

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

**Seventy-Seventh Session
April 17, 2013**

The Joint Subcommittee on K-12/Higher Education/CIPS of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Chair Moises Denis at 8:08 a.m. on Wednesday, April 17, 2013, in Room 3137 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

SENATE SUBCOMMITTEE MEMBERS PRESENT:

Senator Moises (Mo) Denis, Chair
Senator Debbie Smith
Senator Michael Roberson

ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:

Assemblyman William C. Horne, Chair
Assemblyman Andy Eisen, Vice Chair
Assemblyman Paul Aizley
Assemblywoman Maggie Carlton
Assemblywoman Lucy Flores
Assemblyman Cresent Hardy
Assemblyman Pat Hickey
Assemblyman Randy Kirner

STAFF MEMBERS PRESENT:

Mark Krmpotic, Senate Fiscal Analyst
Alex Haartz, Principal Deputy Fiscal Analyst
Andrea McCalla, Program Analyst
Wayne Thorley, Program Analyst
Annette Teixeira, Committee Secretary

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 2

OTHERS PRESENT:

Rorie Fitzpatrick, Interim Superintendent of Public Instruction, Department of Education

Deborah Cunningham, Deputy Superintendent for Administrative and Fiscal Services, Department of Education

Julia Teska, Administrative Services Officer, Office of Fiscal Accountability, Department of Education

Steve Canavero, Ph.D., Director, State Public Charter School Authority, Department of Education

Andrea McCalla (Program Analyst):

We will begin with the review of the Joint Subcommittee on K-12/Higher Education/CIPS Closing List #2, April 17, 2013, ([Exhibit C](#)). Budget account (B/A) 101-2666, Commission on Postsecondary Education, has no major closing issues. There is additional information with no action required on the performance measures for this budget. An error was discovered in the second performance measure which was discussed at the last budget hearing for the Commission. The second performance measure indicates that projected tuition reimbursement, resulting from closed schools, decreases from \$25,000 in fiscal year (FY) 2012-2013 to \$15,000 in FY 2013-2014 and then increases to \$35,000 in FY 2014-2015. In a response to follow-up questions from Fiscal Division Staff received on March 8, the Commission indicated that approximately 12 schools close annually. The Commission also indicated that there is an error in the performance measures included in the Executive Budget. The amount of reimbursement resulting from closed schools should be \$15,000 in FY 2014-2015, which is consistent with the projected amount in FY 2013-2014.

EDUCATION

POSTSECONDARY EDUCATION

Commission on Postsecondary Education — Budget Page POSTSEC EDUCATION-3
(Volume I)
Budget Account 101-2666

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 3

Senate Bill (S.B.) 470 passed out of the Senate Committee on Education on April 12. The bill proposes one new fee and increases to several existing fees. The proposed fee increases would apply to new applicants, and would not be applicable to existing licensed schools, as they would be grandfathered in to the existing fee structure. Fiscal Staff would note that the proposed fee increases do not impact the Commission's budget for the 2013-2015 biennium, as the fees assessed and collected by the Commission are deposited directly into the General Fund. This is provided for informational purposes only and requires no action by the Subcommittee.

SENATE BILL 470: Revises certain fees collected by the Administrator of the Commission on Postsecondary Education. (BDR 34-1135)

Assemblywoman Carlton:

Does the reimbursement amount of \$15,000 go back to the students if the school closes?

Alex Haartz (Principal Deputy Fiscal Analyst):

Yes. The funding in this account is used to reimburse students for costs if the school closes.

Assemblywoman Carlton:

Is there a cap on the amount of money students receive if a school closes? If the student was out \$20,000 by the school closing, would the cap be \$15,000, or is this just the projected average for funding purposes?

Ms. McCalla:

This is a performance measure that the Commission has submitted as an estimate.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES THAT B/A 101-2666 BE CLOSED AS RECOMMENDED BY THE GOVERNOR; AND TO GRANT STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR SMITH SECONDED THE MOTION.

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 4

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYWOMAN FLORES WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED. (SENATOR ROBERSON WAS ABSENT FOR THE VOTE.)

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Ms. McCalla:

The Subcommittee has not previously reviewed the Nevada Department of Education's (NDE) Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) in B/A 101-2678. Fiscal Staff has been responsible for developing the closing recommendations for this account.

EDUCATION

K-12 EDUCATION

NDE - GEAR UP — Budget Page K-12 EDUCATION-75 (Volume I)
Budget Account 101-2678

The GEAR UP program is a federally-funded program established to provide low achieving students who are economically disadvantaged with an opportunity to improve academic achievement, increase test scores on the high school proficiency examinations, decrease the high-school dropout rate, and increase enrollment in institutions of higher education and success rates at those institutions. Nevada was one of seven states that were awarded the 2012 GEAR UP federal grant. This is the third GEAR UP grant that Nevada has received over a 10-year period.

In decision unit E-710, the Governor recommends federal grant funds totaling \$3,622 over the 2013-2015 biennium for replacement of computer hardware and software equipment which is in accordance with the Division of Enterprise Information Technology Services (EITS) replacement guidelines.

E-710 Equipment Replacement — Page K-12 EDUCATION-77

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 5

Assemblyman Kirner:

Is this all federal grant money?

Senator Denis:

Yes.

SENATOR SMITH MOVED TO RECOMMEND TO THE FULL COMMITTEES THAT B/A 101-2678 BE CLOSED AS RECOMMENDED BY THE GOVERNOR; AND TO GRANT STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYWOMAN FLORES WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED. (SENATOR ROBERSON WAS ABSENT FOR THE VOTE.)

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Ms. McCalla:

The Subcommittee has not previously reviewed the Other Unrestricted Accounts in B/A 101-2706. Fiscal Staff is responsible for developing the closing recommendation for this account.

NDE - Other Unrestricted Accounts — Budget Page K-12 EDUCATION-79
(Volume I)
Budget Account 101-2706

This account includes revenues for the federal National Cooperative Statistics grant which provides funding for the Department to participate in training designed to assist states in submitting appropriate responses to federal data requests; the National Assessment of Education Progress (NAEP) Task Order grant which provides funding for the administration of the NAEP in Grades 4, 8 and 12; and the private school license fees collected in this budget which represents license and renewal fees paid by nonexempt private schools, used by the Department for staff

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 6

and operating expenditures necessary to perform the statewide monitoring functions of private schools.

There are two grant eliminations in decision units E-495 and E-496. The Executive Budget eliminates authority in the amount of \$66,002 in each year of the 2013-2015 biennium for revenues and costs associated with the National Community Service grant, which expired on September 30, 2012. The Executive Budget eliminates authority in the amount of \$3,544 in each year of the 2013-2015 biennium for revenues and costs associated with the Data Coordination Task Order federal contract, which expires on June 30. The Department anticipates submitting a work program for a small amount of carry-forward funds for FY 2013-2014.

E-495 Expiring Grant/Program — Page K-12 EDUCATION-81

E-496 Expiring Grant/Program — Page K-12 EDUCATION-81

ASSEMBLYMAN EISEN MOVED TO RECOMMEND TO THE FULL COMMITTEES THAT B/A 101-2706, INCLUDING DECISION UNITS E-495 AND E-496, BE CLOSED AS RECOMMENDED BY THE GOVERNOR; AND TO GRANT STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYWOMAN FLORES WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED. (SENATOR ROBERSON WAS ABSENT FOR THE VOTE.)

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Ms. McCalla:

I will now discuss B/A 101-2712. The Governor recommends \$228.8 million over the 2013-2015 biennium for grants to be received in this account. There are no major closing issues in this account.

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 7

NDE - Elementary & Secondary Ed - Title I — Budget Page K-12 EDUCATION-90
(Volume I)
Budget Account 101-2712

The other closing item in this account contains a recommendation to eliminate the expiring American Recovery and Reinvestment Act of 2009 (ARRA) funds in decision unit E-495. Federal ARRA School Improvement Grants funding of \$8.4 million in each fiscal year has expired. As a result, the Executive Budget recommends elimination of this funding for the upcoming biennium.

E-495 Expiring Grant/Program — Page K-12 EDUCATION-92

Decision unit E-710 is a request for computer hardware and software replacement. The Governor recommends federal revenue of \$8,303 over the 2013-2015 biennium to purchase replacement computer hardware and software in accordance with the EITS replacement guidelines.

E-710 Equipment Replacement — Page K-12 EDUCATION-93

The Executive Budget recommends federal funding of \$8,249 in FY 2013-2014 and \$10,165 in FY 2014-2015 to align the education staffing services and education support services cost allocations in decision unit E-800.

E-800 Cost Allocation — Page K-12 EDUCATION-93

ASSEMBLYWOMAN CARLTON MOVED TO RECOMMEND TO THE FULL COMMITTEES THAT B/A 101-2712 BE CLOSED AS RECOMMENDED BY THE GOVERNOR; AND TO GRANT STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYWOMAN FLORES WAS ABSENT FOR THE VOTE.)

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 8

SENATE: THE MOTION CARRIED. (SENATOR ROBERSON WAS ABSENT FOR THE VOTE.)

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Ms. McCalla:

I will now discuss B/A 101-2713. The Governor recommends approximately \$29 million in FY 2013-2014 and FY 2014-2015 for this budget. The grants included in this budget account are the Title VI of Elementary and Secondary Education Act Grants for State Assessments, the Effective Teachers and Leaders grant and the Striving Readers Comprehensive Literacy Administrative grant.

NDE – Elementary & Secondary ED Titles II, V, VI — Budget Page K-12
EDUCATION-96 (Volume I)
Budget Account 101-2713

Decision unit E-300, the new Effective Teachers and Leaders grant, is the first other closing item. This new federal grant, totaling approximately \$9.3 million in each year of the 2013-2015 biennium, replaces the Improving Teacher Quality grant, which totaled approximately \$12.3 million in FY 2011-2012. According to documentation submitted by the Agency on April 11, the new Effective Teachers and Leaders grant will be approximately \$3 million less in each year of the 2013-2015 biennium than the former Improving Teacher Quality grant. The NDE indicates the majority of the \$3 million federal funding would have been distributed to school districts for professional development activities. The NDE further states the recommended General Fund appropriations totaling approximately \$2.8 million over the 2013-2015 biennium in the proposed new Educator Effectiveness B/A 101-2612 should help offset the \$3 million annual reduction in federal grant funds.

E-300 Educated and Healthy Citizenry — Page K-12 EDUCATION-98

NDE - Educator Effectiveness — Budget Page K-12 EDUCATION-33 (Volume I)
Budget Account 101-2612

Decision units E-496, E-497, E-498 and E-499 address the elimination of authority for federal grant funding.

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 9

E-496 Expiring Grant/Program — Page K-12 EDUCATION-98
E-497 Expiring Grant/Program — Page K-12 EDUCATION-99
E-498 Expiring Grant/Program — Page K-12 EDUCATION-99
E-499 Expiring Grant/Program — Page K-12 EDUCATION-99

Several federal grants are not expected to be funded by the U.S. Department of Education (ED) and are recommended for elimination in the Executive Budget.

The Improving Teacher Quality grant, in the amount of approximately \$12 million each year, has been discontinued for federal fiscal year (FFY) 2012-2013. However, a new Effective Leaders and Teachers grant, in the amount of \$9.3 million each year of the 2013-2015 biennium, is being funded in its place.

The Math and Science Partnership grant, in the amount of \$765,000 in each year of the 2013-2015 biennium, was discontinued by the ED for FFY 2012-2013. The ED is proposing to set aside a portion of the Effective Leaders and Teachers grant to be used for the effective teaching and learning, science, technology, engineering and mathematics programs.

The Striving Readers Comprehensive Literacy Administrative grant was a one-shot federal funding of \$150,000 to be used for developing a statewide literacy plan which was submitted to the ED on February 1, 2011. Carry-forward funding in the amount of \$32,267 was expended in 2012.

The Federal Technology grant was discontinued by the ED. The Governor recommended the elimination of approximately \$933,000 of federal technology funds in each year of the 2013-2015 biennium.

The Governor recommends federal funding of \$11,675 over the 2013-2015 biennium to replace computer hardware and software in accordance with the EITS replacement guidelines in decision unit E-710.

E-710 Equipment Replacement — Page K-12 EDUCATION-101

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 10

Assemblyman Kirner:

Does the State Assessment Title VI grant allow us to shift funds to other assessment tests such as the high school proficiency exam?

Rorie Fitzpatrick (Interim Superintendent of Public Instruction, Department of Education):

General Funds have been the source of payment for the administration and development of the high school proficiency examinations.

SENATOR SMITH MOVED TO RECOMMEND TO THE FULL COMMITTEES THAT B/A 101-2713 BE CLOSED AS RECOMMENDED BY THE GOVERNOR; AND TO GRANT STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR ROBERSON WAS ABSENT FOR THE VOTE.)

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Ms. McCalla:

The Governor recommends approximately \$73 million in each year of the 2013-2015 biennium for B/A 101-2715.

NDE - Individuals With Disabilities (IDEA) — Budget Page K-12 EDUCATION-113
(Volume I)

Budget Account 101-2715

The other closing items include the unsuccessful application of the federal State Personnel Development Grant. In FY 2012-2013, the NDE applied for, but was not awarded, the Grant in the amount of approximately \$547,000. Nevada has been awarded the Grant each year since FY 2002-2003. Notification that the NDE was unsuccessful in its bid was received after the NDE's budget was submitted to the Governor. However, Fiscal Staff notes that the Executive Budget includes grant

revenue of \$688,000 in each fiscal year of the 2013-2015 biennium. The prior Grant the NDE received was \$688,000 in FY 2011-2012. The impact of the loss of this Grant is somewhat mitigated by the Governor's recommendation for additional General Fund appropriations to provide professional development in support of the new performance framework. On April 13, the Department of Administration's Budget Division submitted Budget Amendment No. A130022715 which, among other revisions, eliminates the Grant in the amount of \$688,000 each fiscal year.

The Governor's recommendation is to eliminate the vacant administrative assistant II position in decision unit E-250. The NDE indicates the position has been vacant for 24 months and is no longer needed.

E-250 Efficient and Responsive State Government — Page K-12 EDUCATION-115

Decision unit E-494 is the expiration of the Individuals with Disabilities Education Act (IDEA) grant funds through the ARRA. The Executive Budget eliminates the ARRA IDEA grant funding for the 2013-2015 biennium, as the one-time grant award was only available through September 30, 2012. The ARRA IDEA funding distributed to school districts and the NDE in FY 2011-2012 totaled \$5.2 million.

E-494 Expiring Grant/Program — Page K-12 EDUCATION-115

The Governor recommends federal grant funds of \$9,934 in FY 2014-2015 to replace computer hardware and software equipment in accordance with the EITS replacement guidelines in decision unit E-710.

E-710 Equipment Replacement — Page K-12 EDUCATION-116

The Governor recommends a decrease of \$5,129 FY 2013-2014 and \$5,468 in FY 2014-2015 in federal funds to align the education staffing services cost allocation in decision unit E-800. Fiscal Staff points out that a technical adjustment should be made to increase the operating category rather than to decrease federal funds.

E-800 Cost Allocation — Page K-12 EDUCATION-117

Senator Smith:

I would like to follow up on the questions we had at the budget hearing regarding the Sequestration cuts. If the districts provide funding then it builds in the need for them to build that funding in again in the next budget. What is the current status of this situation?

Ms. Fitzpatrick:

I believe you are referring to the requirements in federal law that we call maintenance of effort (MOE). That is the benchmark amount that the district, or the State, spends on special education which sets a threshold that cannot be reduced in future years. The implications for children with disabilities caused by the Sequestration are such that we still have an expectation under federal law that services will be provided as needed for the students, even though the funds are reduced from a federal level. There is a concern about districts, or the State, raising the level of the MOE because even when the federal funds come back we have raised the threshold to a level that we will subsequently have to meet.

Deborah Cunningham (Deputy Superintendent for Administrative and Fiscal Services, Department of Education):

In terms of our plans for Sequestration, we have been estimating with the best information we have available. We have not received specific guidance that we need to finalize this from the U.S. Office of Management and Budget.

Julia Teska (Administrative Services Officer, Office of Fiscal Accountability, Department of Education):

The IDEA is a legitimate concern if the districts have to contribute additional local revenues to the MOE. There is good news on the Distributive School Account (DSA) in this area. For the first time since the recession started, we actually have proposed an increase in the State funding for special education.

NDE - Distributive School Account — Budget Page K-12 EDUCATION-17 (Volume I)
Budget Account 101-2610

Based on the estimates, there are now increases on the State side for special education funding. They exceed the estimated reductions in IDEA funding. We are providing additional State funding through the DSA for special education. It should

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 13

help to significantly offset the reductions that we will see as a result of Sequestration.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO CLOSE B/A 101-2715 AS RECOMMENDED BY THE GOVERNOR; TO INCLUDE THE PORTION OF BUDGET AMENDMENT NO. A130022715 THAT REMOVES THE FEDERAL STATE PERSONNEL DEVELOPMENT GRANT IN THE AMOUNT OF \$688,000 EACH YEAR OF THE 2013-2015 BIENNIUM; AND TO GRANT STAFF AUTHORITY TO MAKE ANY NECESSARY TECHNICAL ADJUSTMENTS.

SENATOR SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYWOMAN CARLTON WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED. (SENATOR ROBERSON WAS ABSENT FOR THE VOTE.)

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Wayne Thorley (Program Analyst):

I will discuss B/A 101-2614. The 2007 Legislature approved the creation of the Educational Trust Account under *Nevada Revised Statute* 120A.610 to be funded by year-end transfers of expired or abandoned gift certificates from the Abandoned Property Trust Account. Pursuant to statute, funding in the Educational Trust Account can only be expended for educational purposes as authorized by the Legislature.

NDE - Educational Trust Fund — Budget Page K-12 EDUCATION-31 (Volume I)
Budget Account 101-2614

The Educational Trust Account is funded by an annual transfer of expired gift card revenue from the Abandoned Property Trust Account. Any unallocated funding at the end of the fiscal year remains in the Educational Trust Account and is balanced forward to the subsequent fiscal year.

The table on page 3 of [Exhibit C](#) shows the actual Abandoned Property Trust Account transfers for FY 2008-2009 through FY 2011-2012, the legislatively approved transfer amount for FY 2012-2013 and the transfer amounts recommended by the Governor for FY 2013-2014 and FY 2014-2015.

The Governor recommends transfers from the Abandoned Property Trust Account of \$21,000 in each year of the 2013-15 biennium, based on the average transfers from FY 2008-2009 to FY 2010-2011. However, the actual FY 2011-2012 transfer of \$337,852 was significantly higher than the previous 3-year average of \$21,000. According to the Office of the State Treasurer, the FY 2011-2012 transfer from the Abandoned Property Trust Account was much higher than previous years due to the number and amount of gift certificates with unknown owners that remained unclaimed at the end of the fiscal year. As of April 12 the Office of the State Treasurer indicates there is \$144,047 in the Abandoned Property Trust Account that is currently available to be transferred to the Educational Trust Account at the end of FY 2012-2013. Fiscal Staff would note that the year-to-date amount of \$144,047 does not take into account any claims for the abandoned gift certificates that may be filed prior to the conclusion of the fiscal year; however, the State Treasurer's Office notes that the number of claims in any year has historically been low.

Given the significantly large transfer from the Abandoned Property Trust Account in FY 2011-2012, as well as the notification from the State Treasurer's Office that the FY 2012-2013 transfer amount will be approximately \$144,000, the Subcommittee may wish to revise the projected transfers to be received from the Abandoned Property Trust Account for the 2013-2015 biennium. For reference, using actual transfers for the 4 years between FY 2008-2009 and FY 2011-2012, as well as a projected transfer amount of \$144,047 for FY 2012-2013, a 5-year average of transfers from the Abandoned Property Trust Account to the Educational Trust Account would equal \$109,174.

There are two options for the Subcommittee to consider. The first option would be to approve the Governor's recommended budget with a transfer of \$21,000 in each year of the 2013-2015 biennium. The second option would be to approve transfers of \$109,174 from the Abandoned Property Trust Account in each year of the 2013-2015 biennium.

Chair Denis:

To what do we attribute the increase to the fund in FY 2011-2012?

Mr. Thorley:

The way the statute was written, there is a lag when the revenue is received based on when the gift cards are set to expire. The \$337,852 in FY 2011-2012 appears to be more than can be expected on average. The \$144,047 seems to be more in line with what the amount should be going forward.

Chair Denis:

Is the \$337,852 a combination of several years of revenue? Is the \$144,047 we are projecting this year more realistic?

Mr. Thorley:

The account is emptied at the end of every year and moved into the Educational Trust Account. It is not built up over the years. The \$337,852 in FY 2011-2012 was the actual expired gift card revenue for FY 2011-2012 and all of it came over to the Educational Trust Account at the end of that fiscal year. The same thing will happen at the end of FY 2012-2013.

Assemblyman Hardy:

What happens if we do not reach \$109,174 by the end of the fiscal year?

Mr. Thorley:

When the Legislature approves excess authority and actual revenue does not equal the revenue that was approved by the Legislature, no action is required by the agency to submit a work program revision to the Interim Finance Committee (IFC). There can be some concern if the budget is based on this anticipated revenue, so if the recommended expenditures are counting on the revenue, some adjustments will have to be made if the revenue does not equal what is projected.

Assemblyman Kirner:

We should be talking about what we would spend the money on if we had it.

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 16

Senator Smith:

Even if we are not planning on spending the money, we still need to authorize the transfer of the money into the Account. Based on what we see with revenue and the research Fiscal Staff has done, it seems reasonable that we would authorize bringing more money into that Account because we know what is currently there.

Chair Denis:

It does not mean that it has to be spent; it is just put into the Account.

Assemblyman Kirner:

Is there money in that Account now? Have we carried over the balance or do we plan to carry over the balance?

Mr. Thorley:

There is approximately \$400,000 in the account that is unallocated and not tied to any recommended expenditure.

Assemblyman Kirner:

It is one thing to bring the money into the Account, but if we are not using it, maybe we could use the money somewhere else.

Mr. Thorley:

Pursuant to statute, the revenue must be transferred from the Abandoned Property Trust Account into the Education Trust Account.

Assemblyman Eisen:

The issue here is providing the authority to transfer what we anticipate is a large sum of money, more than the \$21,000 that was originally budgeted. If that money does not come in, then we simply transfer what is there. If we do not approve this, and more than \$21,000 comes in, we will have to come to the IFC with a work program to allow for the transfer. The decision how to, or whether to, expend these funds is a separate issue.

ASSEMBLYMAN EISEN MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE TRANSFER OF \$109,174 EACH YEAR FROM THE ABANDONED PROPERTY TRUST ACCOUNT TO THE EDUCATION TRUST ACCOUNT IN B/A 101-2614.

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 17

SENATOR SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYWOMAN CARLTON WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED. (SENATOR ROBERSON WAS ABSENT FOR THE VOTE.)

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Mr. Thorley:

Pursuant to statute, the Legislature may authorize expenditures from the Educational Trust Account for any educational purpose. The 2011 Legislative Session authorized expenditures of \$7,000 in each year of the 2011-2013 biennium to fund a State Teacher of the Year program. The actual FY 2011-2012 expenditures for the Program totaled \$3,307, and the Governor recommends continuing funding at this level in each year of the 2013-2015 biennium. No additional funding recommendations are included in the Executive Budget.

SENATOR SMITH MOVED TO RECOMMEND TO THE FULL COMMITTEES TO ALLOCATE \$3,307 IN EACH YEAR OF THE 2013-2015 BIENNIUM IN B/A 101-2614 FOR THE STATE TEACHER OF THE YEAR PROGRAM.

ASSEMBLYWOMAN FLORES SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR ROBERSON WAS ABSENT FOR THE VOTE.)

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There is about \$400,000 of funding available in the Educational Trust Account. With the addition of approximately \$144,047 transferred at the end of FY 2012-2013 from the Abandoned Property Trust Account, the beginning balance

for the Education Trust Account for FY 2013-2014 is projected to be approximately \$541,174.

Because of this large allocated balance, the Subcommittee instructed Fiscal Staff to work with the NDE to develop expenditure options for the upcoming biennium. In total, the four options recommend funding from the Educational Trust Account of \$427,899 in FY 2013-2014 and \$26,759 in FY 2014-2015. Even with the additional revenue that has been approved by the Subcommittee, the projected existing revenue should be sufficient to cover all four recommended items.

In response to comments from the Subcommittee at the February 21 and March 8, budget hearings, the NDE recommended additional funding of \$20,259 in each year of the 2013-2015 biennium for the parental involvement coordinator position in the Office of Parental Involvement and Family Engagement that is funded in the Education State Programs account.

NDE - Education State Programs — Budget Page K-12 EDUCATION-35 (Volume I)
Budget Account 101-2673

The additional funding would enable the parental involvement coordinator to visit every school district once a year; attend meetings in Clark County twice a year; attend one out-of-state conference per year with the chair of the Advisory Council on Parental Involvement; and provide funding for approximately \$5,000 in operating expenses for the Office.

There is an indirect cost portion of \$3,775 for each year in the 2013-2015 biennium. Please note that a couple of the proposals by the NDE include indirect costs. The indirect cost recovery rate is currently at 22.9 percent. An indirect cost is one that is not directly accountable to the cost object. With the recommended travel expenditure there is some administrative costs associated with processing the travel reimbursements. The cost rate is developed with the federal government. However, the funder, in this case the Legislature, can dictate a lower indirect cost rate, or none at all. Some of the indirect cost rates proposed by the NDE do not appear to be in line with the actual administrative costs that will be required. Fiscal Staff is going to work with the NDE on these rates and determine if they are reasonable. If these items are approved, we will bring back any recommended changes to the Full Committee for approval.

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 19

Does the Subcommittee wish to approve the Agency's recommendation to allocate \$20,259 in each year of the 2013-2015 biennium to fund additional travel and operating expenditures for the parental involvement coordinator?

Assemblyman Hickey:

Is it customary to have two people travel out of state? Would the money be better spent elsewhere?

Ms. Fitzpatrick:

During the past 18 months that the position for parental involvement director has been funded, there has been an appetite to ensure that the work from the National Parent Teacher Association (PTA) is utilized for direction within our State. The work around parent involvement and family engagement coming out of the PTA, that is driving some of the content of our teacher evaluations and administrator evaluations, is important. This past year, the chair actually generated the resources from her own affiliation to pay for herself and for the NDE staff member who is the parent involvement director, to travel to the National PTA Convention and Exhibition. The NDE seeks to be a leader in this area and yet we are depending on the generosity of others to pay for our individual to travel with the chair to these events.

Chair Denis:

Having attended the Convention in the past and being involved with the PTA for over 22 years, I can tell you that it is quite large. If you are trying to obtain all that information, having a couple of people in attendance makes sense.

Senator Smith:

This budget is still rather minimal considering it has only one person in the office. I also know that one person can only do so much. I have concerns about the indirect costs. I am questioning the \$7,500 in indirect costs on a \$40,000 budget. I am not supportive of this. We need to add some funding to this budget. I would suggest an additional \$10,000 to assist the statewide coordinator and the Council in the Family Engagement in Education Summit that they conduct every other year. This is the only one in the Country and is nationally recognized. The Council and the coordinator are trying to make professional development credits available at this conference. The Council is also working to help with the evaluation process. Providing funding for the Summit will be helpful so that they can increase the

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 20

professional development component. I propose a motion to eliminate the indirect costs in the budget and to add \$10,000 to this budget for the Summit.

Ms. Fitzpatrick:

I request that you reconsider the elimination of the indirect costs in their entirety. I see how it might be appropriate to reduce that amount. However, there are indirect costs associated with maintaining the travel reimbursements. It is troubling to us to administer programs without sufficient administration costs. The amount may seem too high, yet I am concerned about our capacity on the administrative side if it drops to zero.

Senator Smith:

It appears that there is funding available in this account to add the additional \$10,000. I am willing to modify my motion to have our Fiscal Staff work to reduce the indirect costs and to add \$10,000 to be specifically designated for the Summit. to the \$40,518 already allocated to the budget to be specifically designated for the Summit.

Assemblyman Kirner:

Should we come up with a total number and let Fiscal Staff figure out the balance?

Senator Smith:

I want to make sure \$10,000 is set aside for the Summit. The Summit is an important segment of the purpose of the Office. I would approve \$50,000 in funding for the 2013-2015 biennium, with the intent of the Summit being funded, and let Fiscal Staff work out the details. They are currently receiving about \$40,000 and this would give them an additional \$10,000. They can negotiate the indirect costs.

SENATOR SMITH MOVED TO RECOMMEND TO THE FULL COMMITTEES TO AUTHORIZE STAFF TO NEGOTIATE WITH THE AGENCY TO ADJUST THE INDIRECT COSTS IN B/A 101-2614; AND TO INCREASE FUNDING TO \$50,000 FOR THE OFFICE OF PARENT INVOLVEMENT IN THE 2013-2015 BIENNIUM.

ASSEMBLYMAN EISEN SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR ROBERSON WAS ABSENT FOR THE VOTE.)

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Mr. Thorley:

The NDE recommends funding for the Common Core State Standards (CCSS) implementation team from the Educational Trust Account to support activities in FY 2013-2014, including travel, operating expenditures and contract services. The team consists of 20 members: 10 in the north and 10 in the south. Six anticipated meetings in FY 2013-2014 are scheduled to alternate between Reno and Las Vegas. The total proposed budget for this account is \$97,918 for FY 2013-2014. A portion of this is for indirect costs. If the Subcommittee approves this item, Fiscal Staff would recommend instructions for us to work with the NDE to develop a more accurate indirect cost rate. This is based on the 22.9 percent rate.

Assemblyman Hickey:

I assume that the ten members from the north include representation from the rural counties.

Mr. Thorley:

Yes.

Assemblyman Hardy:

Does the motion include working with Fiscal Staff on indirect costs?

Chair Denis:

Yes.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE AGENCY'S RECOMMENDATION TO ALLOCATE \$97,918 IN FY 2013-2014 TO FUND THE TRAVEL AND OPERATING EXPENDITURES OF THE STATEWIDE COMMON CORE STATE STANDARDS IMPLEMENTATION AND PROFESSIONAL DEVELOPMENT

TEAM; AND TO CONSULT WITH FISCAL STAFF TO DEVELOP REVISED INDIRECT COSTS IN B/A 101-2614.

SENATOR SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR ROBERSON WAS ABSENT FOR THE VOTE.)

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Mr. Thorley:

The Interstate Compact on Educational Opportunity for Military Children was enacted into Nevada law under S.B. No. 303 of the 75th Session. Because children in military families transfer frequently between school districts and states, the Compact was developed by the Council of State Governments to provide for the uniform treatment of military children on a range of educational issues, including enrollment, placement, attendance, eligibility and graduation. Participation in the Compact requires the payment of annual dues to the Council of State Governments' Interstate Commission on Educational Opportunity for Military Children; however, no funding was included in S.B. No. 303 of the 75th Session to support the annual assessment.

For the current biennium, the FY 2011-2012 assessment of \$4,856 and the FY 2012-2013 assessment of \$5,101 were funded out of the Legislative Fund. Fiscal Staff notes that funding for the annual assessment has not been included in the Legislative Counsel Bureau's budget request for the 2013-2015 biennium. According to the Commission, Nevada's assessment for FY 2013-2014 will be \$6,402. Each state's assessment is based on the number of military children in the state, and the Commission indicates that an influx of over 1,000 military children in Nevada led to the increased assessment for FY 2013-2014. The Commission anticipates the assessment for FY 2014-2015 will be relatively flat. Fiscal Staff believes funding of the assessment for the Compact is an appropriate use of these funds.

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 23

Assemblywoman Flores:

Would the funding pay for Compact dues only, not for any work to be done or staffing?

Mr. Thorley:

The amount covers the dues for the Council of State Governments. An interstate commission on education for opportunities for military children has headed up this effort among the states to develop these uniform standards. It does not cover any funding for the work that the NDE has to do to implement any of these standards, just dues to the national organization.

Assemblywoman Flores:

At what point is being part of something not beneficial if no one is going to work on it?

Chair Denis:

We are not saying that they do not work on it. This is a tool that they use to be able to get the information so that the NDE can work on this.

Ms. Fitzpatrick:

Through the interstate Compact there is coordination at the national level. We often receive outreach from staff through the interstate Compact. Depending upon the issue, individuals are put in touch with the proper person within our Department. We typically absorb the work without any incident. A common example is high school students that transfer into Nevada from another state without the opportunity to take the high school proficiency exams. We have a staff person who is responsible for helping the family navigate the transition into the State.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE FUNDING THE ANNUAL INTERSTATE COMPACT ON EDUCATIONAL OPPORTUNITY FOR MILITARY CHILDREN ASSESSMENT IN THE AMOUNT OF \$6,402 IN FY 2013-2014 AND \$6,500 IN FY 2014-2015 FROM THE EDUCATIONAL TRUST ACCOUNT IN B/A 101-2614.

SENATOR SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Mr. Thorley:

At the February 21 Subcommittee budget hearing, the NDE presented a plan to use available funding in the Educational Trust Account to develop interactive, Web-based training modules and video demonstrations for teachers and administrators regarding the Nevada Educator Performance Framework and the CCSS. The NDE indicates that this plan was developed after consulting with various professional teaching associations.

The costs to develop the training modules and video demonstrations would be one-time in nature. The Agency estimates that \$280,000 in contract services would be required to create the modules, develop a user guide and videotape the demonstrations. The Agency further estimates supplies expenditures of \$5,000 and an indirect cost charge of \$18,320 for a total cost of \$303,320 in FY 2013-2014. Fiscal Staff would note that the Executive Budget currently recommends General Funds of \$7.56 million in each year of the 2013-2015 biennium for the Regional Professional Development Program (RPDP) to assist teachers in higher academic standards, including the CCSS. In addition, the Governor recommends General Funds of \$2.8 million over the 2013-2015 biennium for the RPDP to assist teachers and administrators in understanding the new Performance Framework. The current RPDP budget recommended by the Governor does not specifically cover funding for these online training modules.

Assemblyman Kirner:

I want the assurance that these funds will cover what we initially transferred, so we are not asking for anything in addition.

Mr. Thorley:

That is correct. This should be covered by the existing revenue and the projected revenue. It does not take into account any transfers that will actually happen during the upcoming biennium.

Assemblyman Eisen:

We are looking at approximately \$450,000 over the biennium, including what is already in that account, to be transferred over this coming July. There is about \$541,000 in that account. This does not take into account the \$109,000 that we just budgeted a few minutes ago for a transfer in 2014. There are adequate funds to do all of this. These are funds that are restricted to educational uses and, as we talk about this last item of about \$300,000 in the context of about \$10.3 million for the RPDPs and educator and administrator training, we would be able to offset some of that General Fund revenue that was budgeted by using these monies that are restricted for educational purposes.

Mr. Thorley:

It would be up to the Subcommittee to decide how to appropriate the funding that the Governor has recommended for the RPDP. The RPDP funding currently in the Governor's budget and the Educator Effectiveness account is generally allocated to the districts. The NDE does not have control over how this funding is spent. This recommendation is specific to a department initiative to create these online modules. This would be an opportunity for the Subcommittee to reduce funding for the RPDP equal to the amount of this recommendation.

Ms. Fitzpatrick:

The enhancement to the RPDP budget is to fund approximately eight new trainers in those regions. It is worth noting that there are about 30,000 people that have to be trained. Working in connection with the development of the online modules and the addition of those eight people across the State to train almost 30,000 people, things should not necessarily offset one another, but should be funded in a way that complement each other. The individuals that come on board at the RPDP need this valuable tool. This will particularly benefit our staff in the rural districts that might have a hard time accessing our RPDP trainers on a frequent basis.

Assemblywoman Flores:

I am not concerned with reducing the funding, as much as how we are using the \$280,000 for the development of these modules. What is the useful life of the modules?

Ms. Fitzpatrick:

Much of the content of the modules will be videotaping of instructional practices that comply with the standards of the Performance Framework. We do not foresee that these standards will be changing. These standards are based on a 20-year history of best practices and instructional outcomes.

Assemblywoman Flores:

How many modules do you need to train 30,000 people?

Ms. Fitzpatrick:

Four or five modules will be used in conjunction with the trainers.

Assemblywoman Flores:

Will it take 3,500 hours to create four to five modules?

Ms. Fitzpatrick:

The time is inclusive of videotaping in the classrooms, editing that content, building out the creation of the scripting and the accompanying materials.

Assemblyman Aizley:

It states that you are going to be doing these modules for both teachers and administrators. Is there a way to limit the amount of funding used for administrator training and focus the majority of funding on teachers?

Ms. Fitzpatrick:

We have more than 25,000 teachers and they will be the concentrated focus for this work. The teachers need to know what it is they are being held accountable to and the administrators need to know how to appropriately evaluate them.

Assemblyman Aizley:

Usually the administrative costs are a percentage of the other costs. Would limiting the administrative costs to 10 percent make sense?

Ms. Fitzpatrick:

We do not have sufficient information at this time to make that type of limitation. Everybody who is involved in the creation of the Performance Framework for teachers and administrators is on board with the focus on the teachers.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE AGENCY'S RECOMMENDATION TO ALLOCATE \$303,320 IN FY 2013-2014 FOR THE CREATION OF INTERACTIVE, WEB-BASED TRAINING MODULES AND VIDEO DEMONSTRATIONS FOR TEACHERS AND ADMINISTRATORS AND TO ALLOW STAFF TO ADJUST THE INDIRECT COSTS IN B/A 101-2614.

SENATOR SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN HORNE WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Mr. Thorley:

We will also discuss the Education State Programs budget, B/A 101-2673. It provides financial support for the activities of the State Board of Education, administrative duties of the State Superintendent of Public Instruction, management of the NDE and statewide school issues; and technical expertise of professionals in various educational subjects. This account also funds the Commission on Education Technology, the Office of Parental Involvement and Family Engagement, academic probation panels and the Teachers and Leaders Council. Funding for the Education State Programs account is primarily provided by General Fund appropriations; however, a small portion is provided by the sale of Nevada School Law pamphlets.

The Governor recommends funding three new positions from the General Fund totaling \$496,991 over the 2013-2015 biennium.

The Governor recommends General Fund appropriations of \$73,307 in FY 2013-2014 and \$92,168 in FY 2014-2015 to fund a new public information officer (PIO) II position and associated operating expenses in decision unit E-227. Currently, the NDE does not have a public information officer position, and the Agency indicates no single employee is dedicated to this function. The public information function of the NDE is carried out independently by the individual

program managers, supervisors and program staff. At the Subcommittee budget hearing on March 8, the NDE testified that the recommended public information officer position would be tasked with coordinating and improving communication between the NDE and education stakeholders, the media and the general public. The position will also build support and understanding of the education reforms the NDE is proposing.

E-227 Efficient and Responsive State Government — Page K-12 EDUCATION-37

Fiscal Staff notes that during the 2011-2012 interim, the NDE contracted with School Services of California, Inc., to perform a department-wide organizational and management study. The study identified poor communication and lack of coordination as significant issues and noted that the NDE does not presently have the capacity to effectively communicate with external audiences or within the NDE.

Senator Smith:

The NDE has a large audience that depends on current staff to handle the duties of the PIO. If we value the relationships that we have in the communities, then we need this position.

Assemblyman Kirner:

Is the difference in the salaries each year due to the timing of the hiring of staff?

Mr. Thorley:

Yes. The recommended start date of this position is October 1.

Assemblyman Aizley:

Do the counties have their own PIOs?

Ms. Fitzpatrick:

Washoe County has a team of seven positions associated with communications and outreach. Clark County has seven to ten positions. Most of the rural districts do not have PIOs.

SENATOR SMITH MOVED TO RECOMMEND TO THE FULL COMMITTEES
TO APPROVE THE GOVERNOR'S RECOMMENDATION TO APPROPRIATE
GENERAL FUNDS OF \$73,307 IN FY 2013-2014 AND \$92,168 IN

FY 2014-2015 IN B/A 101-2673 TO FUND A NEW PUBLIC INFORMATION OFFICER II POSITION AND ASSOCIATED OPERATING EXPENSES.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN AIZLEY VOTED NO. ASSEMBLYMAN HORNE WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Mr. Thorley:

The next position recommendation is an information technology professional in decision unit E-240. The Governor recommends General Fund appropriations of \$67,501 in FY 2013-2014 and \$86,700 in FY 2014-2015 for a new information technology professional II position to serve as the Department's Web and content manager and associated operating expenses.

E-240 Efficient and Responsive State Government — Page K-12 EDUCATION-37

The classification of the Web content management system position as an information technology professional II, instead of a lower-level information technology position, is due to the complexities associated with the position's recommended duties, and not just the Web content management portion, which will require a level of technical expertise consistent with an information technology professional II classification.

The NDE indicated that the position's Web content management duties relating to the NDE Website would require approximately 15 hours per week. The NDE stated the position would spend an additional 15 hours per week maintaining the NDE's other Internet presences, including the Bighorn Portal, which is the Web entry point for the Statewide Longitudinal Data System and all associated applications, such as the Nevada Growth Model and the Nevada School Performance Framework. The NDE indicates that the position's remaining 10 hours per week would be used in support of the NDE's smaller Web applications, including the Teacher Licensure and

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 30

Find-a-Teacher Website, the E-Page grant management application, and the Nevada Special Education Accountability and Reporting System.

Chair Denis:

More technology-driven information is needed and staff must stay up to date on all of the changes. I feel this is a reasonable request.

ASSEMBLYWOMAN CARLTON MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION TO APPROPRIATE GENERAL FUNDS OF \$67,501 IN FY 2013-2014 AND \$86,700 IN FY 2014-2015 IN B/A 101-2673 FOR A NEW INFORMATION TECHNOLOGY PROFESSIONAL II POSITION AND ASSOCIATED OPERATING EXPENSES.

SENATOR ROBERSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN AIZLEY VOTED NO. ASSEMBLYMAN HORNE WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Mr. Thorley:

In decision unit E-276, the Governor recommends General Fund allocations of \$78,712 in FY 2013-2014 and \$98,603 in FY 2014-2015 to fund a new education programs professional position and associated operating costs to administer and supervise the English Language Learner (ELL) grant program. The NDE states that the education programs professional position would be involved in monthly monitoring of school districts to document the progress of each school district in implementing the ELL grant program, as well as the outcomes of the program. The NDE has provided additional information, indicating the position that would support the administration of the recommended ELL grant program, provide guidance on the implementation of the grant criteria, and offer technical assistance to ensure that expenditure of the grant funds is appropriate and is supported by research.

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 31

E-276 Educated and Healthy Citizenry — Page K-12 EDUCATION-38

Chair Denis:

The position is dependent on approval of the grant program. If we authorize this position now and the grant program is not approved, where does that leave us?

Mr. Thorley:

The NDE states that the recommended education programs professional position is tied to the approval of the ELL grant program in the Other State Education Programs account. Fiscal Staff would note that the NDE currently has two federally funded ELL positions to assist schools with federal ELL programs.

NDE - Other State Education Programs — Budget Page K-12 EDUCATION-22
(Volume I)

Budget Account 101-2699

Senator Smith:

In some form, there is going to be funding to improve our ELL instruction and make more program dollars available. We have the smallest department of education in the Country. If we can add positions like these, it will take pressure off some of the other positions that need to be allowed to do their work.

Chair Denis:

We have two positions that are federally funded for ELL. Do we have any that are State funded that work with ELL?

Ms. Fitzpatrick:

There are no State-funded ELL positions at this time.

Chair Denis:

Since we do not have any positions at the State level, this a good time to approve this.

Assemblyman Aizley:

Will this position be required to be fluent in two languages?

Ms. Fitzpatrick:

That would be a strong preference in the recruitment process. We do not have the capacity under the current job classification to require two languages. The two individuals who currently serve in the positions, federally funded under Title III of the No Child Left Behind Act of 2001, are both bilingual.

SENATOR SMITH MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION TO APPROPRIATE GENERAL FUNDS IN B/A 101-2673 OF \$78,712 IN FY 2013-2014 AND \$98,603 IN FY 2014-2015 TO FUND A NEW EDUCATION PROGRAMS PROFESSIONAL POSITION AND ASSOCIATED OPERATING COSTS; AND TO AUTHORIZE FISCAL STAFF TO MAKE ANY NECESSARY TECHNICAL ADJUSTMENTS BASED UPON THE FULL COMMITTEE'S CLOSING ACTION IN THE OTHER STATE EDUCATION PROGRAMS ACCOUNT.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN HORNE WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Mr. Thorley:

On April 8, the Fiscal Staff received Budget Amendment No. A130022673 from the Budget Division which recommends additional General Funds of \$283,147 in FY 2013-2014 and \$304,398 in FY 2014-2015 to fund an additional education programs professional position for the ELL grant program, to change the funding source of a management analyst III position and an accounting assistant III position, and to fund 50 percent of the recommended computer replacement for the audit unit.

The Governor recommends additional General Funds of \$111,756 in FY 2013-2014 and \$123,175 in FY 2014-2015 to fund an education programs professional position and associated operating costs to administer and supervise the ELL grant program recommended by the Governor. Fiscal Staff notes that this position is

recommended in addition to the ELL position recommended in decision unit E-276. Through a companion budget amendment for the Other State Education Programs account, the Governor recommends increasing State funding for the ELL grant program from \$13.8 million over the 2013-2015 biennium to \$28.6 million over the biennium. Because the Governor has recommended that funding be doubled, the NDE indicates that having an additional ELL position would enable the Department to better engage the districts in the development of the ELL grant applications, as well as allow the NDE to provide greater follow-up and technical assistance throughout the program to ensure successful outcomes. The additional position would have the same duties and responsibilities as the first ELL position recommended by the Governor. Staff would note that in addition to funding the new position, the budget amendment adds travel funding for both ELL positions, as well as funding for computer equipment and office furniture in decision unit E-276 that was not originally included in the Executive Budget.

The Governor recommends additional General Funds of \$171,391 in FY 2013-2014 and \$175,448 in FY 2014-2015 to fund a management analyst III position and an accounting assistant III position that are currently funded through indirect cost charges. The NDE is currently undergoing a reorganization of the Department's Business Services Unit in which two service teams will be formed: one dedicated to support the 17 school districts which will be funded by State funds, and one dedicated to department support which will be funded by indirect cost charges.

The Governor recommends additional General Funds of \$5,775 in FY 2014-2015 to replace three laptop computers and three copies of Microsoft Office for the Department's audit unit. The Executive Budget originally contained a recommendation to increase General Funds to partially fund travel and training expenditures for the Department's audit unit that were previously funded through indirect cost transfers from other NDE budget accounts in decision unit E-907. This recommendation would partially fund the recommended replacement computer equipment in the audit unit with General Funds.

E-907 Transfer Audit Expenses from 2720 to 2673 — Page K-12 EDUCATION-41

There are various adjustments in the amendment that relate to statewide personnel issues that will be decided at a later date.

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 34

Assemblyman Eisen:

The additional ELL position has been described as having the same duties as the position approved a moment ago, yet the funding is considerably more. What is the explanation of the difference in funding?

Mr. Thorley:

The original decision unit did not include funding for a computer and office furnishings for the ELL position. Some additional travel is recommended by the Governor in the amendment for those two positions. The primary driver of the increase between the two is the original ELL position that was approved by the Subcommittee at a grade 39, step 1. The position that is being recommended by the Governor in this budget amendment is a grade, 39 step 5.

Assemblyman Eisen:

What is the reason for the difference in salary between the two positions?

Ms. Fitzpatrick:

It is challenging to recruit at the minimum pay level.

Assemblyman Kirner:

Because it is at higher level of pay, can you make requirements for bilingual capability in the position?

Ms. Fitzpatrick:

Yes.

SENATOR ROBERSON MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE PORTION OF BUDGET AMENDMENT NO. A130022673 THAT RELATES TO THE NEW ELL POSITION; TO APPROVE THE CHANGE IN FUNDING SOURCE FOR TWO EXISTING POSITIONS; AND TO APPROVE REPLACEMENT EQUIPMENT FOR THE AUDIT UNIT.

ASSEMBLYWOMAN CARLTON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Mr. Thorley:

The transfer of aid-to-school funding for administrative purposes is outlined in decision units E-502 and E-902. The Governor recommends a General Fund appropriation of \$75,000 in each year of the 2013-2015 biennium to fund grant proposal evaluation contract expenses that were previously funded in the Other State Education Programs account. The recommended transfer would enable the NDE to move contract expenses from a pass-through account to the program administration account. Fiscal Staff requests authority to make any necessary technical adjustments based upon the Joint Full Committee's closing action in the Other State Education Programs account.

E-502 Adjustment to E902 Expenditures — Page K-12 EDUCATION-38

E-902 Transfer ED From other Programs to State Programs — Page K-12
EDUCATION-41

The transfer of travel expenditures for the audit unit in decision units E-507 and E-907 is recommended by the Governor in General Fund appropriations of \$7,654 in each year of the 2013-2015 biennium to partially fund travel and training expenditures for the NDE audit unit that were previously funded through indirect cost transfers from other NDE budget accounts. The indirect cost transfers would still fund approximately 50 percent of the travel and training expenditures for the audit unit in the upcoming biennium, while the additional General Funds recommended by the Governor would fund the remaining 50 percent.

E-507 Adjustments to Transfers — Page K-12 EDUCATION-38

E-907 Transfer Audit Expenses from 2720 to 2673 — Page K-12 EDUCATION-41

The Governor recommends General Fund appropriations totaling \$27,218 over the 2013-2015 biennium for replacement computer hardware and software in decision unit E-710. The recommended computer replacements are in accordance with the EITS replacement schedule.

E-710 Equipment Replacement — Page K-12 EDUCATION-40

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 36

The Governor recommends General Fund appropriations of \$300,564 in FY 2013-2014 and \$318,698 in FY 2014-2015 to support an increase in the NDE's internal cost allocation in decision unit E-800. This is related to moving the audit unit from full and direct cost funding to half support from the General Fund.

E-800 Cost Allocation — Page K-12 EDUCATION-40

The Governor recommends General Funds of \$9,838 over the 2013-2015 biennium to reclassify an existing program officer I position to a management analyst I position in decision unit E-805. This is related to the business services unit reorganization.

E-805 Classified Position Reclassifications — Page K-12 EDUCATION-40

ASSEMBLYMAN EISEN MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE ALL OTHER CLOSING ITEMS AS RECOMMENDED BY THE GOVERNOR IN B/A 101-2673; AND TO AUTHORIZE FISCAL STAFF TO MAKE ANY NECESSARY TECHNICAL ADJUSTMENTS.

SENATOR SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Mr. Thorley:

We will now discuss B/A 101-2605. Due to a discontinuation of the federal grant funds that supported this account, the Governor recommends all funding and expenditures related to the grant, as well as this budget account, be eliminated.

NDE - Drug Abuse Education — Budget Page K-12 EDUCATION-70 (Volume I)
Budget Account 101-2605

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 37

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES THAT B/A 101-2605 BE CLOSED AS RECOMMENDED BY THE GOVERNOR.

SENATOR ROBERSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Mr. Thorley:

We will now discuss B/A 101-2611. Due to the discontinuation of the Comprehensive School Health grant at the federal level, the Governor recommends all funding and expenditures related to the grant, as well as this budget account, be eliminated. There is also a vacant position in this account that the Governor recommends for elimination in decision unit E-490.

NDE - School Health Education - AIDS — Budget Page K-12 EDUCATION-71
(Volume I)
Budget Account 101-2611

E-490 Expiring Grant/Program — Page K-12 EDUCATION-72

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES THAT B/A 101-2611 BE CLOSED AS RECOMMENDED BY THE GOVERNOR.

SENATOR SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Mr. Thorley:

In Career and Technical Education, B/A 101-2676, there is one major closing issue that Fiscal Staff has identified. In decision unit E-495, the Governor recommends a reduction of the federal Carl D. Perkins Vocational and Technical Education Act of 1998 grant funding of approximately \$3.7 million in each year of the 2013-2015 biennium. This would represent a 40.2 percent decrease when compared to actual FY 2012-2013 Perkins grant funding of \$9.2 million. This recommendation was not due to a reduction of total funding for the Perkins grant, but a recommendation to shift \$105 million of the total funding for the Perkins grant to a competitive grant pool outside the traditional funding formula. The NDE has indicated that this is likely not to occur due to a lack of Congressional action.

NDE - Career and Technical Education — Budget Page K-12 EDUCATION-103
(Volume I)
Budget Account 101-2676

E-495 Expiring Grant/Program — Page K-12 EDUCATION-104

The NDE has also received updated estimates from U.S. Department of Education reflecting their funding for the current federal fiscal year and it reflects a 5 percent reduction due to Sequestration, but no reduction due to a change in funding from the traditional funding formula to a competitive grant. The NDE indicates that approximately 20 states would be exempt from the Sequestration reduction because of the hold-harmless provision in the Perkins grant. This would likely mean about an 8 percent reduction in total funding from the Perkins grant to the State. This would be about \$8.7 million, a reduction of approximately \$803,375 from the FY 2012-2013 funding level of \$9.5 million. After reviewing the information that the NDE has received from the U.S. Department of Education, it appears that decision unit E-495 should either be eliminated entirely, with any reduction of funding due to Sequestration addressed through a work program once the new grant award is received and updated information about Sequestration is received from the federal government, or the decision unit should be revised to a reduction of \$803,375 in each year of the 2013-2015 biennium to reflect the estimated reduction of funding due to Sequestration.

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 39

Ms. Fitzpatrick:

The Sequestration plan has not been approved, and with the budgets that you closed earlier, you have approved a plan that would be in line with elimination of the Governor's recommended reduction of approximately \$3.7 million in each year of the 2013-2015 biennium for the Perkins grant funding and direct the NDE to submit a work program adjustment.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO ELIMINATE THE GOVERNOR'S RECOMMENDED REDUCTION OF APPROXIMATELY \$3.7 MILLION IN EACH YEAR OF THE 2013-2015 BIENNIUM FOR THE FEDERAL PERKINS GRANT FUNDING; AND TO DIRECT THE DEPARTMENT TO SUBMIT A WORK PROGRAM ADJUSTMENT FOR ANY REDUCTION TO THE PERKINS GRANT FUNDING FOR THE 2013-2015 BIENNIUM DUE TO SEQUESTRATION IN B/A 101-2676.

SENATOR ROBERSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Mr. Thorley:

Decision unit E-496 is the elimination of the Technical Prep Grant at the federal level. The Governor recommends the elimination of Perkins Technical Prep grant authority in the amount of \$47,688 in each year of the 2013-2015 biennium. This would completely eliminate the grant from the budget due to its elimination at the federal level.

E-496 Expiring Grant/Program — Page K-12 EDUCATION-105

The Governor recommends federal Perkins Technical Education grant funding of \$13,329 over the 2013-2015 biennium for replacement computer hardware and software in decision unit E-710. The recommended computer replacement is in accordance with the EITS replacement schedule.

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 40

E-710 Equipment Replacement — Page K-12 EDUCATION-106

The Governor recommends a reduction in cost allocation transfers to the Department's Staffing Services cost-allocation account of \$1,368 in FY 2013-2014 and \$1,440 in FY 2014-2015 in decision unit E-800. The Governor recommends the cost allocation expenditure authority in each year of the 2013-2015 biennium be transferred to the Operating Expenses category.

E-800 Cost Allocation — Page K-12 EDUCATION-107

The Governor recommends a General Fund appropriation of \$200,000 in each year of the 2013-2015 biennium to support administrative expenses of the Career and Technical Education program that were previously funded in the Other State Education Programs account in decision unit E-901. The recommended transfer would enable the Department to move administrative expenses from a pass-through account to the program administration account. Fiscal Staff requests authority to make any necessary technical adjustments based upon the Joint Full Committee's closing action in the Other State Education Programs account.

E-901 Trans from Other Programs to Career and Tech Ed — Page K-12
EDUCATION-107

SENATOR SMITH MOVED TO RECOMMEND TO THE FULL COMMITTEES
TO APPROVE ALL OTHER CLOSING ITEMS AS RECOMMENDED BY THE
GOVERNOR IN B/A 101-2676; AND TO AUTHORIZE FISCAL STAFF TO
MAKE ANY NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 41

Mr. Thorley:

Fiscal Staff is responsible for developing the closing recommendations in B/A 101-2680. Federal funds are awarded through the Adult Education and Family Literacy Act of 1998 for continuing education.

NDE - Continuing Education — Budget Page K-12 EDUCATION-109 (Volume I)
Budget Account 101-2680

The Governor recommends federal Adult Basic Education grant funds of \$5.57 million in each year of the 2013-2015 biennium, which represents an 18.5 percent increase from the \$4.7 million received in FY 2011-2012. In each fiscal year, the Executive Budget recommends \$5.3 million in federal funds and \$402,018 in General Fund appropriations for continuing educational services. The General Fund in this account, recommended at \$661,861 in each year of the 2013-2015 biennium, is used for state matching and MOE requirements.

The Governor recommends federal Adult Basic Education grant funds of \$3,622 over the 2013-2015 biennium for computer hardware and software in decision unit E-710.

E-710 Equipment Replacement — Page K-12 EDUCATION-111

The Governor recommends a reduction totaling \$1,403 over the 2013-2015 biennium from the Education Staffing Services Cost Allocation category with a corresponding increase to the Operating Expenditures category in decision unit E-800.

E-800 Cost Allocation — Page K-12 EDUCATION-112

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO CLOSE B/A 101-2680 AS RECOMMENDED BY THE GOVERNOR; AND TO AUTHORIZE STAFF TO MAKE ANY NECESSARY TECHNICAL ADJUSTMENTS.

SENATOR ROBERSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Mr. Thorley:

The State Public Charter School Authority (SPCSA) is a new entity that was created by S.B. No. 212 of the 76th Session. It created a seven-member SPCSA board and also transferred the authority to sponsor charter schools from the Nevada State Board of Education to this new entity in B/A 101-2711.

State Public Charter School Authority — Budget Page K-12 EDUCATION-123
(Volume I)
Budget Account 101-2711

The Governor recommends administrative fee revenue of \$991,859 in FY 2013-2014 and approximately \$1.1 million in FY 2014-2015 to fund SPCSA operations. Currently in statute, the SPCSA is allowed to collect between 1 percent and 2 percent of each charter student's DSA allocation for their operating expenditures. The fee revenue projections were based on projected enrollment in the sponsored charter schools and also the average DSA payment per student. The numbers in the Executive Budget were put in prior to the official count day for FY 2012-2013, prior to the audited numbers coming out. Because of this, the administrative fee revenue projections in the Executive Budget are significantly less than what they are likely to be. Actual enrollment at the sponsored charter schools in the FY 2012-2013 is 13,805 students, which represents a 15 percent increase over the original projection of 12,000 students, and a 20 percent increase over the actual enrollment in FY 2011-2012 of 11,510. The Agency also indicates that the actual DSA payment per sponsored charter student in FY 2012-2013 was 4.5 percent over the actual DSA payment of \$6,200 in FY 2011-2012. The table on page 33 of [Exhibit C](#) shows the updated revenue projections for the Agency based on projected enrollment and projected average DSA payment per student. The revenue projections are approximately \$1.49 million in FY 2013-2014 and approximately \$1.63 million in FY 2014-2015. This represents an increase of about \$495,557 in FY 2013-2014 and about \$499,398 in FY 2014-2015 when compared to the administrative fee revenue included in the Executive Budget.

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 43

Because the SPCSA is relatively new, they are still fine-tuning how much the administrative fee should be to adequately fund their operating costs. In FY 2011-2012 the SPCSA determined that it overcollected fee revenue, so it refunded \$513,641 to the charter schools it sponsors. Based on projected expenditures through the end of the fiscal year, the SPCSA anticipates refunding administrative fees to sponsored charter schools of approximately \$425,000 at the end of FY 2012-2013.

ASSEMBLYMAN HICKEY MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE UPDATED ADMINISTRATIVE FEE REVENUE PROJECTIONS PROVIDED BY THE AGENCY OF \$1.49 MILLION IN FY 2013-2014 AND \$1.63 MILLION IN FY 2014-2015.

SENATOR ROBERSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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The Governor recommends a reserve reduction of \$33,835 in FY 2013-2014 and \$35,960 in FY 2014-2015 in decision unit E-275 for two new contracts.

E-275 Educated and Healthy Citizenry — Page K-12 EDUCATION-125

The Governor recommends a reserve reduction of \$5,525 in FY 2013-2014 and \$7,650 in FY 2014-2015 for a contract with the National Student Clearinghouse to track enrollment trends for charter school students after high school graduation. The NDE also acknowledged there could be some overlap between the service provided by the Clearinghouse and the State's student information database, which is planned to track the postsecondary education enrollment of all Nevada students. The NDE indicated that the progress of the database would dictate the length of the contract with the Clearinghouse. Fiscal Staff notes that the Clearinghouse tracks postsecondary enrollment trends nationally, while it appears the State's student information system would only track students who matriculate at higher education institutions in Nevada.

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 44

The Governor recommends a reserve reduction of \$28,310 in each year of the 2013-2015 biennium for a contract with American College Testing (ACT) to provide college and career readiness assessment tests to students in Grades 8 through 11, as well as tracking academic growth and proficiency of high school students in SPCSA sponsored charter schools.

The NDE indicated that the recommended contract amount of \$28,310 in each year of the biennium included in the Executive Budget is not accurate, because it does not reflect the most recent sponsored charter school enrollment projections for the 2013-2015 biennium. Based upon the updated enrollment projections, the NDE estimates the contract expenditures would be \$33,865 in FY 2013-2014 and \$40,638 in FY 2014-2015.

SENATOR ROBERSON MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION OF A REDUCTION OF RESERVES TO FUND A CONTRACT WITH THE NATIONAL STUDENT CLEARINGHOUSE IN B/A 101-2711 IN THE AMOUNT OF \$5,525 IN FY 2013-2014 AND \$7,650 IN FY 2014-2015, AS WELL AS A CONTRACT WITH ACT AT THE REVISED AMOUNT OF \$33,865 IN FY 2013-2014 AND \$40,638 IN FY 2014-2015.

ASSEMBLYMAN EISEN SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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The other closing item in decision unit E-225 is for State-owned meeting room rent and SPCSA Board salary support. The Governor recommends a reserve reduction of \$1,490 in each year of the 2013-2015 biennium for meeting room rent and videoconferencing services for SPCSA Board meetings. This is based on eight SPCSA Board meetings in each year of the biennium; however, the recommended funding for Board member pay in the Base Budget of \$1,400 in each year is only sufficient for approximately three meetings annually. Fiscal Staff

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 45

recommends a technical adjustment to increase board member salaries to \$4,480 to address the shortfall in each year of the biennium.

E-225 Efficient and Responsive State Government — Page K-12 EDUCATION-125

Decision unit E-276 addresses increased travel funding. The Governor recommends a reserve reduction of \$19,410 in each year of the FY 2013-2015 biennium to annualize travel expenditures because the base year expenditures at the SPCSA were not fully operational or staffed. There are also updated projections that were provided to Fiscal Staff that appear reasonable. The recommended in-state travel is approximately \$40,000 in each fiscal year and out-of-state travel is approximately \$11,000 in each fiscal year.

E-276 Educated and Healthy Citizenry — Page K-12 EDUCATION-126

Replacement equipment is outlined in decision unit E-710. The Governor recommends reserve reductions totaling \$91,135 over the 2013-2015 biennium for replacement computer equipment.

E-710 Equipment Replacement — Page K-12 EDUCATION-127

The cost allocation for this budget is in decision unit E-804. The Governor recommends a reserve reduction of \$793 in FY 2013-2014 and \$818 in FY 2014-2015 to fund the SPCSA's portion of the Division of Human Resource Management's centralized personnel services cost assessment.

E-804 Cost Allocation — Page K-12 EDUCATION-127

ASSEMBLYMAN HARDY MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE ALL OTHER CLOSING ITEMS IN B/A 101-2711 AS RECOMMENDED BY THE GOVERNOR; AND TO AUTHORIZE FISCAL STAFF TO MAKE ANY NECESSARY TECHNICAL ADJUSTMENTS.

SENATOR ROBERSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Mr. Thorley:

Senate Bill No. 399 of the 76th Session created the Account for Charter Schools in B/A 000-2708 as a revolving loan account. Pursuant to statute, funding in the Account may be used only to make loans at, or below, market rate to charter schools for costs incurred in preparation to commence its first year of operations or to improve a charter school that has been in operation. The Governor recommends the creation of a new budget account within the Executive Budget with a onetime General Fund appropriation of \$750,000 in FY 2013-2014 to fund this revolving loan program.

Public Charter School Loan Program — Budget Page K-12 EDUCATION-130
(Volume I)
Budget Account 000-2708

The Agency indicates that loans would be available through this program to all 32 Nevada charter schools including the charter schools that are sponsored by the State public charter school authority and the district sponsored charter schools. According to the Agency, a lack of access to low cost financing and other capital is a significant hurdle to expanding quality charter schools within Nevada. Even though this account has been in existence for about a decade, the account has never been funded. However, after the statute was approved, the State Board of Education did pass regulations which we will discuss later.

The regulation set forth information that must be included in the application for a loan, how the application will be evaluated and the manner in which the loans must be repaid. The SPCSA indicates that it would be interested in updating some of the regulations that would clarify the loan application content, the administrative process and responsibilities of the NDE.

The NDE also indicates that it would look at the regulation regarding the interest rates, the loan repayment schedules and the timeline for the applications. Currently, the regulations state that the interest rate on these loans is the prime rate at the largest bank in Nevada. The prime rate is set by the Commissioner of

Financial Institutions. It has been 3.25 percent since January 1, 2009. That would be the current interest rate charged on these loans.

Current regulation also states that loan payments are to be deducted from the charter schools' quarterly per pupil allocation from the DSA. Instead of actually repaying the loan directly, payments from the DSA would be withheld from the charter schools. Additionally, regulations state that the loan repayment period cannot exceed 3 years. The NDE states that the revolving loan program will allow charter programs to obtain funding earlier than traditional DSA funding is available. Current statute allows State funding from the DSA on August 1 to a charter school in the first year they are to commence operations. This will allow charter schools to receive funding just a couple of weeks before the students actually begin attending classes at the schools. There is also a provision in the statute that allows the State Superintendent of Public Education to move that date up a month to July 1. In theory, charter schools could receive funding about 6 weeks before the students enroll. The NDE states that charter schools find it helpful to secure funding before this July 1 date in order to prepare for opening.

Current statute restricts the amount of a loan made to a charter school in the first year to \$25,000; however, the Agency has submitted S.B. 471 that would increase the maximum amount of any individual loan to the lesser of an amount equal to \$500 per pupil enrolled, or to be enrolled, at the charter school, or \$200,000. According to the Agency, a \$25,000 loan would not be large enough to adequately assist a charter school in preparing to commence operation. To determine the \$200,000 maximum loan amount, the Agency performed a survey of newly opened charter schools to identify the average cost per pupil for charters preparing to commence operation. Based on the results of this survey, based on an average cost of between \$406 and \$656 per pupil, the Agency determined that loans of up to \$200,000 would be adequate to assist charter schools in the start-up phase, while not exposing the State to unreasonable risk due to a potential default. Given a maximum loan amount of \$200,000, the Governor's recommended one-time funding of \$750,000 could support four loans of approximately \$187,500. At the Subcommittee budget hearing, the NDE testified that it anticipates demand for five loans, which is why the NDE's budget request from September 2012 included a \$1 million item for special consideration to fund a revolving loan program for charter schools.

SENATE BILL 471: Revises provisions relating to the Account for Charter Schools.
(BDR 34-1133)

At the Subcommittee budget hearing on February 21, the NDE testified that six other states support a revolving loan program for charter schools: California, Idaho, Illinois, Indiana, Louisiana, and Utah. The Agency indicated that a 10-year national study conducted by Ernst & Young of 464 outstanding, or paid off, charter school loans, found that 1.2 percent of the loans were either foreclosed upon or written off. According to the Agency, on average the default rate is 1.8 percent in California where there are over 220 charter school loans outstanding. The Agency also notes that over 50 charter school loans have been made in Utah since 2007 with no defaults.

While regulations have been crafted to limit the State's risk, such as withholding DSA payments instead of requiring periodic loan repayments, the State's risk cannot be completely eliminated. If a charter school defaults on repayment of the full amount of a loan, it could lead to costly and time-consuming legal actions with no guarantee the defaulted portion of the loan would ever be recovered. On the other hand, the interest earned on the loans could be a net benefit to the revolving loan account even with some of the loans ending up in default. It appears this would be true if the actual default rate in Nevada were similar to the national rate of 1.2 percent found by Ernst & Young.

Fiscal Staff would also note that appropriating General Funds to a non-General Fund agency, such as the SPCSA, is uncommon. In instances where General Funds are appropriated to a non-General Fund agency, it is often done with a provision for repayment at a future date. The Subcommittee may also wish to consider an option that would require repayment through the payment administrative fee revenue. The NDE currently provides refunds to the charter schools because they have determined that they have overcollected their administrative fee revenue. Some of that funding could be used to either repay the General Fund for the start-up costs of this loan or be used to fund the program. Current statute restricts the use of administrative fee revenue to administrative costs associated with the charter school sponsorship. Legislation would be needed to implement either option.

The first option would be to approve the Governor's recommendation to provide a one-time General Fund appropriation of \$750,000 in FY 2013-2014 to fund this

revolving loan program used to make loans at or below market rate to charter schools.

The second option would be to approve the Governor's recommendation to provide a one-time General Fund appropriation of \$750,000 in FY 2013-2014 to fund the Account, but require the repayment of the General Fund appropriation over a specific time period from the SPCSA administrative fee revenue. This option would require additional legislation to implement.

The third option would be to not approve the Governor's recommendation and instead fund the Account from excess administrative fee revenue in the SPCSA. An analysis would be required to determine how much excess administrative fee revenue would likely be available in each year of the 2013-2015 biennium to fund the revolving loan program. This option would require additional legislation to implement, and would enable a General Fund appropriation of \$750,000 in FY 2013-2014 to be redirected to other high-priority initiatives.

The fourth option would be not to approve the Governor's recommendation and instead direct the \$750,000 General Fund appropriation to another program, education or otherwise, within the Executive Budget.

Assemblyman Hickey:

Charter schools are an example of a success story within our public school system, giving both students and parents a greater choice. It is evidenced by the fact that enrollment is up by approximately 15 percent. It is a loan program, but they will be paying it back. I am in support of the first recommendation.

Assemblyman Eisen:

I think the concept of having some monies available is a good one. However, I am very concerned about using General Fund monies in order to do this, particularly in light of the budget that we just closed and the administrative fee revenue that we saw there. I like the idea, but have concerns about doing it with a onetime General Fund appropriation, particularly without any provisions for it to be paid back. I would prefer option three, that the source of funding come from excessive administrative revenues because we would not be using General Fund monies for a non-General Fund activity.

Chair Denis:

How long will it take to get an analysis to determine how much will be available in excess fee revenues?

Mr. Thorley:

I did a rough estimate based on what current realized available funding is in the administrative account and the projected expenditures through the rest of the fiscal year. It appears that at the end of the fiscal year, there will be approximately \$446,985 in excess revenue available to transfer. This includes taking out projected expenditures by the SPCSA for the remaining 6 weeks of the fiscal year. They have indicated that they need to maintain a 3-month reserve. Fiscal Staff can consult with the SPCSA. My estimate is that approximately \$550,000 will be available.

Assemblywoman Flores:

I am in agreement with Assemblyman Eisen on option three. I am also comfortable with option four. We just established the organization that has oversight over the charter schools. I think that we need to spend some time to ensure that there is proper accountability over all of these schools and that we are supporting the schools that are successful, and not the ones that set up shop overnight. I will not support option one or two.

Senator Smith:

I am a supporter of the State and their efforts with charter schools. I am pleased with the work of the SPCSA, but I do not sense we are there yet. I still have a lot of questions. I also would like to ask the Fiscal Staff to look into the additional federal funding that the schools have access to, which could offset some of their operating costs and therefore free up some money that can be used in the excess revenue account. If the Chair would consider it, I would suggest that we hold off on closing this budget to discuss better methods of funding.

Assemblyman Hardy:

This funding is for the loans. It is not a total funding mechanism.

Mr. Thorley:

It is a loan for startup costs for charter schools and the loan is also available to existing charter schools. It would be for a specific period of time. All charter

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 51

schools receive an allocation from the DSA on a per student basis. This is where their main source of funding would come from.

Assemblyman Hardy:

If either option one or two were approved, how does the accounting mechanism work? Is it internal within the charter school system or is it by Legislative oversight?

Mr. Thorley:

The SPCSA would be the grantor of those loans, so they would be the Agency that received the applications. They would review the applications from the charter schools to determine if they meet the criteria, the statute and the regulation. Ultimately they would be the Agency that decides whether or not to approve the loan applications. Once the loan is granted, and they are in a repayment period of the loan, the Agency has indicated that there is work to be done. The Agency stated that sponsored charter schools will be responsible for the administrative portion of any loan made to them. The district-sponsored charter schools offered testimony at the budget hearing indicating that perhaps the district should be responsible for the administration of those loans once they are made.

Assemblyman Hickey:

We should get additional information from the charter school administration about the process to determine which potential charters would qualify.

Steve Canavero, Ph.D., (Director, State Public Charter School Authority, Department of Education):

We would anticipate convening a collaborative group similar to the way we review applications. We invite representatives from the districts that sponsor charter schools to meet with our team to review the applications and make recommendations whether to fund, or partially fund, the proposal from the charter school. Only charter schools with an approved application would be eligible for funding. In the last review we approved 4 out of 14 applications that were submitted.

Assemblyman Hickey:

It sounds like your process qualifies the schools through a strict process.

Joint Subcommittee on K-12/Higher Education/CIPS
Senate Committee on Finance
Assembly Committee on Ways and Means
April 17, 2013
Page 52

Dr. Canavero:

We have implemented national model standards.

Chair Denis:

I am requesting that Fiscal Staff conduct an analysis on option three and to also identify any available federal funds.

With no further items on the agenda, this meeting is adjourned at 10:20 a.m.

RESPECTFULLY SUBMITTED:

Annette Teixeira,
Committee Secretary

APPROVED BY:

Senator Moises Denis, Chair

DATE: _____

Assemblyman William C. Horne, Chair

DATE: _____

Joint Subcommittee on K-12/Higher Education/CIPS
 Senate Committee on Finance
 Assembly Committee on Ways and Means
 April 17, 2013
 Page 53

<u>EXHIBITS</u>				
Bill	Exhibit		Witness / Agency	Description
	A	1		Agenda
	B	2		Attendance Roster
	C	42	Fiscal Division	Joint Subcommittee on K-12/Higher Education/CIPS Closing List #2 April 17, 2013