnson commented that the proposed elimination of the Governmental Services Tax, which he said provided \$500,000 of the District's \$11 million budget, would significantly affect the budget. Additionally, Mr. Johnson advised that the District received approximately \$80,000 for the Debt Services Fund which was used for purchases, such as school buses.

In closing Mr. Johnson indicated he was looking forward to receiving the new financial projections in the hope that funding would be restored to the reductions originally proposed for K-12 education.

Chairwoman Smith commented that the presentations should be considered as information only and pointed out that the K-12 and higher education budgets were not yet closed or funded.

Steve Laden, Senior Vice President - Investment Officer, Wells Fargo Advisors, identified himself for the record. Mr. Laden discussed his background, which included serving on the Board of Directors for the Education Alliance of Washoe County, Inc. for six years and President of the Alliance for two years. Additionally, he served as a member of the Council to Establish Academic Standards for Public Schools.

Mr. Laden said, however, he was before the Committee to testify as a businessman and parent and because he was asked to share some of the testimony he had previously provided to the members of the Joint Subcommittee on K-12 Education/Higher Education at the Lawlor Events Center. Additionally, he said he was testifying on behalf of a young man with children, who was thinking about moving away from the state because of reductions to the K-12 budget, and two expectant mothers, who were concerned about the education conditions their children would face in the future.

Recalling his testimony at the Lawlor Events Center, Mr. Laden advised that his son, a sophomore, at the University of Oregon, had been a top student at Reno High School. Aware of previous budget reductions and the recommended reductions for the upcoming biennium, he said his son decided to attend an out-of-state university because he felt that opportunities for higher education in Nevada were "dwindling."

Mr. Laden said, as a parent and an economist, he thought about what his son's decision to attend school in Oregon meant economically, which he said came down to supporting the Oregon economy. Mr. Laden said that, in all likelihood, if his son had stayed in Nevada, the money spent on tuition and housing for him

would have helped the real estate market and Nevada's economy at the same time.

Additionally, Mr. Laden reported that nine of his son's friends, again all top students at Reno High School, four of whom were National Merit Scholars, were attending out-of-state colleges. Mr. Laden pointed out that the students were individuals that the state should have kept in Nevada institutions of higher learning and in Nevada after they graduated. Instead he said they took with them a drain of brain power as well as a drain of financial resources that could have stayed in Nevada.

In his professional capacity, Mr. Laden said that in February he floated University of Nevada bonds to bond traders to determine the marketplace value and at the time received bids of 85 cents to 90 cents on the dollar trading close to junk rather than Nevada's AA credit rating level. He reported, however, that since that time, the bids had increased significantly.

Mr. Laden pointed out that when a public entity failed to support their public enterprises, especially those related to private investment, that entity shortchanged itself. He said he believed the market was watching Nevada, and, in fact, on March 24, 2011, Moody's downgraded Nevada bonds, and on March 25, Fitch, the third major rating agency, downgraded Washoe County bonds. Mr. Laden said that even if Nevada bonds never went down in price again, Nevada was faced with already lowered credit ratings that would perhaps go even lower. He recalled that the legislative committees heard testimony from a financial advisor in Clark County, who was in touch with Moody's and Standard & Poor's, and reported that school district bonds were on a negative credit watch. Mr. Laden warned that the cost of financing future debt would increase if the state's credit ratings fell further, which he said was of great concern to him as a taxpayer and in his professional capacity.

Mr. Laden advised that he had observed legislative committee meetings, via the Internet, and when Chancellor Klaich testified before the Committee of the Whole, he mentioned that over 20 professional faculty and researchers at the Desert Research Institute (DRI) alone had been "cherry-picked." He said that top-quality professors at the University of Nevada, Reno (UNR) had also been "cherry-picked." Mr. Laden pointed out that the Nevada System of Higher Education (NSHE) was not only losing the positions and the knowledge the professors in those positions offered to students but also that they were losing the research money that came to the best professors. He also advised that the System was losing competent capable research assistants and that it was not just a matter of losing positions but the multiplier effect of loss through the

community with professors and research assistants looking for positions in other places.

Mr. Laden said he had listened to the presentation from the Legislative Counsel Bureau Fiscal Analyst who projected that in the next biennium NSHE could lose perhaps 19,000 students because of proposed budget cuts. Again, he said brain and financial resources would be drained away from Nevada because those students would take their tuition and their future earning potential and perhaps permanently leave the state, which he defined as a serious economic concern.

Mr. Laden said he listened to NV Energy Board Chairman, Philip G. Satre, one of the most respected businessmen in Nevada, report that Harrah's, International Game Technology (IGT), and his own family foundation had donated significant dollars to NSHE through a public-private partnership. Mr. Laden said, however, that when the public side of the equation failed to participate, the private side would, most likely, walk away, which again would be a lost opportunity because of a failure to invest in K-12 and higher education.

Mr. Laden advised that Nevada ranked fourth in a survey regarding business tax climate, yet the state ranked toward the bottom in education, access to capital, and technical innovation. He said that based on the survey, Nevada's overall business ranking was 47th in the United States, which he compared with building a one-legged stool predicated on the state's business tax climate and failure to invest in itself. Mr. Laden asked how long the state could balance on a one-legged stool. He said that when private companies and individuals were asked to invest in higher education, when California businesses were asked to come to Nevada, and the public side of the equation did not participate, the state had no moral authority to ask for donations or recruit companies.

In closing, Mr. Laden said that as a registered Republican he challenged five Republican legislators to set aside the political dogma and find a creative way to fund education and move the state forward toward a diversified, robust economy. He said none of his Republican friends agreed with the Governor's budget and that there were a great number of Republicans who would support those legislators that stepped out from behind the Governor's shadow.

Caryn Swobe, represented Parent Leaders for Education, [a nonpartisan, all-volunteer organization in Washoe County, composed of parents, concerned citizens, educators, community leaders, and business owners who advocated

for public education]. Ms. Swobe said there were approximately 2,000 parents around the county that the organization engaged either in their Stand Up for Education Public Forum or in a postcard writing campaign asking the Legislature to fund education.

While delighted with the new revenue projections from the Economic Forum, Ms. Swobe said additional funding was needed for successful reform in education that would ensure better testing and more rigorous curriculums without sweeping the construction bond reserve funds. Ms. Swobe pointed out that the resources needed for children to succeed in school required investment not reductions.

On behalf of Parent Leaders for Education, Ms. Swobe asked the Committee members to look beyond the latest revenue projections and to provide the funding needed for K-12 education.

Mike Cate, Cochair of the Say Yes for Kids Committee, identified himself for the record. He advised that the Say Yes for Kids Committee was formed to campaign for the extension of the ten-year rollover bond to fund capital improvements for schools.

Mr. Cate expressed hope that the Committee members would not forget the electorate who voted for the bonds and how important it was to them that the funds were used for the improvement or repair of schools rather than transferred to accounts for other state needs. Mr. Cate asked the Committee members to ensure that the voters' voices were heard, and the money from the bonds was used in the manner intended.

Samuel P. McMullen, representing the Las Vegas Chamber of Commerce, commended the Legislators who stepped up to support the Governor and reduce spending.

Mr. McMullen advised that the Chamber's Government Affairs Committee had spent time analyzing the proposed reductions, and he said that the quality of education for Nevada's children and future employees was of primary concern to the Chamber. In a letter dated April 15, 2011, ([Exhibit E](#)), Hugh Anderson, Chairman of the Government Affairs Committee, Las Vegas Chamber of Commerce, outlined Clark County School District plans "to increase class sizes at all grade levels."

While the additional revenue projected by the Economic Forum was good news for the state budget, Mr. McMullen said the Chamber continued to be concerned that if

compensation reductions could not be achieved thorough collective bargaining, there would be significant challenges to classroom size and quality.

Mr. McMullen advised that the Chamber questioned whether the proposals for salary reductions and shifting costs for retirement and health care to school district employees would also be asked of local government employees. Additionally, Mr. McMullen indicated the Chamber was concerned about the use of the school bond reserve accounts and the long-term financial stability of Nevada including reducing the Public Employees' Retirement System (PERS) \$10 billion unfunded liability and postretirement health care. Mr. McMullen made it clear that the Chamber did not wish to compromise promises made to retirees and provided assurance they had not asked for changes in benefits that applied to existing employees but rather reform going forward for new hires because he said that the state could not continue to assume multibillion dollar unfunded liabilities.

Mr. McMullen said that meaningful reform was important to the Chamber, and legislative movement toward reform, such as S.B. 98, [revising provisions relating to collective bargaining between local governments and employer organizations was appreciated. He said the Chamber would continue to look for and present possibilities for additional reform that were important for solutions to long-term issues of concern.

Mr. McMullen expressed the Chamber's appreciation for the steps that had been taken toward education reform by both the Administration and the Legislature, and he was of the opinion that dollars alone would not resolve the problems associated with reforming the education system. Mr. McMullen advised that the Chamber wanted to see progress made in "streamlining Nevada's K-12 public education governance structure, elimination of tenure with assistance for those who needed improvement, school grading choice, elimination of social programs that would take time and investment, and targeted assistance for those who needed assistance."

William Vassiliadis, representing the Nevada Resort Association (NRA), also expressed, on behalf of NRA, gratitude to the Governor for his announcement concerning the additional funding that would be provided to K-12 and higher education and to Mrs. Gansert for her testimony concerning the Economic Forum's latest projections.

Mr. Vassiliadis expressed respect and empathy for the Governor because he said many of the companies he represented had endured similar situations, during the past few years, of deciding whether to lay people off, reduce

benefits, or cut budgets. He said those decisions were similar to those the Governor had to make in November, December, and January because of the slow economy.

Mr. Vassiliadis pointed out that NRA had always been very supportive of and engaged in public education. He mentioned NRA's concerns about the construction reserve fund and recalled that in 1997 the gaming industry and the home builders associations, legislative leaders, and the Governor worked to put together a permanent construction solution for schools. Mr. Vassiliadis recalled that in 1997 Clark County had year-round schools, double sessions, kids in portable units, and dilapidated school structures, and at that time the debt reserve fund was established to build and rehabilitate schools so that the students could have a good classroom environment.

Mr. Vassiliadis said that Resort Association representatives agreed with the Economic Forum projections that an economic recovery had begun and also that funding decisions on how to move forward now rested with the Legislature and the Governor. Although NRA appreciated the discussion concerning the restoration of cuts, Mr. Vassiliadis questioned whether education funding in Nevada was being restored to 45th in the best-case scenario or 49th in the worst-case scenario. He said NRA lauded the Governor, legislative leaders, and all those involved in working on economic development and economic diversification. Mr. Vassiliadis cited the Nevada 2.0: New Economies for a Sustainable Future conference held on January 7, 2011, which explored opportunities to diversify Nevada's economy. He indicated that perhaps a similar conference was needed to assist in deciding on the education quality needed in Nevada because, he said, education was about quality as much as it was about funding.

Mr. Vassiliadis recalled a recent question he was asked about why NRA should care about education because their companies did not employ skilled workers. In response, he said the Industry had changed in the last ten years, and the Association represented many global companies that were attempting to secure staff with backgrounds in finance, operations, information technology, and digital media. He said that because most of the companies the Association represented were headquartered in Nevada, employees with those backgrounds would also benefit the state because those individuals would raise their families in Nevada, and their children would attend Nevada schools and universities. Mr. Vassiliadis said that the industry also had very hard-working families who although not formally educated wanted to educate their kids so that they could attain the American dream that began with a good education.

On behalf the gaming industry, Mr. Vassiliadis said the Association wanted to see the political dialogue of the last twenty years set aside and have a real discussion with Republicans, Democrats, the Governor, and representatives of the industry on what really mattered in education and how to move forward in education reform.

Mr. Vassiliadis advised the members of the Committee that when his clients made decisions on spending, they actually made a decision to invest. He said education was an investment, not an expense, and for that investment, his clients expected a return. He said they expected accountability at the district, classroom, and parents' level as well as at the Legislature's and the Governor's level.

In closing, Mr. Vassiliadis reiterated the Resort Association's support of the restoration of funding to K-12 and higher education and education reform.

Chairwoman Smith hearing no response to her request for additional public testimony advised that the Committee would begin the closing process.

Senator Horsford asked for a few moments to change the conversation from political discussions to a conversation on what was best for the future of Nevada students and the decisions that the Committee would be making during the budget-closing process.

Senator Horsford expressed his respect for Governor Sandoval but indicated that he disagreed with his budget. He said that the decisions he would have a part in making during the closing process were not against the Governor, rather he said they were for his kids and the kids in the classrooms. Senator Horsford said that he, like most others, wanted to see his kids better off than he had been and wanted their generation to be stronger than his had been.

Senator Horsford said that in the course of the legislative process, a great deal of frustration existed because of a lack of options or because legislative members from both sides of the aisle were sometimes pitted against one another. Senator Horsford said he would attempt to make the best decisions he could that were based on the options available and asked that his colleagues do the same. He expressed his appreciation to all of his colleagues for enduring a difficult session and asked that everyone work together to find common ground to reach a balanced solution in closing the education budgets because Nevada kids deserved it.

**EDUCATION**

**DEPARTMENT OF EDUCATION**

**NDE—STATE SUPPLEMENTAL SCHOOL SUPPORT FUND (101-2617)**

**BUDGET PAGE K-12 EDUCATION-21**

Julie Waller, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, identified herself for the record and provided the following budget closing presentation ([Exhibit F](#)) for the State Supplemental School Support Fund, budget account 101-2617, decision unit Enhancement (E) 125:

The State Supplemental School Support Fund was created by Initiative Petition No. 1 of the 75th Session, which was approved by the 2009 Legislature. The petition imposed an additional tax on the gross receipts from room tax in certain counties as specified in the petition. For the period of July 1, 2009, through June 30, 2011, the proceeds of the tax must be credited to the State General Fund. Pursuant to the petition, beginning on July 1, 2011, the proceeds must be credited to the State Supplemental School Support Fund to be distributed to school districts and charter schools to improve the achievement of students and to retain qualified teachers and non-administrative employees.

The Executive Budget projected Initiative Petition No. 1 of the 75th Session room tax revenues at \$107.7 million for fiscal year 2012 and \$113.8 million for fiscal year 2013. The Governor recommended the proceeds from the room tax revenue continue to be credited to the General Fund through the 2011-2013 biennium. The Economic Forum, at its meeting on May 2, 2011, reprojected the room taxes for the 2011-2013 biennium to reflect an increase totaling \$3.8 million. Therefore, the funding that would be available for the State Supplemental School Support Fund totaled \$225.3 million.

Ms. Waller advised that the following options concerning the use of room taxes in the 2011-2013 biennium were available for the Committee's consideration:

1. Approve the Governor's recommendation to transfer 100 percent of room tax revenues to the General Fund for the 2011-2013 biennium.
2. Do not approve the Governor's recommendation to redirect the room tax revenues to the General Fund and allow the revenues instead to be used for the purpose specified in the petition for each year of the 2011-2013 biennium. Approval of Option 2 would result in a



\$221.5 million reduction in General Fund revenues available to fund expenditures during the 2011-13 biennium.

3. Approve the redirection of a portion of the room tax revenues to the General Fund, but allow a portion of those revenues to be used for the purposes specified in the petition for each year of the 2011-13 biennium. Approval of Option 3 would result in a reduction in General Fund revenues available to fund expenditures during the 2011-13 biennium. The amount of the reduction would depend on the Committee's decision regarding the amount of room tax revenue that would be redirected to the General Fund.
4. Do not approve the Governor's recommendation to redirect room tax revenues to the General Fund, but allow the revenues to be used as a state funding source for K-12 education in the Distributive School Account during the upcoming biennium. Approval of Option 4 would result in a \$221.5 million reduction in General Fund revenues available to fund expenditures during the 2011-2013 biennium. Option 4 would also reduce the General Fund appropriation required to support the state's portion of the funding in the Distributive School Account by \$221.5 million over the biennium. Although there would be no net effect on the General Fund or on state funding for K-12 education, Option 4 would specifically designate that the room tax revenue funds were being used to fund K-12 expenditures, even though the funds would not be used to support K-12 education in the manner set forth in the petition.

In response to Chairwoman Smith's request for clarification on Option 4, Ms. Waller advised that approval of Option 4 would designate that room taxes, as a result of Initiative Petition No. 1 of the 75th Session, were to be used to fund K-12 expenditures although not in the manner set forth in the petition. Additionally, Ms. Waller reiterated that Option 4 would have no net effect on the General Fund.

Senator Horsford expressed support for Option 4, which he said would earmark room tax revenue for K-12 education and show a good faith effort to the voters who supported the ballot measure to improve student achievement and teacher incentives.

SENATOR HORSFORD MOVED APPROVAL OF OPTION 4 TO DESIGNATE THAT ROOM TAXES THAT RESULTED FROM INITIATIVE PETITION NO. 1 OF THE 75TH SESSION BE USED TO FUND K-12 EXPENDITURES.

ASSEMBLYMAN BOBZIEN SECONDED THE MOTION.

In response Senator Kieckhefer's request for clarification on Option 4, Ms. Waller advised that the Governor had requested that Initiative Petition No. 1 of the 75th Session funds continue to be directed to the General Fund. Ms. Waller advised that approval of Option 4 would result in a \$221.5 million reduction in General Fund revenues but would also reduce the General Fund appropriation required to support the state's portion of the funding in the Distributive School Account by \$221.5 million over the biennium. Ms. Waller pointed out that while there was no net effect on the General Fund, Option 4 would designate room tax revenue to be used to fund K-12 expenditures.

After hearing the clarification, Senator Kieckhefer expressed support for Option 4.

Assemblyman Conklin expressed support for Option 4 and noted that the voters acted in good faith when they approached the Legislature with the proposal for the initiative petition. He said that approving Option 4 would provide the voters with the trust that the Legislature would fulfill its promises.

Chairwoman Smith advised that although Initiative Petition No. 1 of the 75th Session was not voted on as a ballot measure, a 2008 advisory question that appeared on the Clark County and Washoe County ballots was overwhelmingly approved by the voters. The advisory question was certified by the Office of the Secretary of State, and the Legislature approved Initiative Petition No. 1 of the 75th Session (2009).

Assemblyman Goicoechea expressed concern that the \$240 million that would be dedicated to the K-12 budget, coupled with room tax revenue, would create a gap in the General Fund.

Chairwoman Smith advised that Option 4 would not affect the General Fund and asked Ms. Waller to reiterate her previous explanation.

Ms. Waller advised that the Governor had recommended that room tax revenue for the 2011-2013 biennium be directed to the General Fund. She explained that approval of Option 4 would place \$221.5 million as a revenue source in the

Distributive School Account, which would reduce the General Fund appropriation required to support the state's portion of the funding in the Distributive School Account by \$221.5 million over the biennium, which would have zero net effect on the General Fund.

Assemblyman Goicoechea noted, however, that the General Fund would be affected by the forthcoming budget amendments related to the Economic Forum's latest revenue projections.

Ms. Waller confirmed Assemblyman Goicoechea's understanding and advised that while Option 4 did not reflect the forthcoming budget amendments, whatever that amount was would be transferred into the Distributive School Account as another state revenue source and would reduce the General Fund appropriation to the Distributive School Account by the same amount and should be considered a one-to-one offset.

In response to Assemblyman Goicoechea's concerns, Senator Horsford said that the recommendations put forth by the Administration would be considered but the allocation of the funds was the Legislature's decision. He pointed out that as Ms. Waller had indicated, Option 4 was a one-to-one replacement, which did not create a gap and would allow room tax funds to be used as a funding source for K-12 education, which he said was the intended purpose.

Chairwoman Smith advised that a vote to approve Option 4 was basically a policy statement that the Legislature wanted the room tax revenue to be spent where it was intended to be spent and that going forward the funding would not be diverted elsewhere.

Hearing no response to her request for further discussion, Chairwoman Smith called for a vote on Senator Horsford's motion and Assemblyman Bobzien's second, currently before the Committee, to approve Option 4.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

\* \* \* \* \*

**EDUCATION**

**DEPARTMENT OF EDUCATION**

**NDE—INCENTIVES FOR LICENSED EDUCATION PERSONNEL (101-2616)**

**BUDGET PAGE K-12 EDUCATION-24**

Julie Waller, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, identified herself for the record and provided the following budget closing presentation ([Exhibit F](#)) for the Incentives for Licensed Education Personnel, budget account 101-2616:

Items for discussion under major closing issues included the transfer of incentive pay for licensed education personnel and funding for the "grandfathered" provisions of the 1/5th Retirement Credit Purchase Program.

In regard to transfer of Incentive Grant Funding to the Student Achievement Block Grant (SABG), decision unit Enhancement (E) 902, the Governor had originally recommended transferring the Incentive Grant funding to the SABG; however, Budget Amendment 238 was submitted to postpone the implementation date of the proposed new SABG program to fiscal year 2013. The amendment also returned the categorical funding proposed for transfer into the SABG program to each budget of origin as individual programs for fiscal year 2012. The Executive Budget, as amended by Budget Amendment 238 restored the \$4.2 million in fiscal year 2012 recommended by the Governor for the Incentive Grant Fund.

Ms. Waller asked whether the Committee wished to approve Budget Amendment 238 to restore General Fund of \$4.2 million for the Incentive Grant Fund in fiscal year 2012.

SENATOR KIECKHEFER MOVED APPROVAL OF  
BUDGET AMENDMENT 238 TO RESTORE GENERAL FUND OF  
\$4.2 MILLION IN FISCAL YEAR 2012 TO THE INCENTIVE GRANT  
FUND.

SENATOR CEGAVSKE SECONDED THE MOTION.

Chairwoman Smith noted that the motion by Senator Kieckhefer, seconded by Senator Cegavske was to restore funding to the Incentive Grant Fund. She said, however, decisions regarding how that money would be used would be made in a later decision.

Hearing no response to her request for further discussion, Chairwoman Smith called for a vote on the motion.

THE MOTION CARRIED UNANIMOUSLY.

Ms. Waller provided the following information concerning the second item under major closing issues that recommended a funding reduction to the Incentive Grant Fund and the 1/5th Retirement Credit Purchase Program:

The Executive Budget recommended a \$5.1 million General Fund reduction in fiscal year 2012 and a \$10.3 million reduction in fiscal year 2013 for both the Incentive Grant Program and 1/5th Retirement Credit Purchase Program.

Ms. Waller noted that the \$4.2 million the Committee approved to be restored to the Incentive Grant Fund was inclusive of the \$1.9 million reduction in fiscal year 2012.

Continuing her presentation, Ms. Waller provided the following breakdown of the \$5.1 million and \$10.3 million budget reductions:

- o The Executive Budget reduced funding for the Incentive Grant Fund program in fiscal year 2012 by \$1.9 million and eliminated the program funding beginning in fiscal year 2013, which resulted in General Fund savings of \$6.1 million.
- o The Executive Budget recommended General Fund reductions of \$3.2 million in fiscal year 2012 and \$4.2 million in fiscal year 2013 for the 1/5th Retirement Credit Purchase program to adjust funding levels based on projected costs for the 2011-2013 biennium. The Department of Education confirmed that the funding levels recommended at \$13 million in fiscal year 2012 and \$12.1 million in fiscal year 2013 should be sufficient to cover the cost of the program over the 2011-2013 biennium.

In late April, the Department of Education finalized the accounting for the fiscal year 2011 payments of the 1/5th Retirement Credit Purchase program and the cash incentive awards earned in fiscal year 2010.

After accounting for all fiscal year 2010 payouts, the Department of Education advised that General Funds of approximately \$3.8 million would be available to carry forward to the 2011-2013 biennium.

Ms. Waller advised that the following options concerning the recommended funding for the Incentive Grant Fund program were provided for the Committee's consideration:

1. Approve General Fund reductions of \$1.9 million in fiscal year 2012 and \$6.1 million in fiscal year 2013 to reduce funding for the Incentive Grant Fund program as recommended by the Governor.

If the Committee selected Option 1, the \$3.8 million in carry-forward funds from fiscal year 2011 to fiscal year 2012 could be used to further reduce the General Fund recommended by the Governor for the Incentive Grant Program in fiscal year 2012, and the "freed-up" General Funds could be redirected for other K-12 purposes during the 2011-2013 biennium.

2. Approve General Fund reductions of \$1.9 million in fiscal year 2012 to reduce the funding for the Incentive Grant Fund program in fiscal year 2012, but use the \$3.8 million in carry-forward funds from fiscal year 2011 to fiscal year 2012 to augment funding available for the Incentive Grant Fund program in the upcoming biennium perhaps by continuing the program in fiscal year 2013.

Senator Horsford recommended approval of Option 2 because although not a perfect incentive, he said it was at least an incentive that kept highly-qualified teachers in Title I Schools.

SENATOR HORSFORD MOVED APPROVAL OF OPTION 2 TO APPROVE \$1.9 MILLION IN GENERAL FUND REDUCTIONS FOR THE INCENTIVE GRANT FUND PROGRAM IN FY 2012 BUT TO USE \$3.8 MILLION IN CARRY-FORWARD FUNDS FOR THE INCENTIVE GRANT FUND PROGRAM IN THE UPCOMING BIENNIUM.

WITH RESPECT TO THE 1/5TH RETIREMENT CREDIT PURCHASE PROGRAM, SENATOR HORSFORD MOVED APPROVAL OF THE GENERAL FUND REDUCTIONS OF \$3.2 MILLION IN FISCAL YEAR 2012 AND \$4.2 MILLION IN FISCAL YEAR 2013 AS RECOMMENDED BY THE GOVERNOR.

ASSEMBLYMAN CONKLIN SECONDED THE MOTIONS AS STATED  
BY SENATOR HORSFORD.

Chairwoman Smith reminded the members of the Committee that the 1/5th Retirement Credit Purchase program was being phased out, and the figures provided by Ms. Waller would fund the program through its completion. Additionally, Chairwoman Smith advised the Committee that the Incentive program had not had an opportunity to become effective because of funding reductions.

Senator Kieckhefer indicated he believed \$3.8 million in carry-forward funds could probably be used more effectively in another area of education, such as the DSA. Although he understood that a better incentive program needed to be created for teachers, Senator Kieckhefer indicated he would not support the motion.

Hearing no response to her request for further discussion, Chairwoman Smith called for a vote on the motion as stated by Senator Horsford and seconded by Assemblyman Conklin.

THE MOTION CARRIED. (Assemblymen Hambrick, Goicoechea, Grady, Hardy, Hickey, and Kirner and Senators Kieckhefer, Cegavske, and Rhoads voted no.)

Ms. Waller continued her presentation and provided the following information concerning other closing items:

During the K-12 Joint Subcommittee budget hearing, the State Superintendent acknowledged a lack of adequate procedures and controls related to the Department's oversight and administration of state grants and indicated the Department was working to improve its grant oversight and administration. More recently the Department indicated it was in the process of developing a Grants Unit, which would allow the Department to standardize both policies and procedures for all grants.

Ms. Waller asked whether the Committee wished to consider issuing a Letter of Intent directing the Department to provide semiannual reports to the Interim Finance Committee over the 2011-2013 biennium regarding the Department's progress in strengthening its policies and procedures for the administration of state grants, including statutory reporting requirements.

SENATOR HORSFORD MOVED APPROVAL TO ISSUE A LETTER OF INTENT DIRECTING THE DEPARTMENT OF EDUCATION TO PROVIDE SEMIANNUAL REPORTS TO THE INTERIM FINANCE COMMITTEE AND TO THE LEGISLATIVE COMMITTEE ON EDUCATION OVER THE 2011-2013 BIENNIUM REGARDING THE DEPARTMENT'S PROGRESS IN STRENGTHENING ITS POLICIES AND PROCEDURES FOR THE ADMINISTRATION OF STATE GRANTS, INCLUDING STATUTORY REPORTING REQUIREMENTS.

ASSEMBLYMAN OCEGUERA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

\* \* \* \* \*

## **EDUCATION**

### **DEPARTMENT OF EDUCATION**

#### **NDE—SCHOOL REMEDIATION TRUST FUND (101-2615)**

#### **BUDGET PAGE K-12 EDUCATION-13**

Julie Waller, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, identified herself for the record and provided the following budget closing presentation ([Exhibit F](#)) for the School Remediation Trust Fund, budget account 101-2615:

The New Student Achievement Block Grant, decision units Enhancement (E) 300, E500, E501, E502, E900, E901, and E902 recommended by the Governor, would combine funding for the majority of categorical programs included in the Distributive School Account (DSA), the Remediation Trust Fund, Incentives for Licensed Educational Personnel, and Other State Education Programs into a block grant with the goal of providing school districts flexibility while increasing student achievement.

Budget Amendment 237, submitted by the Budget Division on March 23, 2011, postponed the implementation of the proposed new Student Achievement Block Grant program (SABG) to the second year of the 2011-2013 biennium to allow school districts adequate time to prepare for the implementation of the new program. The amendment returned funding in fiscal year 2012 to each of the budget accounts.



Assembly Bill 558, which established the SABG program, was heard in the Assembly Committee on Ways and Means on April 29, 2011.

Ms. Waller provided the following three options for the Committee's consideration regarding the new SABG program:

1. Approve the Governor's recommendation to combine funding for the majority of K-12 categorical programs into the proposed new SABG program, including the portion of Budget Amendment 237 that postponed the implementation of the program to fiscal year 2013.
2. Approve the Governor's recommendation to combine funding for the majority of K-12 categorical programs, except for Class-Size Reduction and Full-Day Kindergarten program funding, into the proposed new SABG program, including the portion of Budget Amendment 237 that postponed the implementation of the SABG program to fiscal year 2013.
3. Do not approve the Governor's recommendation to create a new SABG program. If the Committee selected Option 3, a decision would be required to determine whether to approve the General Fund reduction of \$7.4 million in fiscal year 2013 among the individual program categories.

SENATOR CEGAVSKE MOVED APPROVAL OF OPTION 1, THE GOVERNOR'S RECOMMENDATION TO COMBINE FUNDING FOR THE MAJORITY OF K-12 CATEGORICAL PROGRAMS INTO THE PROPOSED NEW SABG PROGRAM, INCLUDING POSTPONEMENT OF PROGRAM IMPLEMENTATION TO FISCAL YEAR 2013.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

Senator Kieckhefer expressed support for Option 1 noting that the school districts had long asked for flexibility to allocate funds and after learning that there would be time-frame difficulties, the proposal was amended to provide implementation in the second year of the biennium. From a policy perspective, Senator Kieckhefer indicated that he believed the school districts' concerns had been addressed.

Chairwoman Smith did not support the motion. The Chairwoman commented that although a policy decision remained to be made on the requirements for class-size reduction and full-day kindergarten, the Committee had clearly heard

from the school districts and school board members that Option 1 was not what they wanted to see happen.

Assemblyman Hickey expressed his support for Option 1 because he said he believed that both money committees and the policy committee had heard that the school districts wanted more flexibility, which was reflected in postponing implementation until fiscal year 2013. For those reasons and from what he heard from the school districts, Assemblyman Hickey supported the motion.

Senator Horsford did not support the motion and noted that the following General Fund programs recommended for transfer to the SABG included:

- § Class-size Reduction
- § At-risk Kindergarten
- § Educational Technology for Gifted and Talented
- § Early Childhood Education
- § Special Elementary Counseling
- § School Library Media Specialist
- § Special Transportation
- § Full-day Kindergarten
- § Incentives for Licensed Educational Personnel
- § Educational Technology
- § Career & Technical Education
- § Counselor Certification
- § Speech Pathologist
- § LEA Library Books
- § Other Program Funding

Senator Horsford pointed out that the programs he had just described were important elements of instruction in school classrooms. He recalled testimony from representatives of Clark County and Washoe County and said that the districts did not ask for flexibility from a block grant standpoint. Senator Horsford said that approval of Option 1 meant that the children in Clark County and Washoe County would not be able to take advantage of programs they had last year because they would not be provided next year.

Senator Horsford expressed support for pragmatic flexibility, but he pointed out that putting all of the programs in the new block grant and providing discretion to the districts meant that children who attended an elementary school that did not offer the programs would experience a loss.

Hearing no response to her request for further discussion, Chairwoman Smith called for a vote on the motion to approve Option 1 as moved by Senator Cegavske and seconded by Assemblyman Hardy.

THE MOTION FAILED. (Assemblymen Aizley, Atkinson, Bobzien, Carlton, Conklin, Hogan, Mastroluca, Oceguela, and Smith and Senators Denis, Horsford, Leslie, and Parks voted no.)

Chairwoman Smith indicated she would entertain a new motion.

ASSEMBLYMAN CONKLIN MOVED APPROVAL OF OPTION 3 TO NOT CREATE A NEW SABG PROGRAM AND TO NOT APPROVE THE FUNDING REDUCTION.

SENATOR LESLIE SECONDED THE MOTION.

Assemblyman Kirner advised that he would not support Option 3, but he would support Option 2, which he recalled, from hearing testimony in the Committee on Education, met the expectations of representatives of the Clark County and Washoe County school districts.

Hearing no response to her request for further discussion, Chairwoman Smith called for a vote on the motion to approve Option 3 as moved by Assemblyman Conklin and seconded by Senator Leslie.

THE MOTION CARRIED. (Assemblymen Goicoechea, Grady, Hambrick, Hardy, Hickey, and Kirner and Senators Cegavske, Kieckhefer, and Rhoads voted no.)

Chairwoman Smith advised that, because of the previous motion, there was no action required on the \$11.3 million budget reduction to the SABG for fiscal year 2012.

Ms. Waller continued her presentation and provided the following information concerning the Governor's recommendation to establish a new Teacher Performance Pay program, decision unit Enhancement (E) 301:

The Executive Budget recommended a General Fund appropriation of \$20 million in fiscal year 2013 to support a new Teacher Performance Pay program effective July 1, 2012. Assembly Bill 557 was the enacting legislation for the Governor's proposal.

Ms. Waller asked whether the Committee wished to approve a General Fund appropriation of \$20 million for fiscal year 2013, as recommended by the Governor, to support a new Teacher Performance Pay program effective July 1, 2012, or use the \$20 million for other K-12 purposes during the 2011-2013 biennium.

Assemblyman Hambrick expressed some concern on whether one or two motions were needed to use the General Fund appropriation for the New Teacher Performance Pay program or for other K-12 purposes.

Senator Cegavske indicated that she wanted to make a motion that would address Assemblyman Hambrick's concerns.

SENATOR CEGAVSKE MOVED APPROVAL OF THE GENERAL FUND APPROPRIATION OF \$20 MILLION FOR FISCAL YEAR 2013, AS RECOMMENDED BY THE GOVERNOR, TO SUPPORT A NEW TEACHER PERFORMANCE PAY PROGRAM EFFECTIVE JULY 1, 2012.

ASSEMBLYMAN OCEGUERA SECONDED THE MOTION.

Chairwoman Smith expressed support for the idea but indicated that \$20 million was not enough funding for the program.

Senator Horsford expressed support for the motion. However, he indicated he was somewhat confused by how efforts to reduce classroom funding could be supported at the same time as there was support for a new program.

Senator Horsford said a Teacher Performance Pay program was needed to incentivize good teachers but agreed that \$20 million was not adequate funding for the program. Therefore, he said he would support the motion with the understanding that as the budget was "trued-up" and funding decisions made, funding for the program could be reconsidered.

Assemblyman Aizley said he could not support the motion because the evaluation method, which would be the key to the program, was not available for the Committee to review. Assemblyman Aizley also agreed that the funding was inadequate to support the program.

Assemblywoman Mastroluca expressed support with reluctance and pointed out the \$20 million averaged out to about \$700 a teacher, which she pointed out

was not a lot of incentive in view of the salary reductions the teachers would be required to accept.

Assemblyman Kirner indicated that he was pleased that the Governor had restored up to 94 percent of school funding with the exception of salaries. He also agreed that \$20 million was not enough to fund the program. Assemblyman Kirner said though, that if the \$20 million was the only funding available, it should be used to reward the top performing teachers rather than teachers "across the board."

Assemblyman Conklin, in response to Assemblyman Kirner's comments, defined the \$20 million "add-back" as "a drop in the bucket" compared with the 5.3 percent teachers were being asked to contribute to the Public Employees' Retirement System (PERS) and the 5 percent reduction to salaries in addition to elimination of longevity payments, and no increase to salaries for additional education.

Assemblyman Conklin noted that \$20 million to fund the new Performance Pay program appeared disingenuous in view of how teachers, who would bear the brunt of the planned budget reductions, would be affected.

Chairwoman Smith provided clarification that the \$20 million was a new appropriation rather than an "add-back" and recalled pay for performance legislation she sponsored in the 2007 Legislative Session that was eliminated in the first round of budget cuts. Chairwoman Smith expressed support for the motion but reiterated that the funding was not adequate to support the program. She said, however, that the program was an important way to reward great teachers and that there were mechanisms placed in the legislation that would soon be brought forth with details of how the program worked.

Chairwoman Smith indicated she was most concerned, as Assemblyman Conklin had indicated, that although \$20 million was being added for teacher performance, the \$142 million that provided pay for expanded education and longevity was being eliminated. Chairwoman Smith said, however, she supported the new Teacher Performance Pay program and was hopeful that a better way could be found to fund the program, such as the Initiative Petition No. 1 of the 75th Session intended funding to be used to retain qualified teachers.

Hearing no response to her request for further discussion, Chairwoman Smith called for a vote on the motion by Senator Cegavske and seconded by Assemblyman Ocegura to approve the General Fund appropriation of

\$20 million for fiscal year 2013 to support a new Teacher Performance Pay program effective July 1, 2012.

THE MOTION CARRIED. (Assemblyman Aizley voted no.)

Ms. Waller continued her presentation and provided the following information concerning the budget reductions to the Full-Day Kindergarten program, decision unit Enhancement (E) 300 and E600:

The Executive Budget proposed General Fund reductions of \$1.98 million for fiscal year 2012 and \$2.51 million for fiscal year 2013, in addition to payroll-related budget reductions. The Governor recommended General Fund support for the program totaling \$21.1 million in fiscal year 2012 and \$20.6 million in fiscal year 2013.

Ms. Waller asked whether the Committee wished to approve General Fund reductions of \$1.98 million for fiscal year 2012 and \$2.51 million for fiscal year 2013, as recommended by the Governor, for the full-day kindergarten program.

Senator Kieckhefer indicated he would move to not accept the Governor's recommendation but rather to restore funds for the full-day kindergarten program funding identified in the Economic Forum's projections.

Chairwoman Smith advised that a motion could be made to restore reductions but not based on the Economic Forum's projections.

SENATOR KIECKHEFER MOVED TO RESTORE \$1.98 MILLION IN FISCAL YEAR 2012 AND \$2.51 MILLION IN FISCAL YEAR 2013 FOR THE FULL-DAY KINDERGARTEN PROGRAM.

SENATOR HORSFORD SECONDED THE MOTION.

In response to Assemblywoman Carlton's questions concerning the current Full-Day Kindergarten program that was offered free-of-charge to only certain students, Chairwoman Smith advised that the discussion and the motion to restore funding was limited to the funding currently provided for full-day kindergarten, which she said would not change.

Assemblywoman Carlton noted then that a motion to approve the restoration would continue at its current level and would not serve all students in the state.

Ms. Waller confirmed Assemblywoman Carlton's understanding.

Senator Denis indicated he had seen the good results of full-day kindergarten and indicated that at some point in the future, the full-day kindergarten opportunity needed to be provided to all students.

Hearing no response to her request for further discussion, Chairwoman Smith called for a vote on the motion by Senator Kieckhefer and seconded by Senator Horsford to restore \$1.98 million in fiscal year 2012 and \$2.51 million in fiscal year 2013 for the Full-Day Kindergarten program.

THE MOTION CARRIED UNANIMOUSLY.

Ms. Waller continued her presentation and provided the following information in regard to other closing items:

The Governor recommended transferring the Regional Professional Development Program (RPDP), decision unit Enhancement (E) 504 and E904 from the Distributive School Account to the Remediation Trust Fund, which would be discussed again when the Committee reviewed the Distributive School Account budget.

The Full-Day Kindergarten program historically had been funded with interest income as well as from the General Fund. The Department was notified by the Office of the State Treasurer that the Remediation Trust Fund would no longer receive interest income payments during the current biennium or for the 2011-2013 biennium. Because of the suspension of interest income, the Governor's budget was based on General Funds only and did not include interest income for the Full-Day Kindergarten program.

Ms. Waller advised that staff asked for the authority to make technical adjustments that might be necessary because of approval of legislation related to the Student Achievement Block Grant, class-size reduction, and performance pay for teachers.

SENATOR HORSFORD MOVED APPROVAL OF OTHER CLOSING  
ITEMS FOR BUDGET ACCOUNT 101-2615 WITH STAFF  
AUTHORITY FOR TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN OCEGUERA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

\*\*\*\*\*

**EDUCATION**

**DEPARTMENT OF EDUCATION**

**NDE–OTHER STATE EDUCATION PROGRAMS (101-2699)**

**BUDGET PAGE K-12 EDUCATION-9**

Julie Waller, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, identified herself for the record and provided the following budget closing presentation ([Exhibit F](#)) for Other State Education Programs, budget account 101-2699:

Budget account 2699 served as a pass-through account for state-funded programs to school districts, charter schools, and other entities, as well as categorical appropriations approved by the Legislature.

The first of four major closing issues was a General Fund budget reduction, decision unit Enhancement (E) 600 recommended by the Governor of \$1.1 million in fiscal year 2012 and \$1 million in fiscal year 2013 to meet mandatory budget reduction targets. The reductions were prorated among all programs. A chart on page 17 of the closing packet ([Exhibit F](#)) outlined the Governor's recommended funding over the 2011-2013 biennium for the programs in budget account 101-2699 (prior to the recommended transfers) as compared to the legislatively approved budget for the programs in the 2009-2011 biennium.

Ms. Waller stated that the percentage reduction noted in the far right column of the chart related to the recommended funding level for the 2011-2013 biennium compared to the legislatively approved level for the 2009-2011 biennium. She said, however, the budget reductions were based on actual expenditures, and because some of the programs did not fully expend their appropriation in fiscal year 2010, the actual expenditure became the base level of funding going forward, and it was that level of funding that received the budget reduction.

Ms. Waller asked whether the Committee wished to approve the Governor's recommendation to reduce General Funds of \$1.1 million in fiscal year 2012 and \$1 million in fiscal year 2013 for categorical program funding.



Senator Leslie asked whether members of the Subcommittee on K-12 Education and Higher Education heard testimony that the programs were not needed or whether the reason for the reductions was based solely on limited funding.

Chairwoman Smith responded that she had served as Assembly Chairwoman of the Subcommittee on K-12 Education and recalled no testimony concerning the rationale for the reduction of funding to the programs. She pointed out that the programs on the list were all critically important but had to be reduced to meet the mandatory budget reduction target.

Senator Leslie noted that the Peer Mediation program, legislation she sponsored in her first legislative session, was on the list for proposed budget reductions. She recalled testimony regarding bullying and other problems in the schools and indicated she could not support a reduction to the program. Senator Leslie pointed out that the funding was not a large amount for a program that was so beneficial. She recommended that the Committee not approve the Governor's recommendation for reduced funding for the categorical programs.

Ms. Waller advised that during the Subcommittee on K-12 Education budget meetings, Department of Education representatives testified that the program budget reductions were included in the agency budget request as a way to avoid reduced per pupil support.

Assemblyman Goicoechea indicated he was having a problem with the budget closing recommendations in view of the May 2, 2011, Economic Forum's revised funding projections that would provide additional funding.

Chairwoman Smith pointed out that although the Committee heard a presentation on the availability of additional funding earlier in the meeting from the Budget Director [Chief of the Budget Division], a budget amendment on the categorical program funding was not yet available. Although budget amendments were submitted for some of the items on which the Committee had already voted, Chairwoman Smith advised that for other items, such as the one before Committee, choices had to be made based on priorities.

Assemblyman Goicoechea indicated it was his understanding that a portion of the funding projected by the Economic Forum addressed the categorical programs. Assemblyman Goicoechea expressed concern about moving forward with the budget closing when the Committee was uncertain about how the \$250 million in additional funding projected by the Economic Forum would address the budget reductions.

Chairwoman Smith advised that a budget amendment had not been previously received for the categorical programs, and funding for the programs was not on the "add-back" list.

Senator Horsford advised that the Governor had, just that morning, provided a list of recommendations based on the Economic Forum's May 2, 2011, projections, and many of those recommendations would be addressed later in the meeting. Senator Horsford said that although he fully supported some of the important programs, such as Public Broadcasting, Peer Mediation, Career & Technical Education, and KLVX Satellite, he would not place any of the programs as a priority over items that were yet to be addressed in the closing packet. In view of an inability to fully fund all programs in the Department of Education budget, Senator Horsford indicated he would reluctantly support a motion to approve the Governor's recommendation to reduce General Fund support for categorical program funding.

Senator Cegavske expressed dismay that with less than 24 hours notice, the Committee members were advised of the budget closing meeting but not provided any background information. Additionally, she expressed concern with those assembled that provided public testimony regarding how the Committee should close the Department of Education budget and that the Budget Division was not permitted to process additional amendments.

Senator Cegavske asked for the opportunity to work together and to ensure that all were respected for their opinions and reiterated her disagreement with the decision that the Budget Division was not permitted to submit additional amendments.

Chairwoman Smith asked that it be clearly understood that there was no budget amendment relative to the new Economic Forum projections, only the presentations made earlier in the meeting by the Office of the Governor's Chief of Staff and the Budget Director.

Chairwoman Smith pointed out that there had been numerous hearings and discussions on the K-12 budget, and the information for the current hearing was not new. The Committee's staff, she said, had worked diligently to include the new Economic Forum projections in the closing packet for the Distributive School Account, the next account that would be heard. Chairwoman Smith pointed out that the Committee members had the ability to close budgets on funding availability or close budgets in a manner that would require additional revenue, but she reiterated that the information before the Committee was not new and apologized to anyone who thought not enough information had been

provided. She also pointed out that members of the public in Nevada were afforded the opportunity to attend and provide testimony during open hearings.

Chairwoman Smith reminded the Committee members that the pace became intense in the last remaining month of the legislative session, and decisions had to be made based on information received over the last three months and on priorities.

Senator Kieckhefer indicated that although there was some confusion over which categorical programs were recommended for restoration, he agreed with Senator Horsford that funding restoration for the programs was not a top priority of K-12 Education.

SENATOR KIECKHEFER MOVED TO APPROVE THE GOVERNOR'S  
RECOMMENDATION TO REDUCE GENERAL FUNDS OF  
\$1.1 MILLION IN FISCAL YEAR 2012 AND \$1 MILLION IN FISCAL  
YEAR 2013 FOR CATEGORICAL PROGRAM FUNDING.

SENATOR CEGAVSKE SECONDED THE MOTION.

Senator Denis asked whether the funding in the Governor's recommendation was provided by the Department of Education and asked specifically about the Library Database.

Chairwoman Smith affirmed that the Department of Education made the recommendations concerning the categorical programs to reach the mandatory reduction target and to prevent reductions in per pupil funding.

In response to Senator Denis' question concerning the Library Database, Ms. Waller advised that representatives of the Division of State Library and Archives indicated that the reduced funding would continue to provide a statewide license for the databases, although the number of databases would be reduced. Ms. Waller acknowledged, however, that if the reduction was not approved, the funding would increase.

Hearing no response to her request for further discussion, Chairwoman Smith called for a vote on the motion by Senator Kieckhefer and seconded by Senator Cegavske. The outcome of the vote could not be determined by voice, and thus Chairwoman Smith requested a roll call vote:

(Assemblymen Atkinson, Bobzien, Carlton, Conklin, Hogan, Mastroluca, Oceguela, and Smith and Senators Leslie and Parks voted no.)

THE MOTION CARRIED ON THE SENATE SIDE AND FAILED ON THE ASSEMBLY SIDE.

Chairwoman Smith advised that she would entertain a motion on the Assembly side to restore the categorical program funding of \$1.1 million in fiscal year 2012 and \$1 million in fiscal year 2013.

ASSEMBLYMAN BOBZIEN MOVED TO RESTORE GENERAL FUNDS OF \$1.1 MILLION IN FISCAL YEAR 2012 AND \$1 MILLION IN FISCAL YEAR 2013 FOR CATEGORICAL PROGRAMS.

ASSEMBLYMAN ATKINSON SECONDED THE MOTION.

In response to Assemblyman Kirner who, as a freshman member of the Committee, expressed some confusion concerning how the funding projected by the Economic Forum would be used, Chairwoman Smith reiterated that the decisions the Committee would make were based on priorities and that there was no other plan than to close the K-12 budgets based on those priorities. Additionally, she advised that as the Committee addressed the larger decision items in the Distributive School Account budget, it would become obvious that even with the Economic Forum's projections of additional funding there would not be enough revenue available to restore funding to all education items. Chairwoman Smith said, however, that the work before the Committee was to identify priorities and determine how to fund the K-12 education budget.

Senator Horsford provided some perspective on the budget process and advised that the Governor submitted a budget that became the purview of the Legislature to approve, reject, or modify. During the process, the Governor also submitted budget amendments, which could be accepted, rejected, or modified.

Senator Horsford noted that the presentations by the Governor's Chief of Staff and the Budget Director on how they would allocate the funding from the Economic Forum were budget recommendations, but because of the time element, not a formal budget amendment. A formal amendment, he advised, would be received by the Committee's staff with a full package of materials, which they would review before passing the amendment on to the Committee.

Senator Horsford advised that the Chairwoman allowed the presentations because the time element prevented submission of a formal amendment, but the "bottom line" was that the budget would ultimately be approved by the Legislature.

Hearing no response to her request for further discussion, Chairwoman Smith called for a vote on the motion on the Assembly side by Assemblyman Bobzien to restore funding for the categorical programs and seconded by Assemblyman Atkinson.

THE MOTION CARRIED ON THE ASSEMBLY SIDE. (The motion carried by a show of hands.)

[Note: Subsequent to the May 3, 2011, meeting of the Joint Committee, the Assembly Committee on Ways and Means, on May 6, 2011, voted unanimously to close budget account 2699 as recommended by the Governor including the \$1.1 million General Fund reduction in fiscal year 2012 and the \$1 million reduction in fiscal year 2013 contained within decision unit E600.]

Ms. Waller continued her presentation and provided the following information concerning the transfer of Library Database funds to the State Library and Archives account, decision unit Enhancement (E) 905:

The funding was used to support the Library Database program in the Nevada State Library and Archives (NSLA) account, the account that had historically received the funding during the first year of each biennium.

In response to staff inquiries, NSLA advised that the databases were licensed on a statewide basis, and vendors bid on the contracts based on economies of scale. As such, if vendors were to bill each district separately, the cost would increase significantly.

Based on the information provided by NSLA, the recommendation to transfer the Library Database program funding appeared reasonable. The NSLA also indicated by doing so eliminated some of the administrative work behind making the transfer, because the contract payments were made out of its account.

Ms. Waller asked whether the Committee wished to approve the transfer of the Library Database program funding of \$421,165 for fiscal year 2012 to the Nevada State Library and Archives account (budget account 2891) as recommended by the Governor.

Additionally, Ms. Waller requested authority to make technical adjustments to the budget based on the final closing decisions for the Nevada State Library and Archives, budget account 2891.

SENATOR HORSFORD MOVED TO APPROVE THE TRANSFER OF LIBRARY DATABASE FUNDS TO THE STATE LIBRARY AND ARCHIVES ACCOUNT AS RECOMMENDED BY THE GOVERNOR AND TO GRANT STAFF THE AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN BOBZIEN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Continuing her presentation, Ms. Waller provided the following information on the transfer of Apprenticeship Funds to the Department of Employment, Training and Rehabilitation (DETR), decision unit Enhancement (E) 910:

The Executive Budget recommended transferring Apprenticeship program funding of \$459,449 in each year of the 2011-2013 biennium to the DETR, Employment Security account (budget account 4770). The transfer of funding would better align the program's goals and student population.

The Governor also recommended that once the funding was transferred to DETR, the program funding source change from General Fund to federal Workforce Investment Act revenues.

The DETR indicated that it was in the preliminary stages of working with the Department of Education on the transfer of the Apprenticeship program. The DETR further indicated that the current plan was to follow the funding model currently used by the Department of Education, which allocated funding based on training hours. Based on the information, staff believed that the recommendation appeared reasonable.

Ms. Waller asked whether the Committee wished to approve the transfer of the Apprenticeship program funding of \$459,449 in each year of the 2011-2013 biennium to DETR's Employment Security account (budget account 4770), as recommended by the Governor.

Additionally, Ms. Waller requested authority to make technical adjustments based on the closing decisions for the Employment Security account.

SENATOR HORSFORD MOVED TO APPROVE THE TRANSFER OF THE APPRENTICESHIP PROGRAM FUNDING OF \$459,449 IN EACH YEAR OF THE 2011-2013 BIENNIUM TO DETR'S EMPLOYMENT SECURITY ACCOUNT (BUDGET ACCOUNT 4770), AS RECOMMENDED BY THE GOVERNOR. ADDITIONALLY THAT DETR BE SENT A LETTER OF INTENT THAT REQUESTED QUARTERLY REPORTS TO THE INTERIM FINANCE COMMITTEE DETAILING THE TRANSITION OF THE PROGRAM FUNDING FROM THE DEPARTMENT OF EDUCATION TO DETR AND TO GRANT STAFF THE AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS.

SENATOR KIECKHEFER SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, asked the Committee to focus on the concept of the transfer for the Library Database funds and the Apprenticeship funds rather than the amount since the Assembly Committee on Ways and Means and the Senate Committee on Finance closed on the budget reductions differently, so the amounts would also differ.

Ms. Waller continued her presentation and advised the Committee members that based on their previous action not to approve the transfer of the categorical program funding to the Student Achievement Block Grant, no action was required on the item concerning the transfer of program funds to the Student Achievement Block Grant.

Additionally, Ms. Waller advised that under the topic of other closing items, Department of Education and Budget Division representatives would work with the Committee's staff to develop better performance measures for the account.

\*\*\*\*\*

## **EDUCATION**

### **DEPARTMENT OF EDUCATION**

#### **NDE—DISTRIBUTIVE SCHOOL ACCOUNT (101-2610)**

#### **BUDGET PAGE K-12 EDUCATION-1**

Julie Waller, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, identified herself for the record and provided the following budget

closing presentation ([Exhibit F](#)) for the Distributive School Account, budget account 101-2610:

An itemized summary of the Distributive School Account (DSA) ([Exhibit G](#)) included information relative to Budget Amendments 236, 244, 244A and 244B submitted by the Budget Division on March 23 and March 28, 2011, and updated revenue projections including the Local School Support Tax (LSST), property taxes, and other revenues that supported the K-12 system.

The major closing issues included:

- § Excess Debt Service Reserves Recommendation.
- § Recommendations Resulting in Budget Reduction to Basic Support per Pupil.
- § Transfer of Class Size Reduction Program Funding to the New Student Achievement Block Grant.
- § Transfer of Early Childhood Education Program Funding to the New Student Achievement Block Grant.
- § Transfer of Other Program Funding to the New Student Achievement Block Grant.
- § Transfer of Regional Professional Development Program Funding to the Remediation Trust Fund Account.
- § Revenue Projections.

Ms. Waller provided the following information in regard to the first major closing issue, the Excess Debt Service Reserves recommendation, decision unit Enhancement (E) 602:

The Executive Budget proposed to use school district debt service reserves, as amended . . . of \$301.9 million as local funding available for operating purposes over the 2011-2013 biennium.

Budget Amendment 244B reduced the excess debt service reserve transfer recommended in The Executive Budget from \$425.0 million to \$301.9 million.

A chart on page 23 of the closing packet ([Exhibit F](#)) outlined the proposed transfers by school districts. Assembly Bill 561, submitted by the Administration and heard in the Assembly Committee on Ways and Means on April 19, 2011, reduced the amount of debt service reserves required to be maintained by a school district by 75 percent for



school districts in counties with populations less than 100,000 and by 90 percent for school districts in Washoe County and Clark County. Assembly Bill 561 required that excess debt service reserves be allocated as local funds available for the 2011-2013 biennium for the purpose of determining a district's apportionment from the DSA.

In collaboration with school district representatives, Fiscal staff verified the amount of excess debt service reserves that would be available for operating purposes if the Legislature ultimately decided to approve the Governor's recommendation. The chart on page 23 that outlined the debt service reserves available by school district was a preliminary analysis based on the Economic Forum projections and was subject to change.

Based on the preliminary analysis and in working with the school districts, staff projected \$232.2 million would be available if the Legislature chose to implement the recommendation, a difference of \$69.7 million from the Governor's amended recommendation of \$301.9 million.

According to the preliminary analysis, the reasons for the variance between the Governor's amended proposal that \$301.9 million was available in debt service reserves and staff's preliminary analysis that \$232.2 million was available was because of actual data confirmed with the districts. Additionally, allowable funds to be swept from debt reserves were reduced to ensure that reserve requirements (principal and interest payments) could be met over the next two biennia.

Ms. Waller provided the following three options regarding the use of school district debt service reserves as local funding available for operating purposes over the 2011-2013 biennium:

1. Approve the Governor's recommendation to use school district debt service reserves, but reduce the amount from \$301.9 million, as recommended by the Governor, to \$232.2 million based on staff's preliminary analysis of the projected debt service reserves available. Staff noted that the amount of funding available for transfer might be affected by rejections of the Governmental Services Tax and property tax revenues.
2. Approve the Governor's recommendation to use excess school district debt service reserves in an amount to be determined by the Committee, but less than the revised amount of \$301.9 million recommended by the Governor. Option 2 would require the addition of General Funds depending on the amount of debt service reserves approved by the Committee.

3. Do not approve the Governor's recommendation to use excess school district debt service reserves. Option 3 would require a General Fund add-back of \$425 million from the Governor's original recommended budget and \$301.9 million from the Governor's amended recommendation.

Ms. Waller also advised that staff's preliminary analysis included the transfer of Governmental Services Tax (GST) revenues from Clark County and Washoe County but did not include GST revenues from other school districts.

In response to Chairwoman Smith, Ms. Waller confirmed and reiterated that the GST transfer included only Washoe County and Clark County.

In response to Senator Horsford, Ms. Waller confirmed that upon preliminary analysis only \$232.2 million of the \$301.9 million that was recommended by the Governor had been "trued-up."

Additionally, in response to Senator Horsford, Ms. Waller reiterated that the largest transfers of the school district debt service reserves and the Governmental Services Tax would be from Clark County and Washoe County. Ms. Waller advised that the GST included in the Governor's amended recommendation as well as staff's preliminary analysis would transfer \$5.7 million of GST funds from Washoe County into their debt service reserves and \$124 million over five years from the GST funds into the debt service funds for Clark County.

Senator Horsford discussed the chart on page 23 ([Exhibit F](#)) and noted that the first column was the Governor's original recommendation for available debt service reserves, which totaled \$438.7 million, which currently, based on budget hearings and staff analysis, could be "trued-up" to \$232.2 million. Senator Horsford pointed out the reality was that from the starting point of the process to date, a \$69.7 million difference existed from the Governor's amended recommendation of \$301.9 million.

Senator Horsford said he could not support the Governor's recommendation to sweep Washoe and Clark County school district bond reserve accounts because the voters had authorized that school construction bonds be used for capital improvements to school facilities. Senator Horsford pointed out that although money was needed "in the classrooms," classrooms had to be safe for kids. He recalled receiving letters from students in his district who wrote about air conditioners and heaters that did not work and how they could not focus on their work because all they could think about was how hot or cold the room

was, or the plumbing that did not work, or the leaks through the roof that were making the ceiling cave in.

Senator Horsford said that sweeping money from the school districts bond reserve accounts would not solve the state's budget problems but would create a gap in the next budget which the Legislature in 2013 would be required to address.

SENATOR HORSFORD MOVED APPROVAL OF OPTION 3 TO NOT APPROVE THE GOVERNOR'S RECOMMENDATION TO USE EXCESS SCHOOL DISTRICT DEBT SERVICE RESERVE FUNDS.

ASSEMBLYMAN CONKLIN SECONDED THE MOTION.

Assemblyman Bobzien expressed his support for the motion and noted that an agreement was reached earlier in the legislative session that legislators would do their best to honor the will of the voters.

Assemblyman Bobzien expressed concern that in addition to the challenges that Washoe County faced with deteriorating school facilities, sweeping the funds would result in the need to pass future bonds in every school district. Assemblyman Bobzien said that sweeping the funds was a violation of a trust established with the voters that bond money would be used for capital projects for schools. He said that the damage that would result from approving the Governor's recommendation would be felt for years into the future.

Assemblyman Hickey expressed opposition to the motion and indicated it was his understanding that the Governor was required to use the Economic Forum's December 2010 and May 2011 revenue projections. He discussed the difficulty he was experiencing in voting on a budget for which there was so much uncertainty concerning the availability of funding and no revenue program available for review.

Chairwoman Smith commented that the decision on the use of the excess debt service reserve accounts would be one of the more important decisions the Committee would make. Not only did the decision involve the will of the voters, older schools in need of repair, and kids, Chairwoman Smith said she represented a district that was comprised of mostly older schools and that it would be "unconscionable" to use the funds for other than what was intended.

In response to earlier statements, Chairwoman Smith said it was the Committee's job to make funding decisions based on priorities, what the members believed was the "right thing to do," and funding.

Chairwoman Smith spoke of the problems that had to be faced in appealing to voters to support schools in school bond campaigns, and the injustice to voters after some of those campaigns. She recalled hearing from a school board member, during earlier hearings in Fallon, who said the district in which he served won their last school bond election by 257 votes. He indicated that if the bond reserve money was swept, he was almost certain his district would never pass another bond issue in his lifetime. Having served on many bond committees, Chairwoman Smith also recalled a school bond for a new high school that first failed and then several years later passed. When the bond passed, however, it was without a gymnasium. A later bond campaign for a gymnasium was approved and cost more than it would have had it been included in the construction along with the high school.

Hearing no response to her request for further discussion, Chairwoman Smith called for a vote on the motion by Senator Horsford to approve Option 3, a motion that would not approve the Governor's recommendation to use excess school district debt service reserves. The motion was seconded by Assemblyman Conklin.

THE MOTION CARRIED. (Assemblymen Goicoechea, Grady, Hambrick, Hardy, Hickey, and Kirner and Senators Cegavske, Kieckhefer, and Rhoads voted no.)

Ms. Waller continued her presentation and provided the following information on the recommendations that resulted in a budget reduction to basic support per pupil:

a. Reduction in Basic Support Per Pupil - Decision Unit Enhancement (E) 600

The Executive Budget recommended reductions in guaranteed basic support funding totaling \$121 million in fiscal year 2012 and \$117.2 million in fiscal year 2013, which, based on projected enrollment, equated to a per pupil funding reduction of \$286 in fiscal year 2012 and \$276 in fiscal year 2013. The Governor's amended basic support per pupil of \$4,877 in fiscal year 2012 and \$4,878 for fiscal year 2013 reflected the proposed reductions.

Ms. Waller noted that the increased revenue projections for basic support per pupil were incorporated into the budget and reflected on page 36 of the

budget closing document ([Exhibit F](#)). She advised that the basic support per pupil increased by \$9 in fiscal year 2012 to \$4,886 and \$26 in fiscal year 2013 to \$4,904 and approval of the budget reduction would result in that per pupil funding level. She pointed out, however, that a decision by the Committee to modify the amount of funding of the basic support reduction would affect the per pupil funding level.

b. PERS Equalization – Decision Unit Enhancement (E) 601

The Executive Budget, as amended, recommended a reduction in funding for school district and charter school employees of approximately \$100.2 million in fiscal year 2012 and \$100.5 million in fiscal year 2013 representing an employee contribution of 5.3075 percent to the Public Employees' Retirement System (PERS).

c. Five Percent Salary Reduction — Decision Unit Enhancement (E) 670

Consistent with the salary reduction recommendation for state employees, the Governor recommended a 5 percent reduction of funding for salaries for school employees effective July 1, 2011. The recommendation, inclusive of budget amendments, resulted in a General Fund reduction to the DSA of \$127 million in fiscal year 2012 and \$129.5 million in fiscal year 2013.

d. Merit Increase Suspension — Decision Unit Enhancement (E) 671

The Executive Budget, as amended, recommended the suspension of funding for merit salary increases for the 2011-13 biennium, resulting in General Fund savings of \$47.2 million in fiscal year 2012 and \$95.4 million in fiscal year 2013.

e. Budget Amendment to Increase Projected Local Outside Revenue

Budget Amendment 244A, submitted on March 28, 2011, reflected a \$3.4 million projected annual increase of the Governmental Services Tax (GST) revenue for the 2011-13 biennium. Because the GST was a local outside revenue available to fund operating expenditures within the Distributive School Account, the net effect of the amendment based on projected enrollment, was to reduce the Governor's recommended basic support per pupil by \$8 each year of the 2011-13 biennium.

Chairwoman Smith opened the hearing to a discussion on each of the decision units beginning with the reduction of basic support per pupil, decision unit E600. Additionally, Chairwoman Smith reminded the Committee members that the Administration's presentation, earlier in the meeting, discussed restoration of funds for basic support.

Senator Kieckhefer noted that The Executive Budget included a General Fund reduction for basic support of \$238.2 million over the biennium and indicated he supported the Administration's recommendation to restore funding of \$223 million over the biennium for basic support per pupil.

SENATOR KIECKHEFER MOVED APPROVAL THAT \$223 MILLION OR 94 PERCENT OF FUNDING BE RESTORED TO BASIC SUPPORT FUNDING.

ASSEMBLYMAN CONKLIN SECONDED THE MOTION.

Senator Horsford expressed support for the motion based on the limited options available and commented that it was his understanding if funding was restored to 2009 levels, Nevada would rank 46th in per student funding in the nation. Additionally, he discussed the competition that existed in the global knowledge-based economy and the need to provide students every opportunity to succeed.

Hearing no response to her request for further discussion, Chairwoman Smith called for a vote on Senator Kieckhefer's motion to restore \$223 million to basic support funding over the biennium, seconded by Assemblyman Conklin.

THE MOTION CARRIED UNANIMOUSLY.

Chairwoman Smith opened the hearing to discussion on the Public Employees' Retirement System (PERS) Equalization, decision unit E601, which recommended a reduction in funding for school district and charter school employees of approximately \$100.2 million in fiscal year 2012 and \$100.5 million in fiscal year 2013.

Senator Kieckhefer expressed support for the recommendation because he said although the PERS equalization would be significant to school district employees, the contribution was only half of that made by Executive-branch employees.

SENATOR CEGAVSKE MOVED APPROVAL TO REDUCE FUNDING FOR SCHOOL DISTRICT AND CHARTER SCHOOL EMPLOYEES OF APPROXIMATELY \$100.2 MILLION IN FISCAL YEAR 2012 AND \$100.5 MILLION IN FISCAL YEAR 2013, WHICH REPRESENTED AN EMPLOYEE CONTRIBUTION OF 5.3075 PERCENT TO THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM.

SENATOR HORSFORD SECONDED THE MOTION.

Chairwoman Smith expressed concern about reducing pay for school employees especially in the current economic environment. She said, however, that on a parity level, the PERS equalization was an area in which she could agree to compromise.

In response to Assemblywoman Carlton's questions concerning collective bargaining and PERS equalization for teachers, Ms. Waller advised that the Distributive School Account provided funding to the school districts, and approval of the PERS equalization unit would reduce funding to the districts. She explained, however, that the individual districts would have to collectively bargain for a concession, and if they were unsuccessful, the district or districts would be required to fund the reduction using their fund balance or reduce other operating expenses.

Assemblywoman Carlton expressed concern that approval of the reduction might cause unintended harm in other areas of the education budget since the contribution to PERS would be ultimately negotiated through collective bargaining.

Senator Horsford expressed agreement that the Committee's action could result in unintended consequences. He said, however, that he supported the motion because school district employees, who in the past received the contribution in lieu of pay raises, would be more closely aligned with state workers who contributed 50 percent of their PERS payment. Senator Horsford indicated that although the decision for PERS equalization was not to be taken lightly, he was hopeful that any resulting consequences could be balanced in favor of the students.

Hearing no response to her request for further discussion, Chairwoman Smith called for a vote on Senator Cegavske's motion to approve the reduction in PERS funding for school district and charter school employees of approximately \$100.2 million in fiscal year 2012 and \$100.5 million in fiscal year 2013 and seconded by Senator Horsford.

THE MOTION CARRIED UNANIMOUSLY.

Chairwoman Smith opened the hearing to discussion on the 5 percent salary reduction, decision unit E670, which would result in a reduction of funding to the DSA of \$127 million in fiscal year 2012 and \$129.5 million in fiscal year 2013 for all school district employees.

SENATOR HORSFORD MOVED TO REJECT THE GOVERNOR'S RECOMMENDATION FOR A 5 PERCENT REDUCTION OF FUNDING FOR SALARIES FOR SCHOOL EMPLOYEES.

ASSEMBLYWOMAN CARLTON SECONDED THE MOTION.

Senator Horsford discussed the effect of the combined decisions related to K-12 salary reductions, which he said ranged from 11.3 percent to a high of 19 percent. A recent survey that showed 74 percent of Nevadans did not approve of reducing teachers' salaries by 5 percent, he said, was proof that the budget could not be balanced on the part of teachers alone and the reason why the Governor's recommendation for a salary cut for school employees had to be rejected.

Chairwoman Smith indicated that information requested from the Clark County School District, concerning the layered reductions, revealed that the 5 percent pay reduction and the PERS contribution in addition to other reductions totaled a 19 percent pay reduction. Chairwoman Smith recalled that Dr. Heath Morrison, Superintendent of the Washoe County School District, had stated in an earlier meeting that reductions to teacher salaries were in reality reductions to the classroom, especially in the area of student achievement.

Assemblywoman Mastroluca discussed having spent time in the classroom, working with her children's teachers, and recalled that teachers spent a lot of their own personal money on supplies for special projects and on coats and shoes for children who needed them. She said that teachers were a lifeline for many children, and she could not support reducing salaries for school employees and continue to expect a quality education would be provided for Nevada's children.

Senator Denis also indicated he supported the motion and could not support a pay reduction for school employees that Nevadans entrusted with the future of their children.

Assemblyman Hickey agreed that it was difficult to ask teachers to share in the budget reductions, but he said the business community, which made up a large portion of the state, had also shared in large salary and benefit reductions. Although reduced salaries would be yet another sacrifice asked of Nevada's dedicated teachers, Assemblyman Hickey said that not imposing a reduction could mean that some teacher positions would have to be eliminated, a consequence of greater concern. While hopeful that the reduction could be



made up in the future, he said, as noted earlier, Nevada teachers' salaries were ranked 23rd in the nation, and that if teachers had to be laid off, students would be the losers.

Assemblyman Kirner said the 5 percent salary reduction for school employees was the "ultimate dilemma." He said, however, it was important to keep in mind that state employees were also handicapped because of a 5 percent salary reduction in addition to the elimination of merit and longevity increases. Assemblyman Kirner indicated that Nevada teachers had enjoyed steadily increasing salary rates over the years, and yet Nevada's graduation rates had steadily decreased and that perhaps "leveling the playing field" could produce a different outcome.

Assemblywoman Carlton discussed the distress associated with the state salary reductions for her spouse and his workplace associates and said that because her family had to endure "hard times" did not mean that teachers also had to be subjected to a "race to the bottom." It was Assemblywoman Carlton's opinion that after voting for the Public Employees' Retirement System contribution for school employees, another deduction from their salaries should be avoided.

Assemblyman Conklin discussed the earlier statement regarding a correlation between teacher salaries and graduation rates and pointed out that if the correlation could be proven, a percentage reduction to teacher salaries would increase the graduation rate. Assemblyman Conklin agreed that while the graduation rates were appalling, many factors were involved in whether or not a student would succeed in school, and a teacher was only one factor. He said, however, that attracting the very best teachers required appropriate compensation packages.

Senator Kieckhefer recognized that school district employees were being asked to make significant salary sacrifices but recalled that parents in public hearings had expressed concern about class-size increases, and the loss of music, art, and the Gifted and Talented Education (GATE) programs.

Senator Kieckhefer pointed out that the PERS equalization and salary reductions coupled with the recommendation to add the new Economic Forum revenue projections back into the DSA would protect the programs important to students and parents and avoid class-size increases and the layoff of teachers.

Senator Kieckhefer advised that he would not support the motion but noted that when teachers were evaluated based on a pay-for-performance system, he would agree to review an increase in their salaries.

Chairwoman Smith recalled Dr. Heath Morrison, Superintendent of the Washoe County School District, who asked, in an earlier hearing, why choices had to be made between the teachers, the classroom, and fixing a roof that was leaking on the floor. Chairwoman Smith pointed out that the importance of one choice over another could not be determined and, therefore, made no sense.

Assemblyman Bobzien noted that earlier statements concerning the state's current evaluation system for teachers and pay-for-performance were good reform proposals that the state was moving toward. He also recalled hearing from parents about the importance they placed on art, music, and the Gifted and Talented Education (GATE) programs and pointed out that such programs were dependent on teachers. Teachers whose salaries were reduced, he said, would look for higher salaries elsewhere, and the programs important to parents and students could not be continued because the two could not be separated.

Assemblyman Hardy expressed support for the Governor's recommendation for a 5 percent reduction to school salaries and compared the salary reductions, which he said were damaging to all, to the reduction of 200 employees in his construction business over the last three years. Additionally, he discussed his financial support of education over the years and an inability to continue that support in 2011. Assemblyman Hardy pointed out, however, that during the past three years, the graduation rate in the small town in which he lived had increased because he said the community had focused on its responsibilities.

Assemblywoman Mastroluca discussed the responsibility of the residents of Nevada to ensure that Nevada's children received a good education. Although appreciative of the assistance to schools provided by the private sector, Assemblywoman Mastroluca said that the operation of state education should not be run as a charity dependent on the business community.

Senator Horsford discussed the need for education reform and funding taking place at the same time because of the prospective loss to the Nevada economy. He recalled that in a prior hearing, the Superintendent of the Clark County School District testified that a \$411 million cut in education funding would result in the elimination of between 2,486 and 5,428 positions that included both licensed teachers and educational support staff. According to Applied Analysis, a Nevada-based business advisory services firm, Senator Horsford said that the indirect and induced effect of a \$411 million cut would result in a possible job loss of over 5,500 jobs or \$889 million in annual lost economic output.

With respect to graduation rates, Senator Horsford commented that teachers, parents, and the community had to share in the responsibility to ensure that all students, including those who went to school with needs greater than many could understand, succeeded in school.

Hearing no response to her request for further discussion, Chairwoman Smith called for a vote on Senator Horsford's motion to reject the Governor's recommendation for a 5 percent reduction of funding for school employees' salaries and seconded by Assemblywoman Carlton.

THE MOTION CARRIED. (Assemblymen Goicoechea, Grady, Hambrick, Hardy, Hickey, and Kirner and Senators Cegavske, Kieckhefer, and Rhoads voted no.)

Chairwoman Smith opened the hearing to discuss the merit increase suspension, decision unit E671, which recommended the suspension of funding for merit salary increases for the 2011-2013 biennium, which would result in a General Fund savings of \$47.2 million in fiscal year 2012 and \$95.4 million in fiscal year 2013. Chairwoman Smith reminded the Committee that the merit increase funding paid teachers for their education attainment and years of service.

SENATOR HORSFORD MOVED TO REJECT THE GOVERNOR'S RECOMMENDATION TO SUSPEND FUNDING FOR MERIT SALARY INCREASES FOR THE 2011-2013 BIENNIUM.

ASSEMBLYMAN BOBZIEN SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblymen Goicoechea, Grady, Hambrick, Hardy, Hickey, and Kirner and Senators Cegavske, Kieckhefer, and Rhoads voted no.) (Assemblyman Atkinson was not present for the vote.)

Based on the Committee's actions to approve the PERS equalization and reject the 5 percent salary reduction and the merit increase suspension, Ms. Waller asked for the authority to make technical adjustments to the budget.

Chairwoman Smith requested that the next motion include Ms. Waller's request for the authority to make technical adjustments.

Chairwoman Smith asked whether the Committee wished to approve Budget Amendment 244A to reflect a \$3.4 million projected increase of Governmental Services Tax revenue for the 2011-2013 biennium.

SENATOR LESLIE MOVED APPROVAL OF BUDGET AMENDMENT 244A AND TO PROVIDE STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS TO THE K-12 BUDGET.

ASSEMBLYMAN CONKLIN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Continuing her presentation Ms. Waller advised that based on the Committee's previous actions, the transfer of the class-size reduction program funding to the new Student Achievement Block Grant no longer required approval. Ms. Waller asked for clarification, however, on whether the Committee wished to include language in the education funding bill that might permit temporary flexibility with the class-size reduction funding as provided by Assembly Bill No. 4 of the 26th Special Session (2010).

Chairwoman Smith advised that she preferred to wait to make that decision after a policy discussion in a subsequent hearing.

Continuing her presentation, Ms. Waller advised that the next item, which was the Governor's recommendation to transfer the Early Childhood Education program funding to the new Student Achievement Block Grant no longer required a decision based on the Committee's prior actions. Ms. Waller noted, however, that the Governor recommended General Funds of \$3.34 million in fiscal year 2012 and \$3.35 million in fiscal year 2013 to continue the Early Childhood Education program. Additionally, the Governor recommended \$4,916 in fiscal year 2012 and \$14,939 in fiscal year 2013 for projected enrollment growth.

Ms. Waller noted that it had been a historical practice to build the budget with enrollment increases. She noted, however, the program funding was distributed based on a competitive grant process and not as a per pupil amount based on K-12 enrollment. As a result, Ms. Waller said, the Early Childhood Education program was not adjusted when actual enrollment either did not meet or exceeded projections. Absent the correlation to K-12 enrollment, Ms. Waller said it appeared that changes to the level of funding for the Early Childhood Education program should be guided by policy rather than to K-12 enrollment

projections. With the foregoing in mind, Ms. Waller provided the following options for the Committee's consideration:

1. Approve the Governor's recommendation for General Funds of \$3.34 million in fiscal year 2012 and \$3.35 million in fiscal year 2013 to continue the Early Childhood Education program, including General Funds of \$4,916 in fiscal year 2012 and \$14,939 in fiscal year 2013 for projected enrollment growth.
2. Reduce the recommended funding by \$4,916 in fiscal year 2012 and \$14,939 in fiscal year 2013 for projected enrollment growth and approve General Funds of \$3.34 million each year of the 2011-2013 biennium, thereby revising the manner in which funding increases for the Early Childhood Education program were determined from increases in K-12 enrollment projections to a policy decision.

ASSEMBLYWOMAN MASTROLUCA MOVED APPROVAL OF OPTION 2, WHICH REDUCED THE RECOMMENDED FUNDING BY \$4,916 IN FISCAL YEAR 2012 AND \$14,939 IN FISCAL YEAR 2013 FOR PROJECTED ENROLLMENT GROWTH, PROVIDED GENERAL FUNDS OF \$3.34 MILLION FOR EACH YEAR OF THE 2011-2013 BIENNIUM, AND REVISED THE MANNER IN WHICH FUNDING INCREASES WERE DETERMINED.

SENATOR LESLIE SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblymen Goicoechea, Grady, Hambrick, Hardy, Hickey, and Kirner and Senators Cegavske, Kieckhefer, and Rhoads voted no.)

Ms. Waller continued her presentation and advised the Committee that based on previous actions, the transfer of categorical program funding to the new Student Achievement Block Grant did not require a decision.

Ms. Waller provided the following information concerning the Governor's recommendation to transfer the Regional Professional Development Program (RPDP) funding to the School Remediation Trust Fund account, decision unit E904 "with no change in purpose":

The Executive Budget, as amended, recommended General Funds of \$7.4 million each year of the 2011-2013 biennium to continue the funding for the Regional Professional Development Programs, including

the Nevada Early Literacy Intervention Program (NELIP) and special administrator training programs.

Budget Amendment 236, submitted by the Budget Division, applied salary-related reductions to the Regional Professional Development programs, that resulted in General Fund reductions of \$477,186 in each year of the 2011-2013 biennium.

The Budget Division confirmed that if the transfer of the funding from the Regional Professional Development Program to the Remediation Trust Fund account was approved, unexpended RPDP funding would continue to revert to the General Fund at the end of each biennium.

During the budget hearings, it was noted that school districts received federal funding to support professional development training. The Executive Budget included \$13 million in federal Teacher Quality grant funds (Title II) in each year of the 2011-2013 biennium. The purpose of the grant was to help schools improve teacher quality through professional development on all core academic subjects to ensure that teachers were highly qualified. Moreover, in addition to state and federal funding available to support educator professional development, school districts also used local funding to support professional development.

Ms. Waller advised that an alternative to the Governor's recommendation would be for the Committee to consider reducing the funding recommended for the Regional Professional Development Programs by 10 percent similar to the directive of other state agencies that were required to reduce their budgets to meet the Governor's 10 percent General Fund budget reduction target. Approval of the alternative would provide a General Fund savings of \$742,062 in each year of the 2011-2013 biennium.

Ms. Waller provided the following options for the Committee's consideration:

1. Approve General Funds of \$7.4 million in each year of the 2011-2013 biennium, including Budget Amendment 236, as recommended by the Governor, to continue state support of the Regional Professional Development Programs.

Ms. Waller noted that based on the Committee's previous action to restore the 5 percent salary reduction, the funding amount for the Regional Professional Development Programs would also be revised.

2. Approve a 10 percent budget reduction to the Governor's recommended funding for the Regional Professional Development Programs including the Public Employees' Retirement System (PERS) contribution in Budget Amendment 236, which would result in a General Fund savings of \$742,062 in each year of the 2011-13 biennium.

Based on the Committee's previous actions concerning salary-related items, Ms. Waller noted that the amount of General Fund savings in Option 2 would also be revised.

Ms. Waller also asked whether the Committee wished to transfer funding from the Regional Professional Development Program to the Remediation Trust Fund budget account.

Chairwoman Smith asked for a motion on the transfer of the Regional Professional Development Program funding to the Remediation Trust Fund Account.

SENATOR CEGAVSKE MOVED APPROVAL OF THE GOVERNOR'S RECOMMENDATION TO TRANSFER FUNDING FOR THE REGIONAL PROFESSIONAL DEVELOPMENT PROGRAMS FROM THE DISTRIBUTIVE SCHOOL ACCOUNT TO THE SCHOOL REMEDIATION TRUST FUND ACCOUNT.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

Senator Horsford advised that he would support maintaining the Regional Professional Development Program as a line item in whatever category of funding the Committee decided if the funding allocation to the three entities was revisited prior to the adjournment of the Legislature.

THE MOTION CARRIED UNANIMOUSLY.

Chairwoman Smith repeated, for the Committee's consideration, the additional following options concerning the transfer of funding for the Regional Professional Development Program to the Remediation Trust Fund Account:

1. Approval of \$7.4 million in each year of the 2011-2013 biennium, inclusive of Budget Amendment 236, as recommended by the Governor, to continue state support of the Regional Professional Development Programs.

2. Approve a 10 percent budget reduction to the recommended funding for the Regional Professional Development Programs that resulted in a General Fund savings of \$742,062 in each year of the biennium.

SENATOR CEGAVSKE MOVED APPROVAL OF OPTION 1 FOR \$7.4 MILLION IN EACH YEAR OF THE 2011-2013 BIENNIUM, INCLUSIVE OF BUDGET AMENDMENT 236, AS RECOMMENDED BY THE GOVERNOR TO CONTINUE TO SUPPORT THE REGIONAL PROFESSIONAL DEVELOPMENT PROGRAMS.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

Senator Cegavske asked for a clarification concerning the Regional Professional Development Programs and whether employees in all school districts had taken the same reductions.

Chairwoman Smith reminded the Committee members that not all school districts had the same level of reductions.

Ms. Waller advised that salary reductions were approved by the 2009 Legislature, and because there was a reorganization of the Regional Professional Development Programs from four regions to three, the funding level the Legislature determined was a reduced funding level from the prior biennium. Ms. Waller said, however, there was no specific reduction in funding for salaries. Ms. Waller said that many of the trainers were funded through their local districts and whatever concessions the districts made would reduce the trainers' salaries. Ms. Waller noted, however, that there were also consultants and administrators paid through the Regional Professional Development Programs who were on contract, and their salaries would not have reflected a reduction. Additionally, Ms. Waller pointed out that Budget Amendment 236 amended the Governor's budget to apply the 5 percent funding reduction to the Regional Professional Development Programs. Ms. Waller reiterated that even though the trainers took whatever reductions their district offered, the funding from the state to the Regional Professional Development Programs was not reduced.

In response to Senator Cegavske who asked whether the reductions that the Committee had approved thus far would include an additional 10 percent, Ms. Waller advised that because the Committee voted to reject the 5 percent salary reduction, the budget amendment would have to be adjusted to add back 5 percent. Ms. Waller reiterated that the 5 percent cut applied only to employees of the Regional Professional Development Programs and not those on



contract. Additionally, Ms. Waller advised that the 10 percent reduction was after other salary reductions and would be adjusted based on the Committee's actions and not on the \$7.4 million recommended in The Executive Budget.

Senator Cegavske expressed concerns that teachers that had attended universities around the nation had not been totally prepared for their careers. Senator Cegavske discussed how greatly appreciated the Professional Development Program was by the teachers and the need for the continuation of the training to assist and update them on new teaching methods.

Senator Horsford indicated he had seen no data on the assertions that the colleges of education at the University of Nevada, Reno and the University of Nevada, Las Vegas had not adequately prepared teachers for the classroom. Additionally, he opined that options on where professional development training was received should be available.

Hearing no response to her request for further discussion, Chairwoman Smith called for a vote on the motion by Senator Cegavske to approve Option 1 for \$7.4 million in each year of the 2011-2013 biennium and seconded by Assemblyman Goicoechea.

THE MOTION CARRIED UNANIMOUSLY.

Assemblyman Aizley recalled that for the 13 years he served as Dean of Continuing Education, University of Nevada, Las Vegas, there were many available sources for Regional Professional Development training.

Chairwoman Smith agreed that there many places where Regional Professional Development training took place.

Ms. Waller continued her presentation with an update to revenue projections used to construct the Distributive School Account (DSA) budget and provided the following information:

Budget Amendment 244, submitted by the Budget Division on March 28, 2011, added \$20.7 million in each year of the 2011-2013 biennium of projected Net Proceeds of Minerals revenue not originally included in The Executive Budget. Additionally, the Economic Forum projected increased revenues for Net Proceeds of Minerals that resulted in a \$6.7 million increase available as property tax revenue for school districts in fiscal year 2012. Staff had updated the DSA summary to reflect the increase.

Ms. Waller asked whether the Committee wished to approve Budget Amendment 244, as recommended by the Governor, to add \$20.7 million of projected Net Proceeds of Minerals revenue for each year of the upcoming biennium that was not originally included in The Executive Budget.

SENATOR HORSFORD MOVED APPROVAL OF BUDGET AMENDMENT 244 TO ADD \$20.7 MILLION OF PROJECTED NET PROCEEDS OF MINERALS REVENUE FOR EACH YEAR OF THE UPCOMING BIENNIUM.

ASSEMBLYMAN GRADY SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Continuing her presentation, Ms. Waller provided the following information that reflected reprojections of revenue sources:

Local School Support Tax: Based on the Economic Forum's projection of the state's 2 percent portion of the sales tax, the Local School Support Tax (LSST) should be increased by \$38.7 million in fiscal year 2012 and \$38.4 million in fiscal year 2013.

Ms. Waller advised the Committee that the LSST revenue was guaranteed even if the revenue did not reach the projected levels.

Property Tax: Updated property tax revenue projections, which affected both the calculations of basic support (two-thirds portion of local revenues outside the Distributive School Account (DSA) and the amount of the state share of the support (one-third portion of local property tax within the DSA) were approximately \$1.9 million less than the amount included in The Executive Budget, as amended by Budget Amendment 244, for fiscal year 2012 and approximately \$5.6 million less than the amount included for fiscal year 2013.

Ms. Waller provided the following information concerning other sources of revenue:

Other Sources of Revenue: Using updated projections provided by the Gaming Control Board, staff increased the DSA portion of the slot tax revenue by \$39,909 in fiscal year 2012 and reduced the slot tax for fiscal year 2013 by \$120,607, resulting in a net reduction of

\$80,698 over the slot tax revenue recommended by the Governor. Staff did not adjust interest earnings from the Permanent School Fund or the anticipated revenue from mineral leases on federal lands, based on current projections of those revenue sources.

Ms. Waller advised that the updated estimates of revenue projections required General Fund support decreases of \$33.1 million for fiscal year 2012 and \$21.4 million for fiscal year 2013, resulting in a total General Fund reduction of \$54.6 million compared with the level of General Fund support recommended by the Governor in his amended budget.

With respect to other closing items, Ms. Waller provided the following information:

The Department of Education provided updated enrollment figures to the Committee's staff on May 3, 2011, and was in the process of verifying the figures. Preliminary estimates were that enrollment would decrease by approximately 1,200 students in fiscal year 2012 and 960 students in fiscal year 2013, which was not reflected in information provided to the Committee. The Executive Budget, as amended, recommended a General Fund savings of \$734,911 in fiscal year 2012 and additional General Fund savings of \$7.6 million in fiscal year 2013 to provide for the combined projected enrollment growth for K-12 education and the Adult High School Diploma program from \$5.6 million and \$15.2 million of General Funds originally recommended in The Executive Budget.

Ms. Waller asked whether the Committee wished to approve General Funds totaling \$3.8 million in fiscal year 2012 and \$11.8 million in fiscal year 2013 to fund projected enrollment growth for K-12 education, as recommended by the Governor.

SENATOR HORSFORD MOVED APPROVAL OF GENERAL FUNDS  
TOTALING \$3.8 MILLION IN FISCAL YEAR 2012 AND  
\$11.8 MILLION IN FISCAL YEAR 2013 TO FUND PROJECTED  
ENROLLMENT GROWTH FOR K-12 EDUCATION AND TO PROVIDE  
STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN CONKLIN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Ms. Waller continued her presentation and provided the following information related to enrollment for the Adult High School Diploma (AHSD) program:

Each session, the Legislature determined an amount of funding for AHSD programs for the general public and for inmates within prison facilities. Based on information that staff discussed with Department of Education representatives, it was determined that the allocation of AHSD funding was based on a formula developed by the Department of Education rather than on enrollment.

Budget Amendment 236 reduced funding recommended for enrollment growth for the Adult High School Diploma program by \$4.6 million in fiscal year 2012 and \$4.3 million in fiscal year 2013.

If the amendment was approved, Ms. Waller indicated the Committee might wish to issue a Letter of Intent directing the Department to review its current funding allocation methodology for the AHSD program and recommend changes that would incorporate enrollment growth into its allocation model as opposed to allocating the funding by established baselines. The Department would then be directed to submit semiannual reports to the Interim Finance Committee over the 2011-2013 biennium regarding the Department's progress to incorporate enrollment growth in the Adult High School Diploma funding allocation methodology.

Ms. Waller asked whether the Committee wished to approve Budget Amendment 236 and issue a Letter of Intent to direct the Department of Education to study and revise its allocation methodology.

Senator Cegavske indicated she would support approving the budget amendment and the reductions as well as a Letter of Intent. She asked, however, if the Letter of Intent could also include a request for an audit of the AHSD programs.

Chairwoman Smith indicated uncertainty concerning the proper procedure for requesting an audit, which she said she would discuss with staff.

Senator Cegavske advised that she would make the motion without the request for an audit but that she wanted to bring up the need for an audit.

SENATOR CEGAVSKE MOVED APPROVAL OF BUDGET  
AMENDMENT 236 THAT REDUCED FUNDING RECOMMENDED  
FOR ENROLLMENT GROWTH FOR THE ADULT HIGH SCHOOL

DIPLOMA PROGRAM BY \$4.6 MILLION IN FISCAL YEAR 2012 AND \$4.3 MILLION IN FISCAL YEAR 2013 AND THE ISSUANCE OF A LETTER OF INTENT THAT DIRECTED THE DEPARTMENT OF EDUCATION TO STUDY AND REVISE ITS FUNDING ALLOCATION METHODOLOGY.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

Senator Horsford indicated he would not support the motion for the reduction but agreed with issuing a Letter of Intent. He recalled the earlier discussion concerning improving the graduation rate and commented on the large number of students in the 17 to 24 years of age bracket that were attempting to obtain a General Educational Development certificate or to complete credits to earn a high school diploma. Yet, he said the Committee was asked to approve a reduction of \$10 million to the AHSD program for students that had not succeeded in traditional schools but who were attempting to do the right thing for themselves and their families.

Senator Horsford pointed out that the Governor's budget increased the Department of Corrections' budget by 11 percent, and while there was no problem finding money for incarceration, money could not be found to invest in education. Senator Horsford indicated that he understood the limited options available, but those who were left behind in traditional schools needed a second chance to attend AHSD programs.

Ms. Waller provided clarification that the budget amendment did not reduce the per pupil funding for the program but rather adjusted the 2009 enrollment projections from approximately 30,000 to the fiscal year 2010 enrollment of 25,000.

In response, Senator Cegavske advised that she wanted students attending AHSD programs to receive a diploma that meant something, which currently was not the practice.

Chairwoman Smith also clarified, for the Committee's understanding, that a vote to approve Budget Amendment 236 for a reduction of \$4.6 million and \$4.3 million was based on enrollment not on a reduction of funding to the program.

Ms. Waller advised that the Governor's budget was originally based on the projected enrollment for 2011 because at the time actual enrollment figures were not available. Once actual enrollment was received based on the per pupil

funding level, the budget was overfunded and required a correction to the original funding level. Thus, based on the projected enrollment of 26,337 students in the AHSD program in 2012 and a similar number in 2013, the per pupil funding level that the Governor originally recommended remained the same, with the adjustment based on a lower enrollment projection.

Senator Leslie asked for information on whether students who wanted to attend AHSD programs were accommodated if enrollment projections were incorrect.

Ms. Waller explained that AHSD enrollment was not traditional because students were able to take a class or two at a time, which meant that data on actual enrollment could not be determined until the end of the year. Ms. Waller said that the Department of Education had reported that adult students who had completed 12 hours of work toward their goal were counted for enrollment reporting purposes. Additionally, she advised that funding was based on a five-year enrollment growth average, and thus the amendment was a correction because the increase in the enrollment was not realized for the biennium.

Ms. Waller deferred to Department of Education representatives with respect to Senator Leslie's question concerning whether waiting lists existed for students who wanted to attend a AHSD program.

Keith Rheault, Ph.D., Superintendent of Public Instruction, Department of Education, explained that as previously mentioned, AHSD students sometimes took one or several classes at a time, which was the reason the Department used "a programmatic funding approach rather than a per-pupil enrollment approach." Dr. Rheault confirmed that based on per pupil funding, there was not a cut-off policy for students who wanted to attend AHSD classes.

Senator Leslie noted that the funding reduction amounted to a lot of money, and it appeared as though the program was being reduced.

Dr. Rheault advised that the Department's current formula provided that 65 percent of the program funding was allocated to regular AHSD programs and 35 percent to correctional programs. He advised that a per pupil formula established the basis used by the Legislature to determine increases or decreases to funding levels. Dr. Rheault reported that the Department had received concern from the AHSD program that operated in Pershing County for the Department of Corrections based on the cuts that were being proposed.

Hearing no response to her request for further discussion, Chairwoman Smith called for a vote on the motion by Senator Cegavske to approve

Budget Amendment 236 that reduced funding recommended for the Adult High School Diploma program and to issue a Letter of Intent to the Department of Education, which was seconded by Assemblyman Goicoechea.

THE MOTION CARRIED. (Senators Horsford and Leslie voted no.)  
(Assemblyman Conklin was not present for the vote.)

Continuing her presentation, Ms. Waller provided the following information concerning fringe benefit adjustments:

The Governor recommended an adjustment to fringe benefits for the increase in the retirement rate from 21.50 percent to 23.75 percent, with a corresponding reduction in funding for salary costs for one-half of the amount for the employee portion of the increase. This was consistent with the methodology that would be used to implement the retirement increase for state employees on the employer-paid plan.

The Executive Budget also recommended funding an increase in the unemployment insurance rate from 0.36 percent to 0.55 percent for school districts and charter schools. The Budget Division indicated that the proportional increase (52 percent) was consistent with the increase for the unemployment insurance rate included in budget recommendations for other state agencies. The combined General Fund recommended for fringe benefit rate increases was \$20.6 million in fiscal year 2012 and \$21.1 million in fiscal year 2013.

Historically, the state had funded the unemployment insurance rate for school districts and charter schools based on actual expenditures incurred for the base year. Cost increases incurred by the schools during the biennium would be included in the funding recommendation of the following budget cycle. Based on an analysis of the Governor's recommendation to fund an increase in the unemployment insurance rate from 0.36 percent to 0.55 percent for school districts and charter schools, there did not appear to be sufficient justification for funding an increase in the unemployment insurance rate based on the unemployment insurance rate recommended for state agencies, because the state was self-funded and could have a very different unemployment claims experience, which would affect the unemployment insurance rate.

Ms. Waller provided the following options regarding the recommended fringe benefit adjustments:

1. Approve General Funds of \$20.6 million in fiscal year 2012 and \$21.1 million in fiscal year 2013 for the increase in the retirement rate and an increase in the unemployment insurance rate, as recommended by the Governor.
2. Approve an adjustment to fringe benefits for the increase in the retirement rate from 21.50 percent to 23.75 percent, as recommended by the Governor, but do not approve an increase in the unemployment insurance rate from 0.36 percent to 0.55 percent for school districts and charter schools. Option 2 would result in General Fund savings of \$3.8 million in fiscal year 2012 and \$3.9 million in fiscal year 2013, which could be used to offset a portion of the recommended budget reduction to basic support per pupil or other K-12 budget reductions, at the discretion of the Committee.

ASSEMBLYMAN CONKLIN MOVED APPROVAL OF OPTION 2 WHICH ADJUSTED FRINGE BENEFITS FOR THE INCREASE IN THE RETIREMENT RATE FROM 21.50 PERCENT TO 23.75 PERCENT BUT TO NOT APPROVE AN INCREASE IN THE UNEMPLOYMENT INSURANCE RATE FROM 0.36 PERCENT TO 0.55 PERCENT FOR SCHOOL DISTRICTS AND CHARTER SCHOOLS.

SENATOR HORSFORD SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblymen Grady, Goicoechea, Hambrick, Hardy, and Hickey and Senators Cegavske and Kieckhefer voted no.)

Continuing her presentation, Ms. Waller provided the following information concerning maintenance of effort (MOE) for special education decision unit Enhancement (E) 300:

The Governor's recommended funding reductions that related to salaries would affect the federal Individuals with Disabilities Education Act (IDEA) grant or special education unit funding and, thereby, would create a MOE shortfall if additional funds were not added. If the state failed to meet the MOE requirements, the state risked a reduction of federal support by the same amount of the MOE shortfall. Thus, decision unit E300 served as a balancing unit to ensure that the level of funding for special education was not decreased based on other decision units. As a result, the Governor's budget recommended General Funds of \$11.2 million in fiscal year 2012 and \$10.9 million in fiscal year 2013 to offset the MOE



shortfall to the federal IDEA grant resulting from the recommended salary-related reductions.

Ms. Waller pointed out that the recommended funding for fiscal years 2012 and 2013 would change based on the Committee's previous action concerning the 5 percent salary funding reduction and the suspension of merit increase, which would reduce the General Fund amount in the E300 decision unit. Ms. Waller requested authority to make technical adjustments based on the Committee's previous actions.

In response to questions Assemblywoman Mastroluca asked concerning the funding to offset the shortfall, Ms. Waller explained that approval of the recommendation would offset the MOE shortfall and maintain the special education funding at the same level.

ASSEMBLYWOMAN MASTROLUCA MOVED TO APPROVE GENERAL FUNDS OF \$11.2 MILLION IN FISCAL YEAR 2012 AND \$10.9 MILLION IN FISCAL YEAR 2013 TO OFFSET THE MOE SHORTFALL FOR THE FEDERAL IDEA GRANT AND TO PROVIDE STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS.

SENATOR HORSFORD SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Continuing her presentation, Ms. Waller provided the following information concerning equipment replacement in decision unit Enhancement (E) 710:

Pursuant to the budget instructions, all equipment purchases in the base year were removed from the base budget and placed in a separate, enhancement decision unit. Combined, school districts spent \$20.7 million for replacement equipment in base year fiscal year 2010, and the Governor recommended the same level of funding in each year of the 2011-2013 biennium.

SENATOR CEGAVSKE MOVED APPROVAL OF THE GOVERNOR'S RECOMMENDATION TO MAINTAIN A FUNDING LEVEL OF \$20.7 MILLION FOR REPLACEMENT EQUIPMENT IN EACH YEAR OF THE 2011-2013 BIENNIUM.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Continuing her presentation, Ms. Waller provided the following information concerning the supplemental appropriation:

The Executive Budget recommended a supplemental appropriation for the Distributive School Account (DSA) primarily due to lower than budgeted sales tax revenues for fiscal year 2011 and collections of the one-third portion of the proceeds from the 75-cent property tax rate. Both revenues were received by the school districts for operating purposes and were guaranteed by the state inside the Nevada Plan. Assembly Bill 483, heard in the Assembly Committee on Ways and Means on April 27, 2011, appropriated \$140.8 million to the DSA for unanticipated shortfalls in fiscal year 2010-2011. The amount required for the supplemental appropriation would be revised based on updated revenue projections received from the May 2, 2011, meeting of the Economic Forum.

Ms. Waller advised the Committee that based on updated revenue projections by the Economic Forum, the supplemental appropriation requested in A.B. 483 had preliminarily been reduced from \$140.8 million to approximately \$97 million. Ms. Waller advised that no action was required by the Committee.

Ms. Waller requested authority to make technical adjustments that might be necessary because of approval of other legislation that would affect the K-12 budget.

ASSEMBLYMAN BOBZIEN MOVED APPROVAL TO GRANT STAFF  
THE AUTHORITY TO MAKE NECESSARY TECHNICAL  
ADJUSTMENTS TO THE DSA BUDGET.

SENATOR LESLIE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

\* \* \* \* \*

Chairwoman Smith expressed her thanks to program analysts Julie Waller and Joi Davis as well as Rick Combs, Assembly Fiscal Analyst, and Mark Krmpotic, Senate Fiscal Analyst, for their impressive nonpartisan work on the budget

closing and to the Committee members for their work in reaching the difficult decisions that were made. Additionally, the Chairwoman expressed her appreciation for the respectful nature in which the discussions were conducted.

Senator Horsford also expressed his appreciation to the fiscal analysts and noted that he believed the K-12 budget closing was completed earlier than in past sessions.

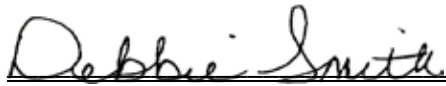
Chairwoman Smith adjourned the hearing at 5:13 p.m.

RESPECTFULLY SUBMITTED:

---

Connie Davis  
Committee Secretary

APPROVED BY:



---

Assemblywoman Debbie Smith, Chairwoman

DATE: \_\_\_\_\_

---

Senator Steven A. Horsford, Chair

DATE: \_\_\_\_\_

## EXHIBITS

**Committee Name:** Assembly Committee on Ways and Means/Senate Committee on Finance

**Date:** May 3, 2011

**Time of Meeting:** 12:40 p.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Andrew Clinger, Director, Department of Administration	Executive Budget Amendments for K-12 and the Nevada System of Higher Education (NSHE) Biennium as of May 3, 2011
	D	Andrew Clinger, Director, Department of Administration	Governor's Recommended General fund, Distributive School Account Funding and Nevada System of Higher Education (NSHE) Property Tax Funding Amended Executive Budget Versus May 1, 2011 Revised Projections
	E	Samuel McMullen, Las Vegas Chamber of Commerce	Las Vegas Chamber of Commerce Letter dated April 15, 2011
	F	Julie Waller, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau	Closing List #7
	G	Julie Waller, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau	Distributive School Account Summary for the 2011-2013 Biennium