

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

**Seventy-Sixth Session  
February 28, 2011**

The Assembly Committee on Ways and Means and the Senate Committee on Finance, Joint Subcommittee on K-12 Education/Higher Education was called to order by Chairwoman Debbie Smith at 8:11 a.m. on Monday, February 28, 2011, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4401 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 SUBCOMMITTEE MEMBERS PRESENT:**

Assemblywoman Debbie Smith, Chairwoman  
Assemblyman Marcus Conklin, Vice Chair  
Assemblyman Paul Aizley  
Assemblyman Tom Grady  
Assemblyman Pat Hickey  
Assemblywoman April Mastroluca  
Assemblyman John Ocegura

**SENATE SUBCOMMITTEE MEMBERS PRESENT:**

Senator Steven A. Horsford, Chair  
Senator Moises (Mo) Denis  
Senator Barbara K. Cegavske  
Senator Ben Kieckhefer

**STAFF MEMBERS PRESENT:**

Rick Combs, Assembly Fiscal Analyst  
Mark Krmpotic, Senate Fiscal Analyst  
Joi Davis, Senior Program Analyst  
Julie Waller, Program Analyst  
Janice Wright, Committee Secretary  
Cynthia Wyett, Committee Assistant

Chairwoman Smith called the meeting to order and upon completion of the roll call, welcomed those present in Carson City, those present in Las Vegas via the videoconference, and those listening via the Internet. She explained there would be another public hearing on education this evening from 5:00 p.m. until 7:00 p.m. at the Green Valley High School. This morning's hearing was a continuation of last Thursday's hearing on the budgets for the Department of Education.

**DEPARTMENT OF EDUCATION**  
**NDE-OTHER STATE EDUCATION PROGRAMS (101-2699)**  
**BUDGET PAGE K-12 EDUCATION-9**

Keith W. Rheault, Ph.D., Superintendent of Public Instruction, Department of Education, presented [Exhibit C](#), which was available on the Nevada Electronic Legislative Information System (NELIS) as Document 3, and his presentation began on page 28.

Roger Rahming, MBA, Director, Office of Fiscal Accountability, Department of Education, testified he would present the remainder of the budgets for the Department. Budget account (BA) 2699 contained 10 state programs shown on page 28 of [Exhibit C](#). All ten programs were proposed to transfer to the Student Achievement Block Grant and had been reduced by 10 percent to meet the agency budget targets per "All Agency Memo #2010-20." Those ten programs included:

- Educational Technology Funds.
- Vocational Student Organizations.
- Peer Mediation.
- LEA (Local Education Agency) Library Books.
- Public Broadcasting.
- GAIN (Geographic Alliance In Nevada).
- National Board Certification.

- Counselor Certification Compensation.
- Speech Pathologists.
- Career & Technical Education Programs.

Mr. Rahming explained the Apprenticeship program would transfer to the Department of Employment, Training and Rehabilitation (DETR). The program would become part of a comprehensive statewide employment development program housed at DETR and was budgeted at \$459,449 for each year of the 2011-2013 biennium.

Mr. Rahming said the Library Database program would transfer to the Division of State Library and Archives and was budgeted at \$421,165 for fiscal year (FY) 2012 only. The School Support Team Substitutes program was eliminated for FY 2012 and FY 2013, saving \$31,895 for each year of the 2011-2013 biennium. The program for Ed Tech KLVX was funded at \$392,329 for FY 2012 only. There was approximately \$900,000 in savings resulting from the transfers and an additional 10 percent savings resulting from cuts that totaled about 19 percent of the Department's total budget.

Dr. Rheault discussed several other budget programs that would be transferred to the Block Grant. He said there were three programs that were not distributed to school districts but used for statewide purposes. The Public Broadcasting program cost \$229,725 each year and was distributed statewide for educational activities to the public broadcasting association, public radio, and television stations. If the funds were transferred to the Block Grant, Dr. Rheault believed those funds would be used for other purposes by the school districts and not allocated to educational activities of public broadcasting. The Geographic Alliance in Nevada provided \$48,583 each year to the University of Nevada, Reno and was matched 100 percent by the National Geographic Society. This program's goal was to provide improved geographic materials to the elementary and high schools in Nevada. The Vocational Student Organizations were six student organizations tied to career and vocational programs such as agriculture's Future Farmers of America and Future Business Leaders. The Department used \$20,000 to pay the state organization to host the state leadership conference. Those programs would be eliminated because of the method of distribution of funds.

In response to a question from Senator Denis, Dr. Rheault explained the Library Database program paid for statewide software licenses. The money was used to buy statewide licenses for databases that allowed every school district to use the software. Dr. Rheault agreed to provide information on the usage

and statewide licenses purchased for specific programs. The program was originally created because individual licenses were being purchased by each school district. A considerable amount of savings resulted when the State Library purchased those statewide licenses and allowed access for each school district. The proposal was to transfer the program to the Division of State Library and Archives, the ultimate recipient of the funds under the current program. The State Library would continue to purchase the statewide licenses for the programs for \$421,165 in FY 2012 and provide access to all the school districts. The licenses were valid for a two-year period, and that was why there was no cost shown for FY 2013.

In response to a question from Chairwoman Smith, Dr. Rheault explained the ten programs in BA 2699 were cut by 10 percent before being transferred to the Block Grant.

In response to a question from Senator Horsford, Dr. Rheault explained the National Board Certification was different from the Counselor Certification and Speech Pathologists' certification. The Department paid for a portion of the assessment fee that teachers paid to take the National Board Certification test. The current fee was \$2,500 and the Department was only able to reimburse about one-half of the fee. Teachers were only reimbursed upon successful achievement of the certification.

Dr. Rheault commented that nationally half of the teachers who attempted the National Board Certification passed successfully. Nevada ranked higher than many other states in the number of certified teachers. Since the program began 10 years ago, 487 Nevada teachers achieved National Board Certification and last year 41 teachers achieved National Board Certification. The Department also obtained some federal subsidy grants to supplement the \$54,870 which only paid one-half of the reimbursement of the testing fee. A provision in statute specified that any teacher that received the National Board Certification was entitled to a 5 percent salary increase. The school districts with certified teachers were required to pay the additional 5 percent salary, and the Department did not reimburse the districts for the salary.

Dr. Rheault said the Counselor Certification Compensation and Speech Pathologists' certification programs functioned differently from the National Board Certification. The Department required the counselors and speech pathologists to pass the test and obtain national certification first. The Department funding was used to pay the 5 percent salary increases provided to

the counselors and speech pathologists. The Department did not pay the testing fee.

In response to a question from Senator Horsford, Dr. Rheault replied he did not believe the reductions would affect the counselors or speech pathologists because the districts paid the 5 percent increased salary as required by statute. The funds would be transferred to the Block Grant.

Dr. Rheault said the \$2,500 fee for the National Board Certification test for teachers was expensive. Some teachers would be unable to afford the test without the promise of reimbursement. If the funds were transferred to the Block Grant, those funds could be used for other purposes and may not be available to provide reimbursement, which may cause fewer teachers to seek the certification. He said the 41 teachers who achieved the National Board Certification last year were from the following counties: 25 teachers from Clark County, 13 teachers from Washoe County, 1 teacher from Elko County, 1 teacher from Lyon County, and 1 teacher from Churchill County [6 from Churchill in prior years]. Most of the Nevada teachers applying to take the National Board Certification came from four or five counties.

In response to a question from Chairwoman Smith, Dr. Rheault clarified the funds to pay the 5 percent salary for nationally certified teachers were included in the Distributive School Account (DSA) payments to the districts. The districts were required to pay the increased salary using the DSA funds allocated to the districts. There was no specific line item that increased the DSA to cover that salary. Ever since the program started, the school districts had been required to pay that 5 percent salary increase.

**DEPARTMENT OF EDUCATION**  
**NDE-SCHOOL REMEDIATION TRUST FUND (101-2615)**  
**BUDGET PAGE K-12 EDUCATION-13**

Roger Rahming, MBA, Director, Office of Fiscal Accountability, Department of Education, testified budget account (BA) 2615 was the School Remediation Trust Fund governed by *Nevada Revised Statutes* (NRS) 385.3782. Budget account 2615 supported full-day kindergarten for existing "at-risk" schools with 55.1 percent or more student enrollment in the free and reduced-price lunch program. This budget account reflected the same adjustments as all other budget accounts including the 5 percent salary cut in decision unit Enhancement (E) 670, the suspension of merit salary increases in decision unit E671, and the 25 percent Public Employees' Retirement System

(PERS) adjustment in decision unit E601. The budget recommended funding for full-day kindergarten of \$21,141,740 for fiscal year (FY) 2012 and \$20,621,415 for FY 2013. The funding was proposed to be transferred to the Block Grant.

Mr. Rahming said BA 2615 would contain three line items:

- Regional Professional Development Program funded at \$7,897,804 for each year of the 2011-2013 biennium.
- Teacher Performance Pay program funded at \$20,000,000 for FY 2013.
- The Student Achievement Block Grant program.

Mr. Rahming explained the Block Grant was a new program that combined the majority of the categorical programs into a single-funding stream to be used for programs to increase student performance. The funding was designed to be flexible, but included an accountability element. The school districts must explain how the funds would help increase student achievement in their spending plans. The districts must demonstrate that the program funding resulted in increased student performance. Currently the Department did not have any updated methodology for the distribution.

Senator Kieckhefer wondered whether there would be a reporting mechanism to show the effects of the individual programs that the districts chose to fund within the Block Grant. The state spent millions on the full-day kindergarten program in the past years and had not completed a statewide assessment to determine whether it had achieved the desired effects. He asked whether there were templates to measure the success of these programs.

Keith W. Rheault, Ph.D., Superintendent of Public Instruction, Department of Education, replied that the state had not done a statewide assessment of the full-day kindergarten program. Clark County completed a report for FY 2006 for full-day kindergarten. Washoe County completed a report comparing full-day kindergarten versus half-day kindergarten which demonstrated the effectiveness of the full-day kindergarten. The students were measured in third grade and showed better outcomes. Dr. Rheault said the Department did not have any state evaluation templates for the programs. He said if the block program was approved, the Department would need to develop some consistent evaluation criteria to ensure performance measures were studied.

Chairwoman Smith asked whether there were any plans to evaluate full-day kindergarten and wondered about the schools that had the pay-for-kindergarten (pay-for-K) programs available to the parents. She was interested in whether enrollments in the pay-for-K programs might increase.

She said the Department may need to develop some type of parameters as those programs increased.

Dr. Rheault said if the full-day kindergarten funding of \$24 million in FY 2011 was transferred to the Block Grant, he would assume that the number of full-day kindergarten classes would decrease. The state only paid for the salaries of full-day kindergarten teachers at the most "at-risk" schools. The schools were required to have enrollment of more than 55 percent of the student population in the free and reduced-price lunch program to qualify for the at-risk status and funding. There were several schools in Clark County that were K-2 and had 10 full-day kindergarten teachers paid by the state. Dr. Rheault believed if the districts required more funding, the districts might take three or four of those full-day kindergarten teachers not serving at-risk students and perhaps move those teachers to a different program. The schools would have to make decisions to fund their most critical needs first in a Block Grant funding scenario. If the school districts were to receive a \$19 million budget reduction, the districts would have to cut something.

Dr. Rheault continued and said he received information last fall that Clark County had 47 pay-for-K classrooms. He knew Washoe County had several and Carson City had one pay-for-K classroom, and he would provide that list to the Subcommittee. The pay-for-K was not used widely across the state by all districts.

Chairwoman Smith asked for details about a couple of the schools that were "grandfathered-in" and allowed to use the full-day kindergarten program without meeting the at-risk criteria.

Dr. Rheault said the state funded the Innovation Remediation Trust Fund in 2007. That funding was provided to individual schools. Some of the school funding was used to pay for full-day kindergarten. When the Department reported to the Legislature that all the funding had been spent, the Legislature determined it did not want the School Remediation Trust Fund money used to pay for full-day kindergarten. There were 15 full-day kindergarten teachers hired at 14 different schools in 4 different districts paid with the School Remediation Trust Fund money, and none of those schools qualified as an at-risk school. The Legislature decided that districts were no longer allowed to use the School Remediation Trust Fund to pay for full-day kindergarten but agreed to permit those 15 teachers already working to continue being paid from the full-day kindergarten funding.

Dr. Rheault cited an example of a full-day kindergarten teacher hired at Incline Elementary School and paid from the School Remediation Trust Fund. Incline Elementary School did not qualify as a Title I, at-risk school. That school only had 34.72 percent of its population qualify for the free and reduced-price lunch program. Similarly, Tony Alamo Elementary School did not qualify as a Title I, at-risk school and had only 32 percent of its population qualify for the free and reduced-price lunch program, but the state paid for a full-day kindergarten teacher from the School Remediation Trust Fund. Most of the other schools that received full-day kindergarten funding qualified for the Title I at-risk status, and the state paid for those full-day kindergarten teachers from the School Remediation Trust Fund.

In response to a question from Chairwoman Smith, Dr. Rheault stated he did a survey to project the outcome under the scenario where the state retained the Block Grant concept but distributed one-half the funding based on student count and the other half based on the number of licensed teachers. Under that scenario, the Department found that the districts with the largest populations would be the districts receiving most of the reductions. Clark County School District (CCSD) would receive about a \$19 million reduction, Washoe County School District (WCSD) would lose \$2 million, and Elko County and Carson City would lose about \$1 million. The smaller school districts would not experience losses. That was because the two largest sources of funds in the Block Grant were the class-size reduction funds of \$140 million and the full-day kindergarten funds of \$25 million. Because full-day kindergarten was based on 55 percent of the population enrolled in the free and reduced-price lunch program, CCSD received a majority of those funds. Out of the 464.5 full-day kindergarten teachers the state funded, CCSD received 368 of those teachers. When the funds transferred to the Block Grant were distributed over 17 school districts, CCSD would probably receive less than it received last year. The reduction would affect the class-size reduction and full-day kindergarten funding. The CCSD had larger student enrollments when the program started so it received more funding for class-size teachers. The CCSD would be the biggest loser by converting to the Block Grant in the first year and CCSD funding would remain constant after that.

Senator Horsford asked about the rationale for selecting programs such as class-size reduction, gifted and talented, and full-day kindergarten to be transferred to the Block Grant.

Dr. Rheault responded his understanding was that the Budget Division heard the school districts wanted some flexibility to be able to respond to specific district



needs. These programs such as full-day kindergarten and class-size reduction were categorical programs funded in the State Distributive School Account (DSA). The Budget Division transferred the line items that contained those programs into the Block Grant.

Senator Horsford asked whether the decision was a budget reform discussion or a discussion based on the academic necessity of combining the programs from a programmatic standpoint or academic standpoint.

Dr. Rheault replied he believed the Budget Division decision was a programmatic consideration. It was a decision to allow districts flexibility to make decisions about where the districts wanted to use the money depending on the need within each district because of the loss of funding. Some of the smaller rural districts may not receive funding for class-size reduction or full-day kindergarten, but the Block Grant funding might provide the districts with the means to improve student achievement. He thought the decision was programmatic, but with less money it was difficult to eliminate a program such as full-day kindergarten or class-size reduction to accomplish another goal. Some programs would suffer whenever funding was cut.

Senator Horsford asked the effect of the decision unit transferring the gifted and talented program to the Block Grant. Dr. Rheault replied that because the funding for the gifted and talented program was such a small amount [\$160,000] he believed there were 4.2 units [or teachers] funded by that program. It was currently identified for technology use for gifted and talented programs. He believed the funding would be absorbed into the Block Grant, and no dedicated funding would be available for those specific technologies unless the districts believed those technologies were priorities for their districts. Because of the small amount he did not believe technology funding would continue.

Senator Horsford asked about the effect on other funding beyond the educational technology component for the gifted and talented program elsewhere in the budget. Dr. Rheault answered technology funding was the only specific funding piece identified in The Executive Budget in K-12 for gifted and talented programs.

Senator Horsford asked whether the overall per-pupil funding reduction to the districts could result in the potential elimination or reduction of gifted and talented programs.

Dr. Rheault responded that he believed the \$270 per-pupil funding cut may result in some loss to the gifted and talented programs. If the districts make reductions because salary concessions from the employee associations were not granted, the gifted and talented programs may be viewed as an enhancement that the districts could no longer afford. The districts may chose to use those funds to provide basic supplies, teacher salaries, and other basic needs without increasing class sizes rather than fund the gifted and talented programs. In that case, more of an effect may be seen rather than just the 4.2 units funded from the DSA that would be transferred to the Block Grant.

Senator Horsford asked whether Dr. Rheault had reviewed the \$270 reduction in the per-pupil funding in light of the proposal to divert the capital bond reserves. Senator Horsford wondered how much more the per-pupil funding might decrease if the reserve funds did not come into the DSA as proposed.

Dr. Rheault replied that the Department had not reviewed that possibility. If the capital reserve funds of approximately \$400 million were deducted from the per-pupil payments, the resulting reduction in per-pupil funding would equate to approximately \$900 to \$1,000 per pupil, assuming the 437,000 student population remained stable. He did not know how the districts would make up that loss.

Senator Horsford said this was the first time in 20 years that a Governor had recommended to take the class-size reduction funding and transfer that to a Block Grant. Senator Horsford asked for Dr. Rheault's professional judgment of the Governor's proposal.

Dr. Rheault responded the Legislature had provided some flexibility to the districts since the program began. The class-size reduction program originally affected grades one, two, and three. Elko County petitioned for and the Legislature provided some flexibility and funding for grades one through six. Later, the 26th Special Session (2010) provided some additional flexibility by allowing two additional students per class for a ratio of 18:1 because of reduced funding. Dr. Rheault did not have any results from testing to determine whether there had been any effect from that change. Perhaps the districts may remain at the higher ratio of 18:1 for a time. His concern was that some persons want judgments made solely on the test results. But the class-size reduction program is not used in all the at-risk schools and some preschool and non-English speaking students have not had the advantage of class-size reduction programs. Dr. Rheault believed students may have had

more problems in the third and fourth grades if the class-size reduction program was not in place.

Assemblyman Hickey asked whether it was a fair assessment that the school districts liked the concept of flexibility but they wanted more money to be flexible with. Dr. Rheault concurred and said the districts would love to have more money plus have the flexibility to spend that for the needs of their districts.

Senator Cegavske asked for some background information. She recalled that Clark County School District (CCSD) had been fighting for flexibility. The CCSD had class-size reduction programs for first, second, and third grades. The CCSD had staggering numbers of students in the fourth and fifth grades. There was no ability to reduce the class sizes in the fourth and fifth grades. Some studies proved that class-size reduction benefits in grades one through three negatively affect students when the class-size reduction programs disappeared in grades four and five.

Senator Cegavske said the Legislature tried to find ways to help the districts to eliminate some of those problems. The Legislature tried to solve those problems and give districts flexibility in the elementary schools to even out some of the class-size problems. When a school had more students in the fourth or fifth grades than third grade, the school was allowed to get more teachers in fourth and fifth grades to even out some of its class sizes. She was pleased to see the flexibility for the districts. The districts had also asked for K-12 flexibility and she was pleased to see that flexibility being provided to the districts. Senator Cegavske said the state must put teachers and resources where needed to maximize the benefits.

Senator Horsford asked Dr. Rheault whether the Department maintained data on the class sizes for private schools. Dr. Rheault said the Department only collected the total student enrollment and did not have the specific class sizes for the private schools. Senator Horsford commented that he saw many advertisements that touted the benefits of small class sizes.

Chairwoman Smith commented the proposal to divert class-size reduction funding to the Block Grant exceeded flexibility. The proposal eliminated the program and diluted the effectiveness of the program. She fought for class-size reduction funding and believed this proposal would divert funds to the Block Grant to be spent in a variety of ways. She did not see that change as flexibility but saw it as taking funding away from K-12.

Dale Erquiaga, Senior Advisor, Office of the Governor, provided some background about how staff developed the Block Grant proposal. The proposal addressed some of the changes requested by the school districts. The proposal came from two sources. The Governor spoke about more flexibility for the school districts in the class-size reduction program. The Governor conceived the Block Grant proposal based on the districts' feedback as he toured schools. The districts requested flexibility similar to what had been granted by the Legislature during difficult economic times.

Mr. Erquiaga explained when the Governor and his staff arrived in Carson City, the Budget Division was already working on a block grant proposal from a more budgetary and programmatic perspective. The Budget Division's proposal included all the categorical programs that the Legislature had previously included in the authorizations and appropriations bills. The Governor's staff worked with the Budget Division and developed the proposal that was submitted to the Legislature. The original proposal of how this money would be allocated was met with some stiff resistance and concern. The Governor's staff and the Budget Division met with the Nevada Association of School Superintendents and asked for its input.

Mr. Erquiaga continued by saying that the Superintendent's Association concurred it wanted flexibility but did not want a block grant program. The Governor's staff proposed to move forward with a block grant proposal. But the Governor proposed modifications to the original proposal. Based on the input from the school districts, the Governor proposed that the block grant proposal not be effective in the first year of the 2011-2013 biennium. For FY 2012, school districts would remain at the status quo with the understanding that the categorical programs had taken reductions. Unfortunately, the Governor could not find a way to avoid imposing the reductions. While there would be less money, the current categorical system would remain.

Julia Teska, Budget Analyst 5, Budget Division, Department of Administration, testified that the Budget Division was still working on the proposal for the additional 5 percent portion and how that would be distributed between the two years of the biennium. The Budget Division had to work through those details, and that was why the Subcommittee had not been provided all the specifics. Details would be provided to the Subcommittee soon.

Mr. Erquiaga explained the policy decision behind this modification was rooted in the statute and philosophy of how education is governed.

*Nevada Revised Statutes* (NRS) 385.005 affirmed legislative intent concerning public education in this state and clearly stated that it was a matter for local control by local school districts. That statute was in effect and reflected the legislative intent. The Governor and his staff believed philosophically that the constant addition and restriction of these categoricals was in direct opposition to that intent. They would like to return control of the funding to the local school boards and the superintendents. They thought that was where these decisions belonged. The DSA was distributed in a lump sum and expenditures of that money were decided at the local level. The Governor and his staff thought that over time too many of these categoricals had been added to the appropriation and authorization bills, and they wanted to roll that back and put the control back with the local districts. That was their philosophy.

Mr. Erquiaga explained the Block Grant proposal would take effect in the second year of the 2011-2013 biennium. The bill draft requests (BDRs) prepared by the Administration had just been submitted with all of the budget implementation proposals. He believed the Legislature should still delineate those policy purposes that it found important to allow the school boards to select those most relevant to the local district. The Legislature should delineate policies including class-size reduction, all-day kindergarten, career and technical education, early-childhood education, and those line items that the Legislature had seen fit to restrict categorically. Those policies should still be expressed because those were the programs that the Governor thought the school boards should consider as priorities. However, how much money the districts put into each of those categories was a matter of local control.

Mr. Erquiaga disagreed with Dr. Rheault's comment that these categorical programs would go away. Mr. Erquiaga had faith in the local school boards that understood the importance of class-size reduction and all-day kindergarten and would preserve those programs. Mr. Erquiaga agreed there may be reductions in these times, but he saw nothing in the actions of the local school boards that indicated they would abolish class-size reduction or full-day kindergarten programs. He, however, saw the ability to prioritize based on the needs of the local student populations. The student population in his hometown of Fallon was very different from his adopted hometown of Las Vegas. He thought that the superintendent in Churchill County and the superintendent in Clark County should be able to prepare a plan for how they would use Block Grant monies that may be different from county to county. He also believed that the Block Grant plan should include some accountability reporting to ensure there was a report back to the local community by the school board explaining what outcomes resulted from the expenditures. The local community

would then be able to evaluate the results. As an example, the community may wish to reprioritize and request more money for all-day kindergarten and less money for career and technology or more money for career and technology and less money for all-day kindergarten or library services. Mr. Erquiaga believed that accountability provided a feedback loop that did not exist today.

Mr. Erquiaga said the Governor's modification was to implement the Block Grant proposal in FY 2013 and allow the school districts to have latitude as to what programs those dollars could fund. He believed that the dollars should be allocated to the school districts using the current proportional distribution so that money was not stripped away from CCSD by a change in the allocation formula. If CCSD received its current proportion of the categorical funding, it could rely on the same proportion in the future.

Mr. Erquiaga said he was still working with the Budget Division on what the allocation formulas would look like to carry out the Block Grant. The Governor proposed originally that 10 percent of the money be reserved for at-risk schools and 10 percent for incentives with additional money for charter schools. Staff heard the school districts object to that proposal. Staff suggested an allocation formula based on a percentage of student enrollments and licensed personnel, but was uncertain whether that would be 50-50 or 60-40. The Budget Division was working on the allocations that would result in the least harm to the school districts.

Mr. Erquiaga said he thought it was important to preserve some portion of the allocation for licensed personnel because it preserved the tie to the current policy of class-size reduction and the hiring of teachers. It would be unfortunate to base the allocation on student enrollment and inadvertently cause a decline in the number of licensed personnel. That was certainly not the intent. There must be some incentive to retain the proper number of licensed teachers in the classroom. That was the goal of many of these programs. But the allocation formula must balance the differences in student enrollment. Development of the allocation formula was a work in progress. He would continue to work with the committees, the superintendents, and the school boards.

Even though the districts were not excited about the idea of a block grant because of the unknown fears, Mr. Erquiaga thought as they began to work on the proposal together, they would understand that it really was about flexibility. The Governor heard the districts' concerns about mitigating the damage to their existing structure and realized that change takes time. Instead of making this

proposal effective on July 1, the proposal would be put into effect over a four-year period. Mr. Erquiaga said he thought as the Administration worked on those issues it would be able to address the concerns.

Chairwoman Smith asked about the theory of moving categorical funding to a trust fund rather than leaving it in the State Distributive School Account (DSA). She suggested that if the Governor was looking for flexibility, why pursue a Block Grant proposal that included a process that the districts had to go through to get the money?

Ms. Teska explained one of the reasons the Budget Division moved the Regional Professional Development Program (RPDP) money out of the DSA was to leave just the apportionment money in the DSA. The apportionment funds had a reporting requirement, but none of the other funds contained a reporting requirement. The Budget Division believed moving all funds out of the DSA except the apportionment funds was appropriate. This Block Grant proposal was not a competitive grant. It was an actual block grant so it would have a formula allocation with a reporting and accountability component included. The Budget Division wanted to make it very clear that one of the intents was that these Block Grant funds were not subject to collective bargaining.

Chairwoman Smith said she could be convinced about the benefit of moving out the RPDP and many other line items because those had separate accountability. However, she questioned the accountability for class-size reduction and full-day kindergarten and wondered how those two programs were measured. Those two programs provided money to the classroom to either reduce class size or provide full-day kindergarten. Both programs increased student achievement.

Ms. Teska replied that the Budget Division needed reports from the school districts to show how the funds were spent and how the funding changed student achievement. There had not been effective reporting on full-day kindergarten or class-size reduction. The Department should have the ability to measure the programs' effects on actual outcomes of student performance. Current reports only measured the class-size ratios and the number of full-day kindergarten classes. The Budget Division's intent was that the Block Grant would include a reporting requirement that showed expenditures and outcomes. A report should show that the students that participated in these programs showed a specific percentage of improvement in their student achievement and performance. That type of report would be more effective

than the current reports showing the classes had a ratio of 18:1, which did not tell the Budget Division how well the students performed.

In response to a question from Chairwoman Smith, Mr. Erquiaga responded that the BDR specified the districts would establish the metrics as they submitted their plans for the Block Grant. He appreciated Dr. Rheault's comment asking that a state standard be established for the reporting. The Department may need to set a standard for demonstration of student growth or some other result that could be used as a statewide goal for the Block Grant program. But the metrics should be built in as a matter of local control.

Mr. Erquiaga said those things that were measured are the things that are expected as an outcome. Today we measure how many teachers the districts hired for class-size reduction. If we asked the districts for metrics related to student achievement, he thought that the annual reports submitted could address that. He suggested requiring the local districts develop the individual metrics based on the overall goals provided by the Department.

Assemblywoman Mastroluca asked about providing only a portion of the money at the beginning of the fiscal year and reserving a small amount as a reward when performance measures were achieved. She wondered how the districts could pay for programs without receiving the full amount of funding up front.

Ms. Teska responded that was one of the modifications being proposed in the allocation methodology. The 10 percent for the high achievers and the 10 percent for the remedial schools was not supported by the school districts and had been removed from the BDR proposal. The Budget Division was planning to allocate the funds based on the current percentages of the current funding being received by the districts. Later the Budget Division would transition to some model of enrollment and licensed instructional personnel. No longer would any funds be reserved.

Chairwoman Smith asked for clarification. She said in the original proposal there was the \$60,000 per district and \$30,000 per charter school distributions and then the two 10 percent distributions before the actual distribution. Now the new proposal appeared to delete the 10 percent and the 10 percent.

William "Rob" Roberts, Ed.D., Superintendent of Nye County School District, President of the Nevada Association of School Superintendents, thanked the legislators for their commitment to provide adequate resources for the students in Nevada to be successful. He also thanked the Governor and Dale Erquiaga



for hearing the concerns of the superintendents and modifying their proposal about the Block Grant. He said the changes presented that removed the flat amounts and the 10 percent and 10 percent distributions and moved the Block Grant to the second year of the biennium were appreciated by the superintendents.

Dr. Roberts continued by noting that the categorical programs represented jobs, and if those were removed, jobs would be eliminated. In Nye County, the class-size reduction program funded 17 positions, and those funds kept the class sizes from increasing. Nye was one of the four districts that used the waiver. In grades 1-3 the ratio was 23:1, grades 4-5 the ratio was 25:1, grades 6-8 the ratio was 31:1, and grades 9-12 the ratio was 27:1. Nye County had 7 separate towns and 20 different schools, and the student ratio in the northern towns was different than the ratio in the community of Pahrump in southern Nye County. In some of the small rural towns, the schools had multiple grades in the same classroom. In Duckwater, there was one teacher teaching grades 1-8.

Dr. Roberts said the removal of the categorical programs would severely affect the District's ability to maintain class sizes at the current level. Many of the school districts used the \$50,000 appropriation for the counselor to fund the only counselor the district had, so any elimination of that funding would completely eliminate the only counselor in the district. The school districts appreciated the retention of the funding for another year before transitioning to the Block Grant. The additional time allowed for better planning for the districts. He joked that it was difficult to turn a battleship around in a parking lot.

Chairwoman Smith said she was an advocate of letting the elected school boards make their own decisions about how to deal with budget cuts. She preferred to cut the totals when needed and let the districts' boards make specific decisions about allocating their funds to the programs they deemed most critical. She had been a rural school board member in the past. She worried about making this change at a time when the Legislature would be cutting so much money from the budgets. If Nevada's economy was better, she would view the Block Grant proposal differently. However if she was a school board member faced with the magnitude of cuts and had to decide whether to fund the Geographic Alliance or the National Board Certification costs or any other program versus keeping a teacher in the classroom, then she could not imagine she would opt to save any of those categorical programs. Her goal would be to preserve jobs and keep the class sizes as reasonable as

possible. While she appreciated the idea that the Legislature may provide more flexibility, she could not envision those board members making those types of decisions. She invited comments about what the districts were faced with in this type of environment.

Dr. Roberts replied that it was a decision that was very difficult to make. When districts were faced with such severe economic restrictions, the classroom was what the districts wanted to protect and everything else was secondary. The teacher that had done such a noble job in Nevada educating the youth with the limited resources and increasing class sizes had done a good job. Teachers continued to work hard. Dr. Roberts understood school boards had done everything they could to eliminate other programs to protect teachers, classrooms, and students. The student in the classroom was what was important. Districts had to keep the lights on and provide water, sewer, lunch programs, and transportation; everything else was secondary to those. The elimination of district staff, licensed librarians, counselors, and others would occur next summer.

Chairwoman Smith asked whether the Superintendent's Association had taken a formal position on the idea of moving class-size reduction and full-day kindergarten to the Block Grant program. Dr. Roberts responded that the association was not in favor of moving those programs into the Block Grant.

Jeff Weiler, Chief Financial Officer, Clark County School District (CCSD), echoed the comments from Dr. Roberts. He appreciated some of the proposed changes from the Governor's Office to modify portions of the Block Grant proposal. He would have to wait and see what the bottom line number would be. He had concerns about any reduction of the funding. He would argue for increased flexibility without the restrictions that would be in the Block Grant. His bigger concern in the first year of the biennium was a 10 percent reduction. At least the total amount would be distributed proportionately in the modified BDR. Earlier he was concerned about the possible detrimental cuts to CCSD. If funding was reduced 10 percent, in CCSD that equated to a \$13 million cut that paid for 185 teaching positions. Those cuts would have to come from some programs.

Mr. Weiler spoke about the pay-for-full-day kindergarten program (pay-for-K). The affordability problem was his most critical concern. The pay-for-K had already been reduced because of the poor economy. While CCSD would like to increase the pay-for-K program, the reality was CCSD had 51 percent of its student population enrolled in the free and reduced-price lunch program.

Therefore one-half of the parents would not be able to pay for the pay-for-K option. The remaining 49 percent were feeling the effects of the financial challenges. He was not sure CCSD would be able to make up for the 10 percent to 15 percent overall cuts being proposed.

Chairwoman Smith said as a parent she would have liked to have had the option of pay-for-K, but her children were in school before full-day kindergarten was available. She also worried about the inequities that continued to breed in the districts where programs were available to some and not to others. She asked for data on how many schools offered pay-for-K in CCSD and WCSD, how much it cost, and whether there was any anticipation of closing those programs.

Senator Cegavske wondered whether she was correct in remembering previous testimony of CCSD in support of flexibility for class-size reduction. Clark County wanted flexibility. She wondered why CCSD was no longer in support of the flexibility. Was the way it was proposed or because the Block Grant included the gifted and talented and the full-day kindergarten programs. She asked for information on any increase in the last two years of the free and reduced-price lunch program enrollment resulting from the poor economy. She was perplexed by the lack of support for the flexibility of the Block Grant proposal.

Mr. Weiler replied that CCSD supported the concept of flexibility. His concern was the overall 10 percent to 15 percent reduction of the money. He also did not like some of the reporting requirements that did not provide the flexibility he wanted. He would provide the numbers of the free and reduced-price lunch enrollment to the Subcommittee.

Dr. Roberts testified that he received some interesting census data recently that indicated Nye County had 4,000 vacant homes and a population of 38,000 persons. Lyon County had 2,000 vacant homes. Nye County would be unable to support a pay-for-K program because its population was unable to afford it. The Nye County School District would like to have the flexibility to address large classroom sizes wherever those occurred. It may occur in a high school class one year and not occur the next year. The districts would appreciate as much flexibility as possible to address large class sizes so the students received quality instruction. There may be more students that could fit into a lab class than there were spaces for those students.

Dr. Roberts said the original Block Grant program with its various reductions reduced the total amount of money available so that was not as attractive a proposal as the revised proposal. The 10 percent reduction in the overall budget as modified represented a loss of jobs. The superintendents were against the cuts in funds but supported the flexibility.

Senator Horsford said he had a hard time understanding the justification for this modified proposal. He appreciated the comment from Mr. Erquiaga on the Administration's approach. He wondered whether they were having a budget discussion or an ideological discussion. If they were having a budget discussion, then they needed to do those things that made the most sense, streamlined budgets, provided savings, and allowed these programs to work as effectively as possible. If they were having an ideological discussion about the value of the class-size reduction program, full-day kindergarten program, gifted and talented programs, career and technical education, and so on, then they must have a different discussion.

Senator Horsford said he was not convinced based on anything he had heard from the Administration about the need to shift from the existing structure to a completely new structure, when the state was facing such a large budget crisis. He hoped that as they moved forward they could put the ideological issues aside and take action to responsibly balance the budget. If that was not the case, then he thought they needed to have the discussion about the value of these programs and allow parents, teachers, and students to explain why these programs made sense to them. He appreciated the Administration's willingness to modify its proposal based on the concerns of the superintendents. He thought the critical question was whether this was about the budget or about philosophy.

Chairwoman Smith asked someone from the administration or Dr. Rheault to respond to her concern about flexibility. She thought they were talking about elimination of class-size reduction requirements and putting the money in a block grant where it could be spent on any of these programs. Flexibility was what the Legislature had done with the rural districts in the past bienniums and what the Legislature did in the 26th Special Session.

Craig Hulse, Director of Government Affairs, Washoe County School District (WCSD), testified that the school districts were worried that the 10 percent cut would result in \$20 million less funding for class-size reduction and \$5 million less for full-day kindergarten. That equated to about 37 positions that must be cut of the 370 positions total. The WCSD offered full-day kindergarten in

32 schools. The Board would determine which schools would not have full-day kindergarten. The WCSD offered the pay-for-K in 10 schools. Dr. Heath Morrison, Superintendent, and the WCSD Board of Trustees expressed their hope to expand the pay-for-K program as much as possible. The feasibility of affording that expansion was the problem. The Board had not as yet viewed the proposal or taken a formal position on the Block Grant. The concern was the reduction to funding. The Board wanted to protect the funding source for class-size reduction and full-day kindergarten.

Chairwoman Smith wanted clarification about flexibility versus the elimination of the requirements for class-size reduction.

Dr. Rheault said his understanding was the class-size reduction requirements in Chapter 388 of NRS would be eliminated so there would not be anything in the statutes specifying the requirements for class-size reduction. The districts could always use funds to reduce class sizes but the requirements specifying the ratios would be eliminated.

As a result of a question from Chairwoman Smith, Ms. Teska replied that the Regional Professional Development Program (RPDP) was being transferred to the School Remediation Trust Fund, but it was not being folded into the Block Grant program. The RPDP submitted billings to the Department for reimbursement, and there had not been any unexpended funds as yet in that line item in the budget. If RPDP did not expend all its monies then those funds could balance forward.

Bill Hanlon, Director of the Southern Nevada Regional Professional Development Program, said he believed every other year there were unexpended RPDP funds that reverted to the General Fund. Most of the trainers that worked in the RPDP came from different school districts and were paid in accordance with their specific district pay schedules. Any reduction in compensation to districts would also be reflected in compensation for the regional trainers. He spoke to the trainers and those working on a contract basis and they understood any cuts would be imposed on them also.

Senator Horsford questioned how a pay cut would be imposed on contract staff salaries because that was not reflected in the budget. He thought the salary was based on the trainer's skill.

Mr. Hanlon replied that different trainers started with different salary schedules based on the school district's pay schedules. Sometimes the trainers had the

same experience or background but received different pay, and Mr. Hanlon had accepted the differences in pay without question.

Senator Horsford said the state provided the funding to the RPDPs for each of the three RPDP regions. Every district salary could potentially be different. Because the state provided the funding to the RPDP, the policy should come from the Legislature through the budget process. He asked whether there was a proposed reduction in the overall program funding similar to what the Governor had recommended for all professional staff.

Mr. Hanlon said there were no proposed cuts. The actual funding that was provided within the grant was identical to the 2009-2011 biennium funding, which reflected a 41 percent cut from the 2007-2009 biennium. No change was recommended for the 2011-2013 biennium. Normally, the RPDPs provided the budgets to the Department in August. He was asked to present the budget in May last year.

Senator Horsford asked for the corresponding reduction pertaining to the same reductions requested by the Administration of all professional staff.

Ms. Teska replied there currently was no reduction reflected in the budget. If the Administration decided to impose a reduction then it could take the line item budgets from the RPDPs and calculate what that reduction would be.

Senator Horsford asked why there was no reduction as proposed similar to all the other reductions requested of school district personnel.

Ms. Teska replied when the budget was initially prepared, staff looked at the fact that this program had taken a disproportionately large cut last biennium from having four regional programs to having just three regional programs. Given the efforts of the RPDPs in rolling out a new common core curriculum, it was decided that this budget would remain flat.

Senator Horsford said he was frustrated because there was no consistency in how cuts were being applied. He heard about shared sacrifice but found certain items treated differently than others. The cuts to K-12 over the last two years totaled a reduction of over \$477 in per-pupil funding from two years ago. Considering the deficit that existed in the budget and the diversion of capital reserve funds, the result could end up reducing per-pupil funding from \$5,300 to \$4,500 per pupil. It appeared the Budget Division was willing to make those reductions at the school level but was not willing to make those

same reductions to the RPDPs. He wanted to understand why that was the case and why there was inconsistency. Senator Horsford said he understood that RPDP took a cut last time but so did all the rest of education.

Dr. Roberts thanked the members for allowing RPDPs to exist and be funded. The mission of RPDPs for all the rural school districts was to provide all the professional development that rural teachers received. The rural districts did not have sufficient funding or expertise within the districts to provide training. Currently there were two RPDP trainers assigned to Nye County School District who also served Mineral, Lincoln, and a portion of Clark. The trainers' services were very valuable. The trainers assigned to the Nye County School District were paid by Nye County School District at the same scale they would draw as normal District employees. Those employees were subject to any budget reductions imposed. Any funds remaining from RPDPs would allow for additional expenditures for other types of training programs. The roll-out for the common core standards as part of the reform that the Legislature had passed had not been completed because the teachers still had not been trained.

Senator Horsford understood the value of RPDPs. His concern was the consistency by which budget reductions were applied based on the concept of shared sacrifice. He did not believe shared sacrifice existed when a program was exempted from a reduction, but reductions were imposed on class-size reduction, gifted and talented, full-day kindergarten, and teacher pay. Senator Horsford wanted an answer to his question.

Dr. Roberts commented that having RPDPs even with a reduction was better than not having RPDPs at all.

Chairwoman Smith commented that in the last biennium the change from four to three RPDP regions was really a policy decision and not a budget decision.

Greta Jensen, representing Parent Leaders for Education, presented [Exhibit D](#). She had two children in the Washoe County School District and opposed cuts to education. She was concerned about the direct correlation between funding and education. She saw that as class sizes increased some students began to fall further behind in their learning. She began a volunteer tutoring program that had a significant effect on improving student achievement. Some of the extras offered such as music and sports were often what kept students coming to school. She asked the Subcommittee to retain the current level of funding for education.

Leslie Gilkey, member of Parent Leaders for Education, presented [Exhibit E](#) and testified in opposition to budget cuts to education. She moved to Nevada 11 years ago and was told the public school system was great and her children would receive a fine education. As classrooms became overcrowded, her family decided to move her children to private schools to ensure a proper education. Unless funding was increased and the WCSD strategic plan was fully implemented, she would not bring her children back to the public school system. Her family was faced with the possibility of moving to another state to receive a better education. She said her family had made sacrifices to ensure the children received a quality education. She asked the Legislature to find a way that shared sacrifice was not at the expense of the children's education and future.

Assemblyman Hickey thanked Ms. Gilkey for her involvement. He asked how much the private school spent for education for its students and whether it received additional revenue in the form of tuition. Ms. Gilkey said it was the tuition that paid for the better education.

Alison Turner, President of the Nevada Parent Teacher Association (PTA), testified in opposition to budget cuts. She spoke for tens of thousands of persons across Nevada. Nevada had the lowest per-pupil funding in the nation. The current proposed cut was almost \$500 per pupil. It appeared that additional cuts of \$800 per pupil would be imposed because of the diversion of bond reserve funds. Those diversions would likely lead to property tax increases. Many wonderful parents were working to raise funds for their schools not for extras but to pay for basics such as copiers, ink, and staff support. She admired those parents. Fundraising efforts led to inequities among the schools. It was important to provide an effective education to all 437,000 students across the state.

Ms. Turner said the PTA had taken a strong position to raise funds only for its own programs and assist schools to raise funds for the basic necessary items. Some school principals were unhappy about that position. But the PTA did not hear criticism from the less-advantaged school principals who needed funds and had no way to raise those funds.

Ms. Turner said the Subcommittee was discussing further cuts to an already underfunded public education system in Nevada. There was a clear correlation between per-pupil funding and successful student outcomes. If the Legislature decided not to invest in the education of Nevada's students, preschool through graduate school, it would tear at the foundations of what Nevada had, jeopardize the ability to diversify Nevada's economy, harm the ability to attract



new industries, and limit attraction of additional businesses in existing industries. From a policy and budget standpoint, cuts were the wrong direction for this state to move.

Frank Brittain, representing Parent Leaders for Education, submitted his written testimony as [Exhibit F](#) and said he was opposed to cuts to education. Budget cuts would adversely affect the schools, teachers, and students. The duration of the damage would be long-term. He did not ask for an increase in funding, but simply to maintain current funding for education.

Ms. Yvonne Wood-Antonuccio, Ph.D., submitted written testimony as [Exhibit G](#) but did not speak. Her position was in opposition to cuts to education.

In response to a question from Chairwoman Smith, Ms. Teska spoke about the pay-for-performance plan to provide \$20 million in FY 2013. The intent was for school districts to submit plans based on the pay-for-performance proposal that was approved by the 74th Session (2007). The districts would submit proposals on determining eligibility and spending the funds. There was a cap of \$3,000 per eligible teacher.

Chairwoman Smith thanked Ms. Teska and said her testimony was helpful. Chairwoman Smith recalled that concept was her bill in the 74th Session (2007), and she was pleased to see the concept being proposed. She believed that the districts would be adding some new teacher evaluation and growth model information.

Chairwoman Smith recessed the Subcommittee at 10:18 a.m. and reconvened at 10:29 a.m.

**DEPARTMENT OF EDUCATION**  
**NDE-STATE SUPPLEMENTAL SCHOOL SUPPORT FUND (101-2617)**  
**BUDGET PAGE K-12 EDUCATION-21**

Roger Rahming, MBA, Director, Office of Fiscal Accountability, Department of Education, testified budget account (BA) 2617 was the State Supplemental School Support Fund which contained the 3 percent room tax. This account held the funds from Initiative Petition No. 1 of the 75th Session (2009). It was budgeted at \$107,715,000 in fiscal year (FY) 2012 and \$113,794,000 in FY 2013. A bill draft request (BDR) proposed extending the date to the end of the 2011-2013 biennium during which the funds would be deposited into the General Fund. The I.P. No.1 of

the 75th Session (2009) affected counties with a population of 300,000 or more and imposed a 3 percent room tax that was distributed based on enrollment figures. Charter schools would also receive some funding. The dollars were designated for student achievement and payment of salaries to attract and retain teachers and other school personnel. Administrative staffs were not included as an allowable expense under I.P. No. 1 of the 75th Session (2009). In November of each year, the school districts would submit a report to the Department of Education describing how the dollars were used. The first distribution of these funds would be in February 2012.

In response to a question from Chairwoman Smith, Keith W. Rheault, Ph.D., Superintendent of Public Instruction, Department of Education, said a half-time grants analyst position was included to oversee the distribution of I.P. No. 1 of the 75th Session (2009) funds. The program contained some accountability reporting. The Department did not have anyone to keep track of funds and work with the districts on reporting and accountability. The Department requested a position in the budget but eliminated it because no funding was received from the program as yet.

In response to questions from Senator Cegavske, Dr. Rheault replied that the Department requested the new grants analyst position to monitor the \$100 million that would be received. The Department had two grants analysts that oversaw other programs. The new revenue stream would increase the workload of the Department and thus it would need additional help. The Department currently had two grants analyst positions for all the Department's programs. Dr. Rheault said the two grants analysts currently oversaw all of the grants, and he would provide the list of those grants to the Subcommittee.

Chairwoman Smith asked whether the districts and charter schools had plans showing how I.P. No. 1 of the 75th Session (2009) funds would be used because there were specific requirements restricting how the room tax dollars could be spent.

Dr. Rheault replied he had not distributed or received any plans or made requests to start planning for the I.P. No. 1 of the 75th Session (2009) funds. He wanted to have a better understanding of the diversion before creating the rules and process for distribution of I.P. No. 1 of the 75th Session (2009) funds from the block grant. No preplanning had been done as yet. The districts must submit plans to use the funding and provide reports to the Department.

In response to a question from Chairwoman Smith, Dr. Rheault said he believed the overall goal was to improve student achievement and then fund increased teacher salaries or incentives to retain and attract high quality teachers.

Assemblyman Conklin asked how much money the I.P. No. 1 of the 75th Session (2009) room tax would provide for the 2011-2013 biennium.

Dr. Rheault responded the I.P. No. 1 of the 75th Session (2009) funds were projected at \$107,715,000 for FY 2012 and \$113,794,000 for FY 2013. He said those two amounts would be in the bill draft that would extend the date for those funds being used for education and putting them into the General Fund. The total for the biennium would be \$221,509,000.

Assemblyman Conklin said I.P. No. 1 of the 75th Session (2009) was a public initiative petition which the voters approved to collect this money and use it for education. He wondered whether there was a time frame in which the Legislature could adjust the requirements or could the Legislature make changes anytime.

Jeff Weiler, Chief Financial Officer, Clark County School District (CCSD), replied that his understanding was that because the Legislature actually took action on the petition during the 75th Session, the Legislature had the authority to amend the statutory provisions. If the petition had gone to the voters and been approved, then the Legislature would not have authority to change the language.

In response to a question from Senator Horsford, Chairwoman Smith read the statutory provision contained in *Nevada Revised Statutes* (NRS) 387.191, subsection 2 and subsection 4:

2. The money in the State Supplemental School Support Fund is hereby appropriated for the operation of the school districts and charter schools of the state, as provided in this section. The money so appropriated is intended to supplement and not replace any other money appropriated, approved or authorized for expenditure to fund the operation of the public schools for kindergarten through grade 12. Any money that remains in the State Supplemental School Support Fund at the end of the fiscal year does not revert to the State General Fund, and the balance in the State Supplemental School Support Fund must be carried forward to the next fiscal year.

4. The money received by a school district or charter school from the State Supplemental School Support Fund pursuant to this section must be used to improve the achievement of students and for the payment of salaries to attract and retain qualified teachers and other employees, except administrative employees, of the school district or charter school. Nothing contained in this section shall be deemed to impair or restrict the right of employees of the school district or charter school to engage in collective bargaining as provided by [chapter 288](#) of NRS.

Senator Horsford thought that the will of the voters that approved I.P. No. 1 of the 75th Session (2009) was clear and their intent was clear. He believed that the proposal to reduce per-pupil funding and divert the bond reserve funds rather than improve student achievement and increase teacher salaries added insult to injury to those parents and individuals that thought funding would be available this biennium to support student achievement. Senator Horsford thought the Legislature needed to have a discussion about how these funds could be spent. He wondered whether Dr. Rheault had a suggestion about the use of these funds and had Dr. Rheault received input from the school districts before the Governor made the proposal to divert the funds. Senator Horsford said it was difficult to explain to his constituents how the Legislature would cut education as recommended by the Governor and take away voter-approved initiative funds that would have provided funding for education for the 2011-2013 biennium.

Dr. Rheault replied the Department had not prepared anything, but there was a formula to distribute the funds to all charter schools and school districts. The districts and charter schools were limited by statutory restrictions on the use of those funds. The approved uses included teacher salaries and incentives for retaining and attracting highly qualified teachers. The plans would be developed by the individual school districts. Dr. Rheault envisioned a number of performance issues and changes that the districts needed to work on, and this funding could be used to support all the reform efforts. There really was no other funding to support those reform efforts.

Senator Horsford questioned Dr. Rheault's comment about allocating the funding to the school districts and charter schools. He asked how the allocation would be made to each.

Dr. Rheault replied the Department had an allocation plan, and he would ask Mr. Rahming to provide it.

Senator Horsford said he considered the extension of the date for I.P. No. 1 of the 75th Session (2009) funds as an additional reduction beyond what the Governor was recommending based on voter intent of how those funds should have been used starting July 1, 2011.

Dr. Rheault responded that if the school districts were relying on the \$107,715,000 this year, the districts would see a reduction of that amount because those funds would be part of the State Distributive School Account (DSA) General Fund payment that the districts would receive.

Senator Horsford said the total reduction was \$221,509,000 for the 2011-2013 biennium. He asked for the allocation by school district and charter school.

Mr. Rahming said the distribution would be based on the enrollment of each school. He used the total state enrollment divided by the number enrolled in each school and that percentage would be multiplied by the funds available.

Senator Horsford said he wanted the actual breakdown by school and wanted to be accurate to ensure the Department's numbers matched the Fiscal Analysis Division staff's numbers. Senator Horsford asked for the breakdown by district and by charter school for the amount to be allocated starting July 1, 2011, based on the voter intent. Senator Horsford said the Subcommittee could have a discussion about how that allocation was affected by the Governor's decision to redirect funds to the General Fund.

Mr. Rahming said he would provide that detail to the Fiscal staff, and the allocation was similar to how the Department distributed the DSA.

Senator Horsford said those funds were supposed to be used to supplement not supplant.

Chairwoman Smith said the statutory language specified the funds were to be used to supplement not replace existing funding. She noted that these funds were not voter-approved at the ballot but voter-approved by initiative because voters approved I.P. No. 1 of the 75th Session (2009) by signing the initiative petition.

**DEPARTMENT OF EDUCATION**  
**NDE-EDUCATIONAL TRUST FUND (101-2614)**  
**BUDGET PAGE K-12 EDUCATION-23**

Roger Rahming, MBA, Director, Office of Fiscal Accountability, Department of Education, testified budget account (BA) 2614 reflected the transfer of the proceeds of abandoned gift certificates to the Educational Trust Fund. The money in the Educational Trust Fund may be expended only as authorized by the Legislature for educational purposes. The amount budgeted was \$58,481 for fiscal year (FY) 2012 and \$67,481 for FY 2013.

Keith W. Rheault, Ph.D., Superintendent of Public Instruction, Department of Education, said the amount in the fund was small and the Department had not developed any ideas to equitably distribute the funds for a beneficial purpose. He suggested the funds be used to recognize the best teachers in the state.

Dr. Rheault pointed out the Department had a "teacher-of-the-year" program that was done very inexpensively. He suggested the Legislature consider a teacher-of-the-year program. The Department could put together a program that would honor each local district's teacher of the year and the overall state winner. There could be a stipend award. Currently, the Department invited the teacher of the year to attend teacher-training programs throughout the state. There were two out-of-state trips that the teacher of the year was invited to, and one of those was paid for and the other was not paid for. One was a two-week training seminar during the summer with all the other teachers of the year. Dr. Rheault would like to send the top teacher to that training.

Dr. Rheault continued by noting the program could be more of a recognition program for the top teacher every year. He thought of limiting the expense to \$10,000 per year so it could be done each year in perpetuity. He wanted to get some program developed. Oklahoma paid for its teacher of the year to use a car for a year, paid the teacher's salary for a year, and paid for travel around the state to meet with all the school districts and provide workshops and training. These programs cost several hundred thousand dollars in some states.

Chairwoman Smith asked the Fiscal staff to develop this concept. She wanted staff to review the intent expressed in the 75th Session (2009) and compare the projections to the actual receipts. She wondered why there was no purpose specified for expending these funds.

Dr. Rheault said if the expenditures were not spelled out in the closing documents, the Department would bring a proposal to the Interim Finance Committee (IFC) for approval.

Chairwoman Smith said she would appreciate a plan and believed it was always better for the Subcommittee to have as many details as possible so IFC did not have to do as much during the interim period.

Senator Kieckhefer wanted to see the evaluation criteria for the teacher of the year and how it would be created.

Chairwoman Smith said it was sad to lose good teachers from the classroom, but good teachers were often good coaches and mentors as well.

**DEPARTMENT OF EDUCATION**  
**NDE-INCENTIVES FOR LICENSED EDUCATION PERSONNEL (101-2616)**  
**BUDGET PAGE K-12 EDUCATION-24**

Keith W. Rheault, Ph.D., Superintendent of Public Instruction, Department of Education, testified budget account (BA) 2616 supported the ongoing teacher incentive program. The budget was complicated and the Department needed to do a better job of monitoring the incentives. Before the 74th Session, the Legislature paid for all teachers in at-risk schools, which were those schools with 65 percent of student enrollment in the free and reduced-price lunch program.

Dr. Rheault said the Legislature provided incentives for any teachers at "in-need-of-improvement" schools. In 2007 it was argued that to reward teachers or pay them to work at these in-need-of-improvement schools was a disincentive to ever get off the in-need-of-improvement status because the teacher would lose the stipend. Therefore the Legislature deleted the in-need-of-improvement eligibility. From fiscal year (FY) 2008 forward, only teachers in at-risk schools or hard-to-fill positions (secondary math, secondary science, special education, and English as a Second Language (ESL)) were eligible.

Dr. Rheault said the Department had an interpretation in FY 2008 stating the Legislative intent was that any teacher that received the one-fifth retirement credit should have been grandfathered-in and was eligible. The law said teachers were eligible to receive the one-fifth credit until the teacher reached a full year's worth of retirement credit from five years of earning the incentives.

The state was in its fourth year since that law passed, and there were still some teachers getting paid because the school was rated as in-need-of-improvement. However the statute restricted eligibility to only new schools with at-risk and hard-to-fill positions. The Department's staff that monitored that program retired. The Department needed to double-check that program based on some Fiscal Analysis Division staff questions that were asked. There were a couple of school districts that misinterpreted reporting and eligibility requirements. The Department sent out a revised verification last week to double-check all the figures to ensure the Department was making proper payments

Dr. Rheault said the Legislative Counsel Bureau just completed an audit of the Department that suggested better policies and procedures for tracking grants. He thought the Department staff should apply those same policies to this program. He said the Department would have a better template in the future. Dr. Rheault said the Department's plan was to phase out this program. The Department was paying for the FY 2010 eligible teachers in FY 2011. The Department paid one year in arrears. Districts were asked to develop another incentive plan once the one-fifth retirement credit was phased out, and the districts suggested a cash incentive plan. Currently the Department paid a cash incentive when the eligible teacher finished the one-fifth retirement credit. The funds in the budget just paid for phasing out the one-fifth retirement credit. There would be no cash incentives for the last two years of the program. The money in FY 2012 would be used to pay for the teachers that the Department owed for FY 2011. The money budgeted for FY 2013 would pay the one-fifth credit for teaching assignments in FY 2012 and would deplete the program.

Chairwoman Smith said she had been listening to this and participating in this for a long time. She helped work on the original language for the at-risk schools and she had a hard time keeping up with Dr. Rheault's explanation. She urged the Subcommittee members to ask questions about this program. She asked for details of any legal concerns about these programs or the ability to phase them out or move the incentives into the Block Grant.

Dr. Rheault said what he was talking about was rolling over any carryover funds from the \$4,193,250 recommended in FY 2012 to transfer to the Student Achievement Block Grant.

Assemblyman Grady said he heard complaints from his constituents that the Teacher Licensing Office only answered its telephones in the afternoon. Many



times staff told the public to call back tomorrow. Assemblyman Grady said that policy did not work well considering teacher's schedules.

Dr. Rheault replied that the policy was implemented because of staffing shortages. The Department used the mornings when there were fewer walk-ins and teachers were in school to process the licenses and then opened up telephone lines in the afternoon. Dr. Rheault said if there were complaints, he would address that problem through a different policy.

Chairwoman Smith asked about the outcome if the Department reexamined the incentive awards applied by the districts using a different criterion.

Dr. Rheault explained that the districts were following the criteria, but new or inexperienced staff in the Department and in some districts caused some confusion. The Department had not clarified the description and the process as well as possible. The Department committed to be more involved, work with individual districts, and explain the process. In some cases the initial one-fifth retirement credit went directly to the Public Employees' Retirement System (PERS) that calculated the actual cost. Dr. Rheault wanted the Department to verify that the list was accurate. Anyone receiving a one-fifth credit this year would have been on the list last year. If they were not on the list last year, then there was a problem within the districts, and the Department would work with the districts. He said 95 percent of the teachers on the PERS list were accurate. He found two errors, one was a change in how the Department described it and one was a change in the district staff's interpretation.

Chairwoman Smith clarified that the Legislature was phasing out the one-fifth retirement credit and it would take one year longer because of the shift in the payment. The second year of the incentive program was going away.

Dr. Rheault agreed the funding that was in the budget to pay for the first year was due to the Legislative extension of the date.

Chairwoman Smith said she looked at this as another potential cut for staff because persons who had been incentivized to work in those at-risk schools would not have access to the additional stipend in the future.

Dr. Rheault said that could be the case if a teacher was near the 30-year retirement mark and had been collecting the one-fifth credit or the incentive.

The loss of the credit or incentive could discourage some employees from remaining at the districts or encourage them to opt for retirement at 30 years.

Chairwoman Smith said the point of this program was to encourage experienced teachers to remain in the districts. She said the Subcommittee still had several smaller budget accounts to address at a future hearing. She reminded everyone of the hearing tonight at Green Valley High School to hear public testimony on the K-12/Higher Education budgets.

Craig Stevens, Nevada State Education Association, testified the Association had conversations about how to use the I.P. No. 1 of the 75th Session (2009) room tax money. In Washoe County there was a memorandum of understanding (MOU) regarding creating a pay-for-performance type system using the room tax funds to pay for it. The Association had been very active and involved in trying to move forward the reform agenda because the I.P. No. 1 of the 75th Session (2009) money was available.

Mr. Stevens said improving student achievement was the original intent of I.P. No. 1 of the 75th Session (2009) and he encouraged the Subcommittee to keep moving that forward and use the funds in creative ways to attract the best and the brightest and improve student achievement.

There being no further public comment, Chairwoman Smith adjourned the meeting at 11:04 a.m.

RESPECTFULLY SUBMITTED:

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Janice Wright  
Committee Secretary

APPROVED BY:

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Assemblywoman Debbie Smith, Chairwoman

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

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Senator Steven A. Horsford, Chair

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

**EXHIBITS**

**Committee Name: Assembly Committee on Ways and Means/Senate Committee on Finance Joint Subcommittee on K-12 Education/Higher Education**

**Date: February 28, 2011**

**Time of Meeting: 8:11 a.m.**

<b>Bill</b>	<b>Exhibit</b>	<b>Witness / Agency</b>	<b>Description</b>
	A	Agenda	
	B	Sign-In Sheet	
	C	Keith Rheault, Superintendent of Public Instruction, Department of Education	K-12/Higher Education Budget Presentation
	D	Greta Jensen	Written Testimony
	E	Leslie Gilkey	Written Testimony
	F	Frank Brittain	Written Testimony
	G	Yvonne Wood-Antonuccio	Written Testimony