

**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  
March 31, 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 7:52 a.m. on Thursday, March 31, 2011, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4406 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 Ocegüera

**SENATE SUBCOMMITTEE MEMBERS PRESENT:**

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

**STAFF MEMBERS PRESENT:**

Rick Combs, Assembly Fiscal Analyst  
Rex Goodman, Principal Deputy Fiscal Analyst  
Joi Davis, Senior Program Analyst  
Julie Waller, Program Analyst  
Janice Wright, Subcommittee Secretary  
Cynthia Wyett, Subcommittee Assistant

Following completion of the roll call, Chairwoman Smith welcomed everyone and reminded them this hearing was a continuation of previous hearings on the Department of Education budgets.

**DEPARTMENT OF EDUCATION**  
**NDE-STUDENT INCENTIVE GRANTS (101-2606)**  
**BUDGET PAGE K-12 EDUCATION-101**

Keith W. Rheault, Ph.D., Superintendent of Public Instruction, Department of Education, introduced his deputy who would make the presentation. Greg Weyland, Deputy Superintendent for Administrative and Fiscal Services, Department of Education, testified budget account (BA) 2606 included federal funding from the Leveraging Educational Assistance Partnership (LEAP) Program and the Special Leveraging Educational Assistance Partnership (SLEAP) Program. It appeared that the United States Department of Education (USDE) planned to eliminate both LEAP and SLEAP. He explained an amendment was submitted to the Budget Division to remove the funding of \$497,302 in fiscal year (FY) 2012 and the same amount in FY 2013.

Chairwoman Smith said the Subcommittee had received the budget amendment. She asked whether there were further questions regarding budget account (BA) 2606, and there being none, the hearing was closed. The next budget for review by the Subcommittee was BA 2676.

**DEPARTMENT OF EDUCATION**  
**NDE-CAREER AND TECHNICAL EDUCATION (101-2676)**  
**BUDGET PAGE K-12 EDUCATION-104**

Keith W. Rheault, Ph.D., Superintendent of Public Instruction, Department of Education, said budget account (BA) 2676 was primarily supported by federal funds from the Carl D. Perkins Vocational and Applied Technology Education Act. The General Fund appropriation in BA 2676 served

as the required match and maintenance of effort (MOE). The budget funded 12.51 full-time equivalent (FTE) positions.

Dr. Rheault said the only matter of concern in this budget was a notification from the United States Department of Education (USDE) that federal funding could be reduced by 13.9 percent for fiscal year (FY) 2013, but Nevada's share of that funding could be reduced by 38 percent. Arizona's funding could decrease by 25 percent. Dr. Rheault contacted USDE representatives and was told the proposed funding level was based on a hold-harmless provision from 1998 which penalized Nevada because it was the fastest growing state in the nation in 1998. The USDE instructed the Department to use the current funding level in spite of the proposed reductions.

Dr. Rheault stated his opinion was no funding cuts would be enacted during FY 2012 and potential cuts may not materialize in FY 2013. Dr. Rheault explained the Department had reserved some of its administrative funding that could be carried forward for 27 months to offset any potential cuts. Approximately one-half of the staff salaries were paid from federal funds and the other half from state funds.

Senator Denis asked about performance indicator 2 and wondered about the difference in percentages of the career and technical education (CTE) students projected to be proficient in mathematics on the high school proficiency examination. He said the Department projected 42.8 percent would attain proficient test scores in FY 2010; however, the actual results indicated 81.28 percent attained proficient scores in FY 2010 on the math test.

Dr. Rheault responded that he would review the projected numbers provided in the Department budgets. In all cases the Department should have corrected the projected numbers when the Department received the actual numbers. The Department's intention was to correct all the projected numbers for FY 2011 with the actual numbers. The projected figures for FY 2012 and FY 2013 should have been revised once the FY 2010 actual numbers were received.

Senator Denis said the 81.28 percent was a good number and Dr. Rheault agreed. Dr. Rheault said the CTE students took a course and usually performed well above the state average on the high school proficiency test.

Senator Denis asked about performance indicator 5 which showed the Department projected 79 percent as the graduation rate of CTE students.

Dr. Rheault replied that the current graduation rate statewide was 79 percent for CTE students, which was above the state average graduation rate for all other students.

Chairwoman Smith asked whether there were further questions regarding BA 2676, and there being none, the hearing was closed. The next budget for review by the Subcommittee was BA 2680.

**DEPARTMENT OF EDUCATION**  
**NDE-CONTINUING EDUCATION (101-2680)**  
**BUDGET PAGE K-12 EDUCATION-109**

Keith W. Rheault, Ph.D., Superintendent of Public Instruction, Department of Education, said budget account (BA) 2680 provided funding for adult basic education and English as a second language (ESL) services. About 75 percent of the budget was funded with federal funds, but a 25 percent state match was required. The services were primarily provided through instructional programs at the four community colleges, libraries, and faith-based community organizations. The Department had four staff positions in the program and anticipated no changes in the program.

Senator Kieckhefer asked about tracking the success of the students enrolled in this program. He wondered whether success was evaluated based on a certificate, graduation, or the student's individual's goals.

Dr. Rheault replied the Department was required by the United States Department of Education (USDE) to use extensive performance indicators for evaluation of the program. Dr. Rheault said he provided those indicators in The Executive Budget. The first performance indicator measured the percent of students who completed Beginning Literacy Adult Basic Education. After students completed the basic literacy program, they progressed to the next step which was the beginning Adult Basic Education (ABE) shown in performance indicator 2. The Department tracked the adults participating in ABE as they moved through the system. The Department reported that key indicator to USDE to show students progressed properly through the system.

In response to a question from Senator Kieckhefer, Dr. Rheault confirmed 45 percent of the students completed ABE. The Department used three different levels in the program including beginning, low intermediate, and high intermediate level. The Department conducted a proficiency test to determine

when the student was ready to move on to additional courses in the program. The final step of the program was receipt of an adult diploma or certificate.

Assemblyman Aizley asked whether the Department used classrooms at the community colleges for free or whether there was some agreement with the Nevada System of Higher Education (NSHE).

Dr. Rheault said subgrants were awarded to each of the community colleges that offered ABE. The subgrants paid for community college staff and program expenses at the community colleges. The Department had partnered with the community colleges since the beginning of the program.

In response to a question from Chairwoman Smith, Greg Weyland, Deputy Superintendent for Administrative and Fiscal Services, Department of Education, replied the Department had not analyzed the funding allocations received or the cost allocation of the personnel position transferred to the Department of Administration, but he would provide that to the Subcommittee.

In response to a question from Senator Denis, Dr. Rheault replied there was generally no waiting list and about 10,000 students participated in ABE. He said there was more demand for the beginning literacy course and the ESL course of ABE. At times there might be a brief waiting list for the basic ESL courses. Students were required to complete the ESL course before they could move forward with any other courses.

In response to a question from Senator Cegavske, Dr. Rheault said the Department staff and the two consultant positions annually inspected, evaluated, and reported on the adult education programs because of a USDE requirement. If Nevada failed to comply with stringent performance indicators, the Department could have its funding either frozen or withdrawn.

Senator Cegavske said she had been to the adult education sites and wanted to see the evaluation sheets. She was disheartened with the tour she had taken with an administrator of the Clark County School District. She was saddened with the conditions, what she saw, and what she had not seen happening in those classrooms. She wondered about the monitoring process.

Dr. Rheault suggested Senator Cegavske may have toured the adult high school diploma program versus the adult basic education program. The Clark County School District was responsible for the adult high school diploma program, and there may have been some confusion about the tour.

Senator Horsford said he supported the centralization of the human resource (HR) function overall, but he was unsure whether it was appropriate for the Department. The Legislators had not decided the policy on the governance and appointment of the Superintendent of Public Instruction. If that policy was not approved, it would not make sense to centralize the HR function. The superintendent reported to the State Board of Education and not to the Governor. Senator Horsford wanted that matter to be taken up separately as a policy issue.

Chairwoman Smith asked whether there were further questions regarding BA 2680, and there being none, the hearing was closed. The next budget for review by the Subcommittee was BA 2691.

**DEPARTMENT OF EDUCATION**  
**NDE-NUTRITION EDUCATION PROGRAMS (101-2691)**  
**BUDGET PAGE K-12 EDUCATION-114**

Keith W. Rheault, Ph.D., Superintendent of Public Instruction, Department of Education, said budget account (BA) 2691 provided funding for federal nutrition programs including the National School Lunch Program (NSLP) and the School Breakfast Program (SBP). Budget account 2691 was the largest federally funded budget in the Department. The budget for fiscal year (FY) 2012 totaled \$104,198,718. The budget supported funding for 11 staff positions within the Department. The one item in the budget that may generate some questions was the decrease in General Fund appropriation for the maintenance of effort (MOE) requirement. As part of the budget reductions, the Department scrutinized every dollar it could legally reduce without affecting the required MOE. The Department reduced its MOE by \$273,000 for each year of the 2011-2013 biennium to comply with the 10 percent budget reductions required.

In response to a question from Assemblywoman Mastroluca, Donnell Barton, Office of Child Nutrition and School Health, Department of Education, testified she used state funds for the past four years to pay four staff positions salaries and was allowed to carry forward federal funds. The federal funds were used to pay for the Child Nutrition Project (CNP). The federal government would not allow funds to be carried forward to pay salaries but would allow carried-forward funds to pay for a project. Therefore, the federal funds paid for the building of the CNP, a Web-based system that paid claims and collected application information for individual schools.

In response to a question from Assemblywoman Mastroluca, Ms. Barton replied the budget cuts would not cause difficulty preparing the extensive reports on the nutrition programs, but several bills under consideration may affect the program. She said Assembly Bill 137 required the implementation of a school breakfast program (SBP) at each public school designated as demonstrating need for improvement for three consecutive years or more. Ms. Barton surveyed schools that provided an SBP. Her survey did not ask what type of SBP was being provided, but merely asked schools whether breakfast was served. The breakfast could be a traditional meal served in the classroom or a "grab-and-go" meal delivery system.

Ms. Barton checked with her programmer, and he thought it would be a day's worth of work to make the survey change and capture the type of breakfast served. Ms. Barton would then need to work with her database manager to develop the reports. She wanted to save staff time by converting that report to a four-year sequence report. The current report was in a single year sequence. Staff must pull that data to put into other reports. That process consumed staff time, and errors resulted because of the transposition of numbers. The change would result in an additional cost.

In response to a question from Assemblywoman Mastroluca, Ms. Barton said Nevada's participation rate was about 13 percent for SBP, and Nevada ranked last among all the states. Nevada's participation rate was about 41 percent for the National School Lunch Program (NSLP). Nationwide the average rate was 25 percent participation in SBP and 62 percent in NSLP.

In response to a question from Assemblywoman Mastroluca, Ms. Barton responded Nevada's poor rankings were attributable to a variety of factors. Some children did not arrive at school in time to participate in SBP because breakfast was served before the school day began. When school buses were late or parents did not deliver their children to school in time, the children did not have the opportunity to eat. At some schools it was easy to identify those children participating in the free and reduced-price lunch program because they were the only ones going inside for meals. Some children did not want to be identified that way so they would not go inside to eat breakfast because they did not want their peers to know. At lunch some schools had open campuses so children could leave the school. Some schools offered competitive foods sold by organizations trying to raise funds for charities, and those were in competition with the school lunch. Sometimes the cafeterias were not designed to serve 800 children and only had capacity to serve 500 children. The children could get tired of waiting in line and go elsewhere to eat. Children preferred to

socialize rather than eat at the elementary school level. Schools tried to schedule recess before lunch so the children had time to socialize before they went inside to eat.

In response to a question from Assemblywoman Mastroluca, Ms. Barton responded several states served breakfast in the classroom or breakfast after the bell and that increased participation rates.

Senator Denis noticed performance indicators showing the number of meals served to children in the Summer Food Service Program (SFSP). The numbers listed actual participation of 411,433 in FY 2010 and projected participation for FY 2011 at 390,904. For FY 2012 and FY 2013 the Department projected 614,353 and 614,968 respectively. Senator Denis wondered what forces were driving the performance indicators.

Ms. Barton responded that she worked to develop more partnerships especially in southern Nevada to encourage more sponsors and inform parents where feeding sites were located. She also knew the Clark County School District stopped conducting year-round schools and she anticipated there would be children in need of meals from SFSP.

Ms. Barton said nationwide SFSP had not performed well. Only about 15 out of every 100 eligible children participated in an SFSP. The SFSP was one of the most underused food programs offered by the United States Department of Agriculture (USDA) for child nutrition. Several organizations worked hard last year to attract more sponsors and provide more feeding sites for children. The USDA also relaxed some waiver requirements that existed in the past. Normally a sponsor could only provide 25 feeding sites unless a waiver was granted. Now the USDA no longer required waivers but authorized the state to make those decisions. As long as a sponsor was following the regulations the states could allow the sponsor to have more feeding sites.

Senator Horsford wanted to disclose that the Culinary Training Academy partnered with Three Square as one of several sponsors of SFSP. Based on Senator Horsford's experience, he felt that the partnership with the state had really made a difference in helping to develop different feeding sites. He heard from organizations affected by the downturn of the economy that the only nutritious meal children received was from an SFSP.

Senator Horsford said U.S. Senator Harry Reid helped make Nevada one of 14 states that offered the Child and Adult Care Food Program (CACFP), which



was the after-school food program. He asked Ms. Barton to provide details of that program.

Ms. Barton said CACFP authorized an at-risk meals program which allowed sponsors to provide meals to children and adults in low-income areas. She saw a significant increase in the at-risk meals program in Nevada. Nevada was one of the 14 original states and now the CACFP program had been expanded to include all states.

Senator Horsford noted Julie Murray with Three Square had been an incredible partner in the effort to expand the capacity and provide food for those who were "food insecure." Senator Horsford appreciated her efforts.

Chairwoman Smith echoed Senator Horsford's comments. Chairwoman Smith was frustrated that Nevada continued to rank at the bottom of the national rankings. She wanted to hear from the school districts about why participation rates were low during these tough economic times. She knew families and children were hungry, and it was hard for children to learn when they were hungry.

Nicole Rourke, Executive Director, Community and Government Relations, Clark County School District (CCSD) testified CCSD made several presentations regarding its progress in school nutrition programs including the National School Lunch Program (NSLP) and the School Breakfast Program (SBP). The CCSD increased the participation rate in SBP by 16.5 percent from January 2010 to January 2011. The CCSD increased the NSLP participation rate by 17.25 percent. The CCSD increased the participation in afternoon snacks in 90 at-risk schools serving over 7,200 snacks daily. Dwight D. Jones, Superintendent, CCSD, made school nutrition programs a high priority. The CCSD would provide a universal breakfast program at 38 at-risk schools where breakfast would be served in the cafeteria as a "grab-and-go" service.

Craig Hulse, Director, Government Affairs, Washoe County School District (WCSD), testified he gave presentations to various committees, and WCSD currently offered SBP to about 20 percent of its students in 16 schools. It was a WCSD policy that all Provision 2 schools [which included all schools that had 85 percent or higher eligible population in the free and reduced-price lunch program] must provide breakfast in the classroom. A Provision 2 school was authorized by the federal government to provide a free lunch for every student. Provision 2 schools decreased administrative costs for the District because of savings resulting from no verification of paperwork for eligibility. Nutrition was

a huge priority for WCSD which had partnered with the Northern Nevada Food Bank. He testified yesterday on Assembly Bill 137 which would require breakfast in the classroom statewide for all students in Provision 2 schools. Students could not learn when they were hungry.

Chairwoman Smith said she could not understand that Nevada had access to federal funds to feed hungry children, but the state was not feeding those that needed meals. She was tired of hearing this discussion. She asked about the position of the CCSD Board of School Trustees on A.B. 137.

Ms. Rourke said the CCSD Board of School Trustees supported feeding students and increasing its participation rates in the school nutrition programs. The CCSD Board opposed the bill as a mandate because of the difficult economic times but intended to provide the meals directed by A.B. 137.

Senator Kieckhefer clarified that when 85 percent of the student population was eligible for the free or reduced-price lunch, WCSD provided free lunch for all students. He wondered whether the WCSD threshold of 85 percent could be moved to 75 percent or 80 percent.

Mr. Hulse said he was not an expert on the required percentage but thought the flexibility was authorized for the school districts to decide the proper percentage.

Ms. Barton responded that the percentages were based on funding and the economies of scale. The USDA recommended that at least 80 percent of the student population be eligible for the free and reduced-price lunch program. The Department had a formula and worksheet that districts could use to determine at what level the districts could qualify for the free and reduced-price lunch program. The WCSD limits started at 70 percent and depending on the specifics of the school, the WCSD was sometimes able to offer free lunches for all in certain schools.

Senator Horsford said he was frustrated. He said Assemblywoman Mastroluca had been working diligently on trying to improve participation in SBP. Everyone had sent the message to CCSD to improve participation rates in SBP. This was a commitment that must be made. While 17 percent participation was progress, it was not adequate.

Senator Horsford asked Chairwoman Smith that this Subcommittee and possibly both the Senate and the Assembly Committees on Health and Human Services

request a written resolution from the Boards of School Trustees committing their action plans to improve the participation rates. He wanted to know specifically how and when districts would make improvements and the consequences when districts failed. There were ways to make the nutrition programs more effective for the families that needed the programs.

Senator Horsford said it was exactly because of the poor economy that school districts must improve participation rates because there were families that could no longer afford to provide food for their children. When children were hungry, they could not learn. He wanted to know what specifically the school districts were going to do.

Ms. Rourke clarified CCSD was not in favor of a mandate contained in A.B. 137. The CCSD intended to provide SBP to 38 schools that were at risk and qualified as Title I Schools.

In response to a question from Senator Horsford, Ms. Rourke replied CCSD had over 350 schools in the District.

Senator Horsford questioned why increasing the universal breakfast program to 38 schools out of 350 was considered adequate for CCSD.

Ms. Rourke said CCSD provided breakfast at every school for eligible children but did not provide universal breakfast in all schools. Ms. Rourke said she believed CCSD had over 140 Title I Schools.

Senator Horsford said when one-half of the children in CCSD qualified for free and reduced-price lunch and qualified for SBP, the CCSD should not be rolling this universal breakfast program out to only 38 schools. Senator Horsford said that was inadequate.

Ms. Rourke said she understood that the food service director was working with the superintendent on a plan to increase participation in nutrition programs.

Chairwoman Smith said she did not want to wait two years to see what the plan was for increasing participation in the nutrition programs. She asked to hear back as soon as Ms. Rourke had a response from the CCSD Board of School Trustees. The Legislators sent a Letter of Intent during the 75th Session (2009) but no success resulted. Chairwoman Smith wanted some serious improvement in the participation rates. She did not want Nevada to be

last in the national rankings, and this was an area where Nevada did not have to be last because Nevada had access to federal support.

Assemblywoman Mastroluca wondered how many of the schools would provide breakfast in the classroom rather than in the cafeteria. She said studies indicated more children would eat when the food was delivered in the classroom and eaten at the beginning of the school day. She asked for that information to be included with the other data that would be submitted to the Subcommittee.

Chairwoman Smith asked whether there were further questions regarding BA 2691, and there being none, the hearing was closed. The next budget for review by the Subcommittee was BA 2715.

**DEPARTMENT OF EDUCATION**  
**NDE-INDIVIDUALS WITH DISABILITIES (IDEA) (101-2715)**  
**BUDGET PAGE K-12 EDUCATION-122**

Keith W. Rheault, Ph.D., Superintendent of Public Instruction, Department of Education, said budget account (BA) 2715 was used to provide federal support associated with costs of providing special education in accordance with the Individuals with Disabilities Education Act (IDEA). State funding of only \$20,991 [in each year of the 2011-2013 biennium] was included in BA 2715. The budget supported the *Nevada Revised Statutes* (NRS) Chapter 395 program. A special education student that required special support not provided by the local school district could receive that support from the IDEA program. In the past, the state spent several million dollars on the IDEA program. Dr. Rheault said the services in Nevada had improved, and the IDEA program was now used minimally, if at all.

Dr. Rheault said BA 2715 funded nine full-time equivalent positions and the funding recommended for fiscal year (FY) 2012 was \$74,691,067 and for FY 2013 was \$74,762,939. The primary change in this budget was the elimination of funds provided through the American Recovery and Reinvestment Act of 2009 (ARRA). The decision units Enhancement (E) 491 and E492 eliminated the ARRA special education grant that was \$32,906,470 and was used for supplemental services. It also eliminated some funds for special education early childhood of \$1,434,574. Both of those were ARRA grants and would be expended by the end of FY 2011.

Senator Denis asked about performance indicator 6 which showed the number of special education students who received a standard high school diploma. He wondered how many special education students were enrolled in the program.

Dr. Rheault replied the number who received a diploma was about 11 percent so he thought the total number of students was about 48,000 for K-12. The Department awarded 1,235 adjusted diplomas last year to special education students and about 27,000 seniors were in that class. There were a number of students that received an adjusted diploma, but very few received the adult diploma.

In response to a question from Senator Denis about the percentage of students that received a diploma and graduated, Rorie Fitzpatrick, Special Education, Elementary and Secondary Education and School Improvement Programs, Department of Education, testified 24 percent of the students with disabilities graduated. The actual number of students who received a diploma was 625, which equated to 24 percent of the total population of special education students who received a standard diploma. There were 79 students who received an advanced diploma.

Chairwoman Smith wanted to hear from the local school districts about how ARRA funds were expended.

Craig Hulse, Director, Government Affairs, Washoe County School District, stated he would have the District's Director of Federal Programs develop a summary of how the District expended ARRA funds. He did not have that information but would obtain it and provide it to the Subcommittee.

Chairwoman Smith said the local school districts received a lot of extra funds from ARRA and she would appreciate having the data.

Joyce Haldeman, Associate Superintendent, Community and Government Relations, Clark County School District, stated she did not have that ARRA expense information but would provide it to the Subcommittee.

Dr. Rheault said he provided a summary to the Fiscal staff ([Exhibit C](#)) showing how each school district expended the Title II-A funds.

Paula Berkley, representing the Food Bank of Northern Nevada, testified Nevada ranked number 53 in the nation in participation rates of school nutrition programs. She presented [Exhibit D](#) which summarized key school nutrition

facts. She explained the Legislature passed a resolution several sessions ago encouraging the school districts to increase participation in the School Breakfast Program (SBP). During the session that followed passage of the resolution, ten effective ways to increase participation in the school nutrition programs were provided to the districts. During the 2009 Legislative Session, several committees required some performance measures from the districts. Nevada left about \$63,172,403 in unspent funds in Washington D.C., for the nutrition programs because of lack of participation.

Ms. Berkley explained mandates were hard to enforce. However, nationally Nevada ranked number 53, behind even Guam, and Nevada needed to increase participation rates. The Food Bank of Northern Nevada was an integral partner with the Washoe County School District and supported the summer nutrition programs, the backpack food program, and the after-school programs. The school districts were trying to improve participation rates.

Ms. Berkley said [Exhibit D](#) showed the number of children by county that were food insecure. Nevada had access to the federal funds to provide nutrition to those children. She encouraged the Subcommittee to continue to ask for performance indicators and determine which districts were improving participation rates. Those successful districts may provide lessons to the other districts and offer effective methods to improve participation rates.

Ms. Berkley said ARRA funds were provided for capital improvements to increase participation in the nutrition programs. Clark County received about \$280,000 in ARRA funds, Washoe County received about \$320,000, and Humboldt County received about \$20,000 in ARRA funds for nutrition programs to purchase food carts or other items needed to support the nutrition programs. About \$600,000 of grant moneys were provided over the last several years to Clark County School District to increase participation in SBP.

Mary Pierczynski, representing the Nevada Association of School Superintendents, presented [Exhibit E](#) and stated she surveyed all the school districts and obtained education funding information. [Exhibit E](#) provided data by each county school district on various cuts. The statewide total of previous education funding cuts was \$490,869,481. The Governor's proposed statewide funding cuts totaled \$321,710,932 for the 2011-2013 biennium. The statewide total of local funding cuts was \$168,413,026. The combined statewide total of all funding cuts since 2008 would be \$980,993,439.

Senator Horsford said after the school districts reviewed the data with their Board of School Trustees, he wanted a single page exhibit containing additional data about the effects of the proposed funding cuts showing the specific number of increased students in class sizes, the number of staff cuts of teachers and administrative staff, and the types of school program cuts proposed by the school districts. He wanted the Governmental Services Tax (GST) portion listed as the Governor's proposed sweep of the bond reserve accounts. He wanted to see the effect of the proposed funding cuts to Clark County School District beyond the GST. That data should be provided on one sheet so he could see the cumulative effect of the proposed funding cuts. He said the cuts appeared to be almost \$1 billion, but when the GST was added in the resulting cuts probably totaled \$1.5 billion.

John Kucera, Assistant Director, Legislative Affairs for Policy, Associated Students of the University of Nevada (ASUN), presented [Exhibit F](#) and provided his testimony. He testified that Nevada had a volatile economy reflecting high unemployment rates, low rates of job growth, and a declining gross domestic product. He suggested that reducing Nevada's dependence on consumer-driven industries through investment in higher education was part of the long-term solution to Nevada's economic woes.

Casey Stiteler, ASUN Director of Legislative Affairs and ASUN President Elect, pointed out the discrepancies between many conclusions of reports about Nevada and the funding cuts to education proposed by the Governor. Jobless rates declined steadily as levels of educational attainment rose. Higher educational attainment enhanced economic growth by attracting higher value-added businesses. He said Nevada's narrow tax base put too much of a burden on certain aspects of the economy and a broader tax base with lower tax rates would generate the same total revenue.

Mr. Kucera concluded that the Subcommittee should consider the options of expanding the tax base and supporting education to improve Nevada's economy.

Chairwoman Smith asked whether there were further questions regarding BA 2715, and there being none, the hearing was closed. There were no further budgets scheduled for review by the Subcommittee. Chairwoman Smith said the Subcommittee would begin its work session.

**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, stated the first matter for consideration of the Subcommittee in budget account (BA) 2615 was the Governor's proposal to create a new Student Achievement Block Grant (SABG) beginning in fiscal year (FY) 2012. The SABG would combine funding for the majority of categorical programs included in four budgets into one Block Grant with the goal of providing flexibility to school districts, while increasing student achievement.

Ms. Waller said The Executive Budget recommended a 5.4 percent General Fund reduction totaling \$11,330,650 in FY 2012 and \$7,374,874 in FY 2013. The Fiscal staff received Budget Amendment 237 that postponed the implementation date of the proposed new SABG to the second year of the 2011-2013 biennium to allow districts adequate time to prepare for the new SABG program. The amendment returned the categorical funding proposed for transfer into the SABG program to each original budget of origin. The amendment eliminated the recommended 5.4 percent General Fund budget reduction of \$11,330,650 in FY 2012 because the categorical funds would not be transferred to the SABG program until FY 2013.

Ms. Waller stated Assembly Bill 558 introduced on March 28, 2011, established the SABG program. The bill required a school district to submit a comprehensive plan to the Department of Education about the proposed use of the Block Grant funds. School districts would receive 50 percent of the SABG funding based upon enrollment growth and 50 percent based upon the number of full-time teachers, excluding substitute teachers. Assembly Bill 558 outlined the approved uses of SABG funding, including programs designed to increase and promote the academic achievement of students, and purposes included in the categorical program funding for class-size reduction, full-day kindergarten, education technology, and elementary counselors.

Ms. Waller noted that during the February 24, 2011, hearing on the K-12 budgets, the Nevada Association of School Superintendents testified it did not support the Governor's recommended SABG program. School districts also expressed concern regarding the overall reduction in funding and the loss of categorical funding for programs proposed to transfer to the SABG.

Ms. Waller presented three options for the Subcommittee's consideration:



Option 1. Approve the Governor's recommendation to combine funding for the majority of K-12 categorical programs into the proposed new SABG program, including Budget Amendment 237 that eliminated the 5.4 percent General Fund budget reduction of \$11,330,650 for FY 2012 and postponed the implementation of the SABG program to FY 2013.

Option 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 Budget Amendment 237 that eliminated the 5.4 percent General Fund budget reduction of \$11,330,650 for FY 2012 and postponed the implementation of the SABG program to FY 2013.

Option 3. Do not approve the Governor's recommendation to create a new SABG program, but approve the portion of Budget Amendment 237 that eliminated the 5.4 percent General Fund budget reduction of \$11,330,650 for FY 2012. This option would also require the Subcommittee to determine how to allocate the remaining 5.4 percent budget reduction of \$7,374,874 in FY 2013 among the individual program categories.

Senator Kieckhefer asked for a summary of how the \$11,330,650 in Budget Amendment 237 was allocated. He heard about a projected change in enrollment in the Adult High School Diploma program and salary savings from the Regional Professional Development Program and wondered whether the enrollment decreased.

Ms. Waller replied there was discussion during the February 24, 2011, budget hearing of the projected enrollment growth in the Adult High School Education program shown in The Executive Budget. That enrollment growth was based on growth used for the 75th Session (2009) that failed to materialize. The enrollment projected for the 2011-2013 biennium was based on actual enrollment during the 2009-2011 biennium, which had decreased from prior estimates. The savings for the budget was approximately \$12 million.

Senator Denis asked about the accounts proposed to transfer to SABG such as BA 2699 Other State Education Programs, which included the Educational Technology and LEA Library Books programs and wondered whether those were state programs or school district programs.

Ms. Waller responded that BA 2699 which included the Educational Technology program was a state program, and the funding for that program was distributed directly to the local school districts. The two programs, KLVX Satellite and Project GAIN (Geographic Alliance in Nevada), were state-funded programs that provided funds to nonstate organizations. The funding for SABG would be distributed to the local school districts, and the districts would decide how to expend those funds. The districts may decide to allocate moneys to the same categorical programs as during the prior biennium or may decide to use the funds for other programs based on the needs of the districts. Currently, school districts applied for the funding for the KLVX Satellite program and were awarded funds from the Commission on Educational Technology. The SABG funds would not be allocated to the Commission on Educational Technology but would be distributed based on the local school district's application for use of the funding. The local school district would determine how to best use SABG funding.

In response to a question from Chairwoman Smith about Budget Amendment 237 which moved the funding for SABG to the second year of the biennium, Ms. Waller replied the work session information listed the Governor's original recommendation, but the \$11,330,650 reduction was eliminated in FY 2012. Budget Amendment 237 restored that \$11,330,650 to the categorical programs in FY 2012 and would transfer \$162,700,449 to SABG in FY 2013.

Senator Kieckhefer said he was inclined to support the SABG program and generally believed the closer the level of government was to those it governed, the greater its understanding of the needs of the citizens. He thought the local school districts would have a greater understanding of the needs of the students in their districts. Providing the districts the flexibility that they had long asked for was something that was worth doing. Budget Amendment 237 provided an additional year for the school districts to consider the transition, prepare for the transition, and develop the plan for allocation of the funding.

Chairwoman Smith said the class-size reduction funding would be eliminated, and the school districts would not be provided flexibility. She asked Senator Kieckhefer whether he was supporting removal of the class-size reduction requirements.

Senator Kieckhefer replied he was in support of removing the class-size ratio requirements in the statutes. He believed it would be the priority of each local school district to maintain class sizes that were in the best interests of the

students in each school. The local districts would prioritize the funding to continue hiring the thousands of teachers that this money currently funded.

Senator Horsford said he was more supportive of flexibility if it came with some money, and he believed the school districts shared his position. He wanted to consider another option and get feedback from the school districts before he made a decision. His desire was to provide flexibility but maintain the requirements in each individual category.

Senator Horsford said his son was in fifth grade, and in his school the principal increased the class sizes of first, second, and third grades to reduce the overcrowding in the fourth and fifth grades. He thought that was the type of flexibility that should be approved by the Legislature.

Senator Horsford said the Governor's approach consolidated all the categorical programs into one SABG. The school districts were required to set the funding priorities for their districts. He believed the Legislature historically had made the policy decisions directing the use of any additional funding. Funds provided for class-size reduction should only be expended for class-size reduction.

Senator Horsford asked Dr. Rheault and the school district superintendents whether the money in each category could be maintained with some flexibility within that category if the Block Grant was established. Senator Horsford wondered how that would work. Senator Horsford wanted to preserve as much of the priorities as possible of class-size reduction, full-day kindergarten, and career and technical education. Senator Horsford agreed with former Governor Miller's comment that class-size reduction was implemented to improve education. Senator Horsford could not agree to repeal class-size reduction at a time when he knew class sizes would grow.

Assemblywoman Mastroluca said she agreed with Senator Horsford's approach and would be interested in seeing the data he requested. She liked the idea of providing flexibility and knew the districts had asked for flexibility for a long time. There was a difference between flexibility and forcing someone to make a decision that someone else did not want to make. Her fear was the school districts were being forced to make decisions that the Legislature or the Governor did not feel comfortable making.

Chairwoman Smith said she had been clear about her position. She worried about consolidating all the funds in the Block Grant and deleting the class-size reduction ratios. She was concerned about the spending of those funds by the

districts. She knew there was debate about the effectiveness of class-size reduction, but she challenged any parent to visualize overcrowded classrooms. She had concerns about diluting the money for a program. She was open to other ideas, actual flexibility, and better solutions.

Senator Denis said his thoughts were similar to those expressed by Chairwoman Smith. He believed improvements had resulted from class-size-reduction programs. Students achieved successes in math and in career and technical education. His concern was the districts would have all the money in one account with flexibility, but there would not be enough money to fund all the needs. He worried about what would happen when a district wanted to spend its funds on class-size reduction and full-day kindergarten without sufficient funding.

Senator Denis said he thought flexibility was important but only wanted to grant flexibility within the program category to ensure the funds were spent appropriately. He thought the SABG was not a good decision. The Legislature provided a lot of money to create the infrastructure for education technology and training. Senator Denis said problems would result if the districts had to choose between class-size reduction or education technology. He was willing to look at an option that provided some flexibility but only within the categorical areas.

Ms. Waller said the second matter in BA 2615 was The Executive Budget recommended a General Fund appropriation of \$20 million in FY 2013 to support a new Teacher Performance Pay program effective July 1, 2012. Details of the Governor's Teacher Performance Pay program were not included in The Executive Budget. She explained that the Budget Division said during the February 28, 2011, K-12 Education/Higher Education budget hearing it had requested input from the school districts to develop the structure for the program. Based on feedback from the school districts, the Budget Division indicated that the Governor's proposal would largely mirror the performance pay model outlined in Assembly Bill No. 3 of the 23rd Special Session (2007).

Ms. Waller stated Assembly Bill 557 was referred to the Assembly Committee on Education and made an appropriation to the Department of Education for school districts to establish a pilot program for performance pay for licensed teachers to begin in the 2012-13 school year. Under the Governor's proposal each school district must focus on improving the academic achievement of students, with consideration given to at-risk schools. The bill included a \$5,000 cap per eligible teacher.

Ms. Waller noted that funding to be distributed from the State Supplemental School Support Fund (Initiative Petition No. 1 of the 75th Session [2009]) to school districts must be used to improve the achievement of students and to pay salaries to attract and retain qualified teachers and other employees. Proceeds from the I.P. No. 1 of the 75th Session room tax may be credited to the State Supplemental Support Fund for distribution to school districts and charter schools in the 2011-2013 biennium or thereafter, depending on the action of the 76th Session. She noted that a performance pay program appeared to be a permissible use of the I.P. No. 1 of the 75th Session funding.

Ms. Waller said the decision to be made was whether to approve the Governor's recommendation to appropriate General Funds of \$20 million in FY 2013 to support a new teacher performance pay program.

Chairwoman Smith noted Assembly Bill 229 included the pay-for-performance program. She had been working with the Office of the Governor on that program.

Assemblyman Hickey asked about A.B. 557 and wondered whether it had been heard or would both bills need to pass before being presented to the Subcommittee.

Chairwoman Smith responded she just received A.B. 557 but had not been able to schedule it for hearing. She worked with the Governor's Office on the language. The Legislature passed a similar bill in 2007 but lost the funding. She used that language and added some new provisions including new evaluations, a new growth model, and policy matters. She was open to comments about the \$20 million to fund the pay-for-performance program.

Assemblyman Aizley said it was difficult to think about merit pay or pay for performance until all the teacher salary cuts had been restored and a cost of living increase had been given to all satisfactory teachers.

Senator Horsford said he was open to considering the pay-for-performance teacher pay model. He knew the policy decision would be handled in A.B. 557. He noted that Senate Bill 372 was introduced and used the I.P. No. 1 of the 75th Session room tax funding for its intended purpose. The voters approved the funds going to the General Fund for the first two years but beginning this year the funds were supposed to go to education. He could see the value of performance pay going to the teachers, and felt the Subcommittee should have that policy discussion.

Senator Horsford said he thought the Subcommittee should approve the \$20 million but that may not be enough for performance pay. In previous sessions the Legislature approved money and developed processes for pay increases through the local school districts. Those funds had to be recaptured because of the declining economy. Senator Horsford said if the Legislature was going to approve performance pay, it should do it in a way that actually worked and people could see the benefits. He thought that was the intended purpose of the room taxes under I.P. No. 1 of the 75th Session (2009), which should not be diverted to the General Fund for other uses.

Chairwoman Smith said her concern was the Subcommittee heard a proposal that eliminated the \$141 million for teacher pay currently given for education and longevity. She supported the pay-for-performance program and introduced the idea in 2007, but she was concerned about eliminating \$141 million and replacing it with \$20 million.

Senator Kieckhefer said he generally supported the performance pay programs but was concerned that the \$20 million may be used more appropriately to offset other cuts in the education system. It was a balancing act, and he was not sure of the appropriate use of the \$20 million for education.

Assemblyman Hickey shared similar sentiments expressed by Senator Kieckhefer. He was open to using those funds for teacher pay-for-performance programs later after education funding matters were resolved. However, Assemblyman Hickey said he may need to look at the use of those moneys in more critical areas for the short term.

**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, stated the first matter to review was the Initiative Petition No. 1 of the 75th Session (2009) room tax revenue included in The Executive Budget of \$107.7 million for fiscal year (FY) 2012 and \$113.8 million for FY 2013. The Governor recommended the proceeds from the I.P. No. 1 of the 75th Session (2009) room tax revenue be deposited directly into the General Fund through the 2011-2013 biennium. Subsequently, the I.P. No. 1 of the 75th Session (2009) room tax revenue would 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 nonadministrative employees.

Ms. Waller noted that there was discussion about whether the Legislature could subsequently amend an initiative petition. The *Nevada Constitution* authorized the Legislature to subsequently amend an initiative petition when the petition was enacted by the Legislature rather than by a vote of the people. If the Legislature had not enacted I.P. No. 1 of the 75th Session (2009) and it was later approved by the voters, there would have been a three-year waiting period for a subsequent amendment.

Ms. Waller said there was testimony during the February 24, 2011, Joint Subcommittee hearing that indicated the school districts did not support the Governor's recommendation to transfer I.P. No. 1 of the 75th Session (2009) room tax revenue originally approved to support education to the State General Fund to address budget shortfalls. She noted the I.P. No. 1 of the 75th Session (2009) room tax revenue for FY 2011 would be reforecast by the Economic Forum on May 2, 2011. The May 2 forecast for FY 2011 would be used to update the projected revenues for FY 2012 and FY 2013.

Ms. Waller presented three options for consideration of the Subcommittee:

Option 1. Approve the Governor's recommendation to continue the transfer of 100 percent of I.P. No. 1 of the 75th Session (2009) room tax revenue to the General Fund during the 2011-2013 biennium.

Option 2. Approve the transfer of a percentage of I.P. No. 1 of the 75th Session (2009) room tax revenue to the State Supplemental School Support Fund. This option would require an add-back of General Funds, depending upon the percentage transfer as outlined below:

**Transfer Percentage to State Supplemental School Support Fund  
for General Fund Add-Back**

25 percent	\$55.38 million.
50 percent	\$110.75 million.
75 percent	\$166.13 million.
100 percent	\$221.5 million.

Option 3. Do not approve the Governor's recommendation to continue the transfer of I.P. No. 1 of the 75th Session (2009) room tax revenue to the General Fund during the 2011-2013 biennium. This option would require the addition of approximately \$221.5 million in General Funds over the biennium.

Chairwoman Smith asked for clarification about the way the initiative petition was written and whether it directed the funds to the General Fund first and then directed the funds to education in the 2011-2013 biennium.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, confirmed that Chairwoman Smith was correct. The initiative petition was designed to deposit funds to the General Fund in the first two years in recognition of the budget concerns. There was hope that the economy would have improved and then it would have been easier to replace the funds.

Chairwoman Smith said she thought she heard a representative from the Office of the Governor say that the Legislature took the funds before and this was a continuation of that process. She wanted to ensure that the initiative petition was written to provide funds to the General Fund in the 2009-2011 biennium and to education in the 2011-2013 biennium.

Assemblyman Hickey asked whether the Subcommittee would be closing budgets before or after the Economic Forum made its May 2, 2011, projections.

Chairwoman Smith answered that the Subcommittee would be closing budgets before, during, and after the May 2 meeting of the Economic Forum. The Subcommittee would still be working on any matters about which the members disagreed.

Senator Horsford said he felt strongly that option 3 should be approved by the Subcommittee. He believed the Governor's approach to sweep the I.P. No. 1 of the 75th Session (2009) room tax revenue to the General Fund was wrong. The Legislature approved I.P. No. 1 of the 75th Session (2009) with the purpose of those funds going to education. He did not understand how the Governor could cut per-pupil funding by \$477 and then sweep the money that was intended to improve academic achievement of students and support of teacher performance and incentives to the General Fund. Senator Horsford said he knew it was a large amount of money but told the Subcommittee it must prioritize. He suggested the total cut to education funding was over \$1 billion.



Senator Horsford said it was not the type of balanced solution or shared sacrifice the Legislature should consider.

Senator Kieckhefer said he was very sensitive to diverting either the Initiative Petition No. 1 of the 75th Session (2009) room tax money or the bond reserve money approved by the voters for a specific purpose. He viewed the sweep of money into the General Fund as an alternative to offset some even larger reductions in the General Fund.

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

Julie Waller, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated The Executive Budget recommended transfers from the Abandoned Property Trust Fund of \$9,000 each year of the 2011-2013 biennium, resulting in a projected fiscal year (FY) 2013 ending balance of \$67,481 in the Educational Trust Fund. The Governor did not include any expenditure recommendations for this account for the 2011-2013 biennium.

Ms. Waller said during the K-12 Joint Subcommittee budget hearing on February 24, 2011, the Superintendent of Public Instruction proposed using the Educational Trust Fund to expand the state's Teacher of the Year program. He suggested a program to honor each school district's Teacher of the Year and then honor an overall state Teacher of the Year. The Subcommittee requested the Department submit a formal plan outlining the details of the Department's recommendation for the use of the Educational Trust Fund. The Budget Division indicated support for the Department's proposal.

Ms. Waller said the Department historically used the funding in the Education Gift Fund budget account (BA) 2701 to support the state's Teacher of the Year program. The Fiscal staff received information outlining the Department's Teacher of the Year proposal but had insufficient time to review the information before completion of the work session document. Ms. Waller suggested that the Subcommittee may wish to have the Superintendent provide additional details of the proposal.

Ms. Waller presented three options for consideration of the Subcommittee:

Option 1. Approve the use of funding in the Educational Trust Fund to support the Teacher of the Year program as recommended by the Department of Education.

Option 2. Approve the use of funding in the Educational Trust Fund to offset budget reductions recommended by the Governor for K-12 education programs.

Option 3. Do not approve the use of funding in the Educational Trust Fund at this time, but rather authorize the Department to continue funding the state Teacher of the Year program with funding in the Education Gift Fund BA 2701.

Keith W. Rheault, Ph.D., Superintendent of Public Instruction, Department of Education, said the draft outline he provided to Fiscal staff showed the cost of the expanded Teacher of the Year program at about \$10,500 per year. It was patterned after the national program. The Department selected a state Teacher of the Year to compete nationally among all 50 states. The Department used the detailed application criteria for the National Teacher of the Year to select the state Teacher of the Year. The Department's proposal was to mirror the same criteria for the selection of each local school district's Teacher of the Year.

Dr. Rheault said the Department would organize a formal committee at the district level to select the winning teacher. The school districts would submit their selection to the Department, which would have a state committee select the state Teacher of the Year. His proposal included a \$500 stipend for each school district Teacher of the Year. The runner-up for the state Teacher of the Year would receive a \$1,000 stipend and would serve as the state's Teacher of the Year in case the state Teacher of the Year was unable to serve. The state Teacher of the Year would receive a \$2,000 stipend. Dr. Rheault said he could develop a more detailed timeline for this proposal.

Dr. Rheault said the Department began this selection process in the spring of each year. The school districts must each select a Teacher of the Year to submit to the Department during the summer. The United States Department of Education required submission of the state Teacher of the Year in October. The Department currently used some of the money in this account to provide a \$500 stipend to the state Teacher of the Year. No recognition was currently provided to the local school district's Teacher of the Year.

In response to a question from Chairwoman Smith, Dr. Rheault replied the Department used to do more to honor the Teacher of the Year than it did now but had relied on donations to fund the prior activities. However, it required staff time to solicit donations and obtain sponsors for the program. The Department continued to work with some prior donors to pay for a laptop for the Teacher of the Year. There were three national events, and the Department paid travel expenses to those events for the Teacher of the Year.

Chairwoman Smith said the Department should develop a comprehensive budget to detail all the expenses including travel, a laptop, the event, and the stipends.

Assemblyman Aizley said he did not object to this proposal but wondered how much peer evaluation involvement there was in the selection process.

Dr. Rheault replied the Department was only involved in the state selection process. The Department invited two to three former Teachers of the Year to serve on the selection committee, which included representatives of school district trustees, higher education, former superintendents, and Department staff. He said each local school district had a slightly different process. The only reason Dr. Rheault selected this budget account to support the Teacher of the Year program was the account had a balance of about \$50,000 and it could sustain the program for six or seven years.

Chairwoman Smith asked Dr. Rheault to consolidate the plans and submit a detailed budget so the Subcommittee had one idea to consider. She wanted to acknowledge good work of the teachers especially during a time when so many things were being cut in education. She wanted to know the final total cost and make sure all the expenses were specific.

**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, stated The Executive Budget recommended a reduction in funding for salaries of district and charter school employees in the Distributive School Account (DSA) of approximately \$100.3 million in fiscal year (FY) 2012 and \$100.6 million in FY 2013. That reduction represented one-half of the pay reduction, or 5.3075 percent, charged to state employees who participated in the employer-paid Public Employees' Retirement System (PERS). The Governor's recommendation also reduced funding for salaries of \$1.3 million

each year of the 2011-2013 biennium for the state-funded, Full-Day Kindergarten program in the Remediation Trust Fund budget account (BA) 2615.

Ms. Waller stated school district and charter school employees participated in the employer-paid PERS, but funding for salaries was not reduced in the DSA for the employee contribution to PERS or in the funding appropriated for the state-funded, full-day kindergarten program in the Remediation Trust Fund account (BA 2615). State employees who elected the employer-paid PERS option received a salary reduction of 10.615 percent as their contribution to PERS with the state paying the full PERS contribution.

Ms. Waller commented that no new additional information had been requested or provided. The Subcommittee received testimony from teacher groups that did not support the Governor's recommendation. Ms. Waller suggested the Subcommittee may wish to hear from the school districts regarding how employee groups in collective bargaining would decide the PERS equalization issue.

Ms. Waller presented two options for consideration of the Subcommittee:

Option 1. Approve the recommendation in The Executive Budget to reduce funding for salaries of district and charter school employees by one-half of the pay reduction, or 5.3075 percent, charged to state employees who participated in the employer-paid PERS.

Option 2. Do not approve the recommendation in The Executive Budget to reduce funding for salaries of district and charter school employees by one-half of the pay reduction, or 5.3075 percent, charged to state employees who participated in the employer-paid PERS. This option would result in a General Fund add-back totaling \$203.5 million over the 2011-2013 biennium.

Senator Kieckhefer said he supported the concept that school district employees should pay a portion of their retirement contribution. The state required 50 percent of the contribution to retirement be made by state Executive Branch employees. He heard the argument that employees had given up pay raises in lieu of having the PERS contribution funded. For decades the state funded

100 percent of the school district PERS contribution, and Senator Kieckhefer wondered why that policy had been decided. He saw that policy as an inequity.

Joyce Haldeman, Associate Superintendent, Community and Government Relations, Clark County School District, testified the PERS contribution would be subject to collective bargaining. The legislative direction about how the money should be spent would be presented during the District's collective bargaining meetings. Those bargaining negotiations had not begun as yet. She could not predict the result of those bargaining negotiations.

Craig Hulse, Director, Government Affairs, Washoe County School District, testified that if the funding was not provided, the PERS contribution must be negotiated during the collective bargaining meetings. The District had not begun negotiations and was waiting for the Legislature to decide the budgets.

Lonnie Shields, Assistant Executive Director, Nevada Association of School Administrators, testified that in 1973 the school districts and the state approached the Association to discuss the PERS contribution. At that time, school district employees paid 50 percent of the PERS contribution. The state and the districts wondered whether the Association would allow the state and the districts to pay 100 percent of the PERS contribution in lieu of a pay raise. Previously, school district employees were allowed to withdraw their 50 percent contribution when they left employment with the districts. The argument that was used to convince the Association members to approve the change was the PERS system would be stronger if the state paid the 100 percent PERS contribution because persons who did not stay long enough to be vested had to leave the state contribution in PERS, and the money continued to grow for those who would later benefit from PERS.

Senator Horsford asked whether there was a bill from the Governor on this matter.

Ms. Waller replied she was not aware of a bill.

Senator Horsford said it was a big policy decision and without a bill he did not know the details.

Julia Teska, Budget Analyst 5, Budget Division, Department of Administration, testified she did not believe there was a bill draft submitted on the PERS equalization. She thought this was a budget reduction that was proposed, which would be subject to collective bargaining.

Senator Horsford said he was confused. If the PERS equalization was subject to collective bargaining, then Senator Horsford wondered how it could be included in The Executive Budget as a reduction because the Legislators did not know the outcome of the districts' negotiations. The members would be presuming something that had not as yet occurred.

Ms. Teska responded this was similar to the other two payroll matters contained in the budget involving the 5 percent salary reduction and the freeze in the merit increases and longevity payments. All of those were subject to collective bargaining. The payroll matters were similar to the decision units included in the budget in the 2009-2011 biennium.

Chairwoman Smith perceived the payroll matters as budget reductions that would later have to be negotiated or funded from other resources.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated he agreed with Ms. Teska and payroll matters were handled in a similar manner during the 2009-2011 biennium. The PERS equalization did not require legislation but could be handled as a budget decision. The dollar amounts would be removed from the budget. If the school districts could not gain concessions during collective bargaining meetings, the districts would have to make cuts in other ways.

Senator Horsford understood the school districts had not started collective bargaining negotiations, but he thought the Superintendent of the Clark County School District had some recommendations and wanted to know what those recommendations were.

Joyce Haldeman said she would obtain a copy of the letter containing those recommendations and provide that to the Subcommittee.

Senator Horsford said if this was an assumption made by the Governor, then he needed to know the status of the collective bargaining negotiations. Otherwise, he would not know whether the PERS equalization was feasible. If the employee associations did not grant concessions for the PERS equalization, then this was another cut of \$203 million that must be made to education. He was not comfortable making the decision until he knew more facts.

Ms. Haldeman responded that the Superintendent of the Clark County School District was worried about the results of the negotiations. So much of the budget depended upon the concessions that the District was

expecting from the bargaining groups. It was too early to know whether the bargaining groups would agree to the concessions. There was an overall feeling that the District was asking for too much. The Superintendent was concerned about how to offset those cuts if the District was not able to get agreement on all the concessions.

Mr. Hulse testified that Washoe County School District did not have a similar list of recommendations but would provide recommendations to the Subcommittee as soon as a list was developed. He agreed with Ms. Haldeman that this was a lot to ask from its employees. He said PERS equalization must ultimately be determined at the bargaining table, and that would be difficult and made him uncomfortable.

Senator Kieckhefer asked whether this policy was consistent throughout all the employees groups in all the school districts.

Ms. Waller commented she believed that the policy was consistent.

Mr. Hulse said about 95 percent of the Washoe County School District employees were treated the same. One of the bargaining groups had an employer/employee paid program similar to what was offered by the state, but it covered less than 5 percent of the District employees.

In response to a question from Senator Kieckhefer, Mr. Hulse replied about 45 percent to 50 percent of the District employees were classified employees.

In response to a question from Senator Horsford, Ms. Waller explained the other payroll decisions would be addressed as part of the statewide decision whether or not to approve the 5 percent salary reduction proposed by the Governor.

Senator Horsford said his concern was there were three separate employee groups at the state level; K-12, higher education, and state workers in the Executive Branch. The Nevada System of Higher Education Board of Regents approved a measure allowing them to impose up to a 6 percent reduction in pay based on what the Legislature decided. State workers did not have collective bargaining, so whatever the Legislature decided was what they got. The K-12 employees were treated differently.

Senator Horsford said legislative decisions about pay for K-12 employees could result in more cuts to the classroom. He wanted to have the 5 percent pay cut

for K-12 employees as part of this discussion. The pay cuts were related to the DSA and the basic support provided by the state.

Chairwoman Smith said the Subcommittee had three big pay decisions for K-12 employees: the merit step increases, the overall 5 percent pay reduction, and the PERS equalization.

Rick Combs said the PERS equalization was complicated because some employees were treated one way and some employees were treated another way. He wanted to clarify that for the Subcommittee. He did not intend to discourage the Subcommittee's discussion of the other payroll matters. The 5 percent pay reduction did not require much explanation.

Chairwoman Smith said it might be helpful to combine the PERS equalization with the other major pay issues in one discussion.

Senator Horsford asked for information from the school districts in preparation of that discussion on the three major pay matters. He wanted to see a listing of all the employee bargaining groups by school district and which employees were contained in each group to understand where administrators, teachers, educational support staff, and various other groups were represented. He said any pay reductions should be imposed on teachers and support staff after all other groups had received reductions and should not be done in the same manner. He needed the breakdown of information prior to his decision.

Chairwoman Smith said that information was available because it had been requested during the last session.

Chairwoman Smith said the last item for consideration of the Subcommittee was the debt reserves problem, and she wanted to postpone that discussion because there was a bill on the topic. She would reschedule the debt reserves decision after the hearing on the bill.

Mr. Combs briefed the Subcommittee on the schedule for the remainder of the week.



Assembly Committee on Ways and Means  
Senate Committee on Finance  
Joint Subcommittee on K-12 Education/Higher Education  
March 31, 2011  
Page 33

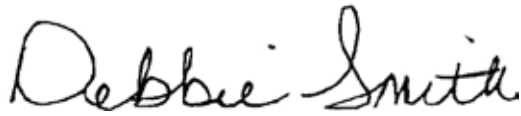
Chairwoman Smith said there being no further business before the Subcommittee and no further questions or public comment, she adjourned the meeting at 10:14 a.m.

RESPECTFULLY SUBMITTED:

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Janice Wright  
Subcommittee 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:** March 31, 2011

**Time of Meeting:** 7:52 a.m.

<b>Bill</b>	<b>Exhibit</b>	<b>Witness / Agency</b>	<b>Description</b>
	A		Agenda
	B		Sign In Sheet
	C	Keith Rheault, Department of Education	Title II-A LEA Funds
	D	Paula Berkley	Key School Nutrition Facts
	E	Mary Pierczynski	K-12 Budget Survey
	F	John Kucera/Casey Stiteler	Associated Students of the University of Nevada Testimony