

**NEVADA DEPARTMENT OF EDUCATION
COMMISSION ON SCHOOL FUNDING
JULY 22, 2022
9:00 A.M.**

Office	Address	City	Meeting
Department of Education	2080 E. Flamingo	Las Vegas	Room 114
Department of Education	700 E. Fifth St.	Carson	Board Room
Department of Education	Virtual/Livestream	n/a	n/a

SUMMARY MINUTES OF THE COMMISSION MEETING

COMMISSION MEMBERS PRESENT

Dr. Nancy Brune
Dusty Casey
Andrew J. Feuling
Jason Goudie
Guy Hobbs, Chair
Paul Johnson
Mark Mathers
Punam Mathur
Joyce Woodhouse

DEPARTMENT STAFF PRESENT

Heidi Haartz, Deputy Superintendent for Student Investment
Jessica Todtman, Deputy Superintendent for Educator Effectiveness and Family Engagement
James Kirkpatrick, State Education Funding Manager, Student Investment Division
Beau Bennett, Management Analyst IV, Student Investment Division

LEGAL STAFF PRESENT

Greg Ott, Chief Deputy Attorney General

AUDIENCE IN ATTENDANCE

Brenda Pearson, Clark County Education Association

1. CALL TO ORDER, ROLL CALL, PLEDGE OF ALLEGIANCE

Meeting called to order at 9:04 A.M. by Commission Chair Guy Hobbs. Quorum was established.

2. PUBLIC COMMENT #1

Brenda Pearson, Clark County Education Association, provided public comment regarding the recommendations of the Commission. *(A complete copy of the statement is available in Appendix A).*

3. APPROVAL OF COMMISSION MEETING MINUTES

Member Paul Johnson moved to approve the June 24, 2022 Commission Meeting Minutes. Member Joyce Woodhouse seconded. Motion passed unanimously.

4. NEVADA DEPARTMENT OF EDUCATION UPDATE

Heidi Haartz, Deputy Superintendent for Student Investment, Nevada Department of Education, (NDE or Department) provided an update regarding the work of the Department since the June meeting.

Deputy Superintendent Haartz noted that the Department has been working to finalize the wording of the recommendations that have been previously approved by the Commission on School Funding. Those wording changes were just to add clarity, they did not change the intent of anything Chair Hobbs has confirmed this as well. The Department has also submitted those recommendations to the Legislative Committee on Education in anticipation of a presentation that Chair Hobbs will be making to that group next Friday. In those recommendations, the Department did make a note that the Commission is still considering agenda item six from today's agenda which is whether to recommend utilization of the DETR data when calculating the wage and salary portion of the Nevada Cost of Education Index. The Department did want to share with the Commission that when Chair Hobbs presents before the Committee on Education next Friday morning, that he has been asked to focus his presentation on three areas. The first is a discussion of the recommendations put forward by the Commission on School Funding in the 2021-22 interim as well as a brief overview of the revenue study that is being conducted in conjunction with the report that is required through Assembly Bill 495 from the 2021 session. Lastly, the Chair has been asked to provide an update on the Commission itself and its' functionality to the members of the committee as well as any recommendations related to improving the way the Commission does its' work and any policy recommendations specific to the Commission.

Deputy Superintendent Haartz asked the Commission if there were any specific recommendations that it would like to ensure that Chair Hobbs includes in his presentation to the Legislative Committee on Education. Member Jason Goudie noted that he does not have many specific components around the functionality, he believes that the Commission could complete its' work but would like to note for the record that the Commission still needs to consider the potential for funding as the Commission would still potentially need the assistance of experts in areas which Chair Hobbs does not have the expertise or the time to put in the detailed work. Member Johnson suggested a CPA firm, or an external entity fill the role of a co-custodian of the Pupil Centered Funding Formula so that if the individual with knowledge leave or turnover, that the formula does not fall into disrepair. Chair Hobbs suggested allowing the commission to meet even during the legislative session at the request of the legislature.

5. INFORMATION AND DISCUSSION REGARDING MESSAGING RELATED TO OPTIMAL FUNDING

Brian R. Gordon, Principal, Applied Analysis, provided a PowerPoint presentation regarding [Possible Revenue Options for Supporting Optimal Funding for K-12 Education through the Pupil Centered Funding Plan.](#)

Chair Hobbs noted that because of the way that taxable retail sales are defined in the constitution as being tangible at retail, expanding the existing sales tax base to intangibles would not seem to be permitted in that regard. In other words, you couldn't just make that base larger and pretend that nothing else changed because you would then be applying sales tax to things that are not tangible and thus be contrary to the definition in the constitution. Chair Hobbs stated that what we are really discussing is identifying other areas of trade that are currently not subject to the sales and use tax as it is defined in Nevada and applying an excise tax to those. The sales tax is an excise tax but not using the sales and use tax act as the method for doing it.

Chair Hobbs asked the Commission if they agree that looking at expanding the base over which excise taxes are applied is a better route to take than simply focusing on the rate side and applying it to the base as it currently exists for sales tax. Member Goudie noted that one thing the Commission needs to consider is that they are looking at this over a ten-year period and he presumes that over the ten-year period, rate should be considered. From a political perspective, given where we were in a lot of the categories as to rate, going down that route right now would prove problematic. Member Goudie suggested focusing on the base right now with some language stating that rate may need to be considered along the time frame. Chair Hobbs agreed.

Chair Hobbs asked if the base should be expanded in such a way that all entities currently receiving sales tax revenue will also proportionately benefit from the expanded base or, should all the revenue be directed to education. Chair Hobbs noted that if multiple parties were to benefit from the expansion of a base, there would most likely be broader support. On the other hand, the Commission's task is to identify and maximize funding for education. Member Johnson responded that he could agree that raising revenue for all entities would create a larger pool of collaboration, but as Chair Hobbs indicated, the Commission's charter is to raise funds for education. Member Johnson noted that now there is a State Education fund, a source that is segregated from the rest of the State budget where an increase in tax or an additional tax to the State Education fund can be traced. It is more transparent for taxpayers and a somewhat easier task for legislators to identify potential revenue for the benefit of education.

Member Goudie noted that he agreed with member Johnson and Chair Hobbs and added that the Commission is not taking away from any other entity, when you have a tax that is going to be dedicated to education and ends up resulting in a lower tax revenue source for somebody else that becomes less palatable. The Commission is creating an additional mechanism to create additional K-12 funding.

Chair Hobbs noted that the report could illustrate the revenue raising potential under either approach. Member Goudie suggested wording the report by explaining the financial result, then the recommendation of the Commission is a dedicated rate to education instead of providing two options. The Commission agreed.

Chair Hobbs noted the areas of trade that could be included in a recommendation or quantified to show revenue producing potential. These included digital goods, personal care, telecommunications, and recreation. As the Commission moves along in this process, it will have to adapt the numbers to what is done on the property tax side and relate them to the identified targets.

Looking at the personal care services with total sales nearing \$6 billion, Chair Hobbs asked if there were any items on the list that should be excluded because it would otherwise reflect negatively on this category. Member Goudie expressed concern with the veterinary services line item. Chair Hobbs suggested going forward with the personal care category modified to not include death care and veterinary services, and an inspection of the other personal services category to see if there is anything that would be more problematic to include. Chair Hobbs asked if this category was pursued with his suggestions, would the Commission want to include personal care services. The Commission agreed.

Regarding the telecommunications category, Chair Hobbs noted that some of the telecommunications are being taxed as franchises. Chair Hobbs asked the Commission's thought on including telecommunications as an example. Member Johnson asked Chair Hobbs if he proposes that if there is already a franchise tax, then it would be exempt from the new tax or if they would be taxed on top of the franchise fee. Chair Hobbs responded that this is a detail that should survive the legislative scrutiny, an offset for franchise fees or something of that nature could certainly be encoded at that point. It would reduce the revenue either on the franchise side at the local level or on the State side. Chair Hobbs noted that it is a robust area, and the question remains if the telecommunications category should be included in the examples that the Commission puts forth.

Member Mathers noted that he considers the telecommunications category somewhat like a utility which then raises the question about utilities in general. California has a utility users' tax that applies to a number of utilities such as electricity and natural gas. Member Mathers asked if there is a utility users' tax in Nevada. Chair Hobbs responded that nothing comes to mind but that is not to say that the Commission shouldn't confirm that. Member Mathers suggested a utility users' tax as another possible area to consider for tax revenue because Nevada's neighboring State implements a utility users' tax. Member Mathers noted that if the Commission were to suggest taxing one form of utility, why not consider other utilities.

Member Brune suggested examining the types of categories that other states have imposed tax that Nevada has not. Member Brune noted that she believes that it is important for the Commission to be clear about the decision principles or framework that it is using so that they are not perceived as picking winners and losers.

Regarding the other amusement and recreations line item in the recreation category, Chair Hobbs asked if there were any dominant in this category. Mr. Gordon responded that this category includes county clubs, golf clubs, ski resorts, boating clubs, amateur sports, recreational ballrooms, beaches, billiards, parlors, dance halls, driving ranges, and miniature golf. Chair Hobbs asked the Commission its' thoughts about this category. Member Goudie expressed concerns with the museums, heritage, zoo, and recreational line item of the recreation category. Museums may be discretionary, but they are educational and part of our communities. Member Goudie noted that if he were to exclude any of the line items, this would be the one.

Chair Hobbs asked if the Commission agrees with adding an excise tax for areas of trade not currently subject to sales and use tax as part of the Commission's recommended method of funding. The Commission agreed.

6. PRESENTATION ON THE NEVADA COST OF EDUCATION INDEX USING NEVADA DEPARTMENT OF EMPLOYMENT, TRAINING, AND REHABILITATION (DETR) SALARY AND WAGE DATA

James Kirkpatrick, State education Funding Manager, Student Investment Division, NDE, provided a PowerPoint presentation regarding the [Impact on the Nevada Cost of Education Index using the Nevada Department of Employment, Training, and Rehabilitation \(DETR\) Data for Salary and Wages](#).

Member Woodhouse expressed concern with the proposed Raw NCEI Index that would increase the number of districts below the 1.0 from five to ten. Member Woodhouse noted that until the day comes when Nevada can truly fund k-12 education at the level it must, she would prefer to retain the existing methodology.

Chair Hobbs asked if the districts that would migrate below the 1.0 with the proposed Raw NCEI Index are mostly rural districts. Mr. Kirkpatrick responded that of the districts below the 1.0, two of them are funded through the pupil centered funding plan currently, so they would not be eligible to slide back into the hold harmless provision. Additionally, six of the districts above the 1.0 are currently funded at the hold harmless or the fiscal year 2020 baseline amount.

Member Jason Goudie expressed concern with the proposed Raw NCEI Index methodology considering the significant range from lowest to highest in the proposed NCEI calculations for each district. Member Goudie noted that the district with the lowest index would drop 16% in base funding, and he would not feel comfortable exposing some of these districts to that risk.

Member Andrew Feuling asked if the current Raw NCEI Index and the Proposed Raw NCEI Index calculations generated in the same way. Mr. Kirkpatrick responded that the current methodology for the NCEI was developed by a vendor, and they did a regression analysis. Mr. Kirkpatrick noted that he cannot speak to that, but it is vastly different that the methodology used using the DETR wage data. Mr. Kirkpatrick noted that in prior presentation, he did outline the methodology that was used, and it was proposed by Washoe County and has been followed. To the fluctuations in the data, when using the DETR wage data, you are using everything from every industry and ownership level and any time one component of that data changes, all the data changes.

Member Mark Mathers noted that the range dispersion is less than what was seen in June. The difference between the highest and lowest index has been narrowed by including those other industries and sectors that the Commission voted on. Member Mathers noted that the proposed NCEI index is one adjustment, and it cannot be said that it will have a pro rata impact on districts. Depending on who is above or below 1.0, there could be a negative aggregate adjustment or positive aggregate adjustment. If there is a negative aggregated adjustment, then those monies would flow back through the model. It is very difficult to say what the actual per pupil impact of using this index is, but it would be wrong to think that there will be direct impact related to these numbers on districts per pupil amounts. The district at 1.154 will not get 15.4% more than the district at 1.0 that is not how the math would work. Member Mathers noted that potentially, the six districts that would be above the 1.0 with the proposed NCEI index and are currently funded at the hold harmless or fiscal year 2020 baseline amount, could get out of the hold harmless status by being above the 1.0. Member Mathers believes that potentially there is an actual greater benefit to rural districts by using the proposed methodology rather than the prior methodology.

Member Mathers noted that the philosophy of a comparable wage index is that counties that have higher wages of other professions, the district must compete for labor with those other professions. So, if those other professions are being paid higher than county x versus county y, then presumably teacher wages must be higher in county x than in county y to be able to compete and fill their teacher vacancies. That is the philosophy of this whole concept. Member Mathers believes that it would be an unbelievable error to go back to the flawed methodology that we are currently using, which does not allow candidates by county calculations which is based on sample data not real data. Member Mathers noted that we know that the numbers do not reflect reality for Washoe, Carson, or Douglas counties just to name a few. It is not the case that we can afford to pay our people less than some neighboring rural counties. This puts those three counties at an incredible disadvantage where we can't pay our teachers enough to be able to afford the housing cost that are going through the roof in our three counties.

Member Mathers stated that he believes if the Commission does not like the proposed Raw NCEI Index, the only intellectually honest response is to submit a recommendation to the legislature to eliminate the concept of cost of wages/living comparable wage index. Member Dusty Casey agreed.

Member Casey asked Mr. Kirkpatrick if he has plugged the numbers into the proposed PCFP model and if it adjusts the statewide base significantly after everything filters out. Mr. Kirkpatrick responded that he has not plugged these specific numbers into the model, but when the original model was being built, he had set everyone to a zero and that could impact the statewide base.

Member Punam Mathur noted that the methodology for the DETR data makes sense, it is not very old, it is

localized, current, and relevant. Last month the Commission went through the exercise of which industry codes should be included and there was clear consensus. Looking at that point alone, it seems clear that the proposed Raw NCEI is the better methodology. Member Mathur noted that she does not agree that the Commission should abandon any attempts to consider in a formula the cost of doing business because there is such variation that it feels incomplete as a formula to be mute, blind, or oblivious on that topic, and that she does not agree with Member Mathers that Commission should eliminate the cost of wages/living comparable wage index. Member Mathur stated that the NCEI defined by DETR data seems like a clear, crisp, transparent, and understandable way to base it and if the methodology is right and the Commission believes strongly that it is the right way to do the math, the answer on the other side of the equal sign is going to be the answer on the other side of the equal sign. Member Mathur noted that the Commission cannot ignore the fact that if this change is made there will be two districts that will find themselves below the water line with no life jacket.

Deputy Superintendent Haartz noted that the Department does not know whether districts would fallout of being funded through the Pupil-Centered Funding Plan because of this change in this one adjustment. There are several adjustments in the Pupil-Centered Funding Plan including enrollment growth or lack thereof, which has not been contemplated for the next biennium.

Member Feuling noted that just because a district would go from below 1.0 to above 1.0, that does not mean that they will be in hold harmless. Carson City is at approximately 0.96 and if it were to go to 1.0, it does not necessarily mean it is out of hold harmless because it is only one of the many factors that are being considered. Carson City School District will never be over 1.0 because the parents of the kids in Carson City, more of them collect PERS than any other job category in Carson City. Carson's parents will receive less wages on average. Member Feuling noted that Carson students are punished with any type of adjustment to the NCEI so that is the ultimate reason why he is in support of member Mathers's suggestion to recommend elimination of the concept of cost of wages/living comparable wage index.

Member Paul Johnson noted that he disagreed with the elimination of a cost index because economies of scale require that there be some sort of cost index. There is not going to be a perfect cost index. Member Johnson noted that he would like to see more of the details and the minutia of the proposed NCEI and the impacts as it applies to the formula. Member Johnson noted that he is not prepared to move forward on the DETR data yet. Using the DETR data would have a direct impact on the amount of money that a school districts receives; it could throw them into a larger deficit and hold harmless.

Chair Hobbs noted that this recommendation is one that the Commission was supposed to have made by now. It is included in the letter to the Chair of the Joint Interim Standing Committee on Education, and as of right now the letter states that it is a work in progress. Chair Hobbs asked what the ramifications are of it remaining a work in progress. Deputy Superintendent Haartz responded that with respect to the immediacy of the recommendation that is being considered today, the goal was to have resolution so that your recommendations on behalf of the Commission can be presented to the Legislative Committee on Education next week. The Commission has a responsibility defined in statute that says the Commission will monitor the implementation of the Pupil-Centered Funding Plan and will review the statewide base per-pupil funding, the adjusted base, and all other weighted funding every interim and make recommendation either to the Superintendent of Public Instruction or to the Legislative Committee on Education. So, if the Commission finds that they are not in a position today to recommend a change, there is an ongoing opportunity to continue to review and to refine. The purpose of the Commission is to make sure that the Pupil-Centered Funding Plan can be modified as necessary to ensure successful implementation and be reflective to the needs of our State.

Chair Hobbs suggested the creation of an informal working group that would include the CFOs of the

Commission to work with NDE between now and next meeting to generate some alternatives that the CFO's can see eye to eye on. The Commission agreed.

7. INFORMATION AND DISCUSSION REGARDING THE IMPACT OF OPTIMAL FUNDING ON EDUCATION

Member Feuling provided an update on the collaborative work of the Nevada Association of School Superintendents and members of the Commission and allowed members Johnson and Goudie to elaborate further.

Member Johnson noted that the Nevada Association of School Superintendents task was to explain what would be done if they were given more money for school districts to provide the most bang for the buck. Several priority issues were defined by description only, and now the task is to put dollar amounts to the issues to figure out what it meant in terms of fundraising capacity. It was determined that a total of approximately \$3.5 billion worth of quantifiable demand. This ranges from additional staffing, the cost of additional wages to have a livable wage, supports for social emotional learning for students, and environmental issues with respect to schools to make the profession of teaching more desirable.

Member Goudie noted that he and his team identified several areas to make the profession of teaching more desirable. Member Goudie and his team looked at creating new pathways into the education profession and staff leadership pathways etc. that CCSD has either started or has considered utilizing ESSER funding to accomplish. His team then tried to identify those sorts of services that can be translated into a per-pupil, per-employee, per-school, or something cost so that they could then apply some general parameters to estimate costs that would be incurred by the State to implement models statewide. Member Goudie noted that approximately 70% of the work is done and the next 30% will be completed as quickly as possible and hopefully presented at the next Commission meeting.

8. INFORMATION AND DISCUSSION REGARDING MESSAGING RELATED TO OPTIMAL FUNDING

Member Mathur provided an update on the work of the messaging related to optimal funding working group. The working group is waiting for the work by Applied Analysis which will be the centerpiece of the case. The working group believes that they need to provide the public and legislators a primer on what the formula is because not everyone has paid such close attention. A reminder of modernization elements and a primer on the formula itself. From there, the requirement to come up with a ten-year plan, the information from NASS on what will be achieved, and finally examples of specific investments around modernization and contemporizing and what results they have yielded.

Member Mathur noted that the work group does feel that there is complexity around getting too vigorous with the Commission's message around the election. People are not paying attention, elected officials are not prone to say that they embrace the idea wholeheartedly. The work group believes that timing wise, they are better off refining the message and beginning in earnest in mid-November.

9. DISCUSSION REGARDING THE DEVELOPMENT OF THE REPORT REQUIRED OF THE COMMISSION BY ASSEMBLY BIL (AB) 495 FROM THE 2021 LEGISLATIVE SESSION

Chair Hobbs noted that he has developed an outline of the Report that largely takes the same form as what member Mathur had discussed in the previous item. There is an introductory section that outlines the reasoning behind the actions of the Commission, which then leads to sizing the challenge because that was one of the mandates given to the Commission by SB 543 to identify the delta between optimal funding and where Nevada currently resides. Chair Hobbs noted that he personally believes that the delta is the most important aspect of the report and that it is established without debate around whether the numbers are accurate. The Commission has seen the Nevada per-pupil spending compared to the national average

compared to APA. The Commission is in the process of reading footnotes to ensure that each excludes capital, interest on debt and includes federal funds so they are comparable. Chair Hobbs noted that his brief interaction with the Interim Committee on Revenue, a couple of members predictably started to question those numbers. The Commission needs to spend time to ensure that those numbers bulletproof. Chair Hobbs believes the main message that the Commission can send is that yes indeed Nevada Education is underfunded, forget about the rankings here are the numbers and they have been purified and sanitized to the best extent possible. Chair Hobbs noted that once the first part of the report is established, then a discussion can be held about the other part of the Commission's mandate which is how to achieve the target levels of funding over a ten-year period.

10. FUTURE AGENDA ITEMS

Chair Hobbs noted the routine agenda items such as Department of Education update, an item with regard to optimal funding focusing more on the property tax side, an item regarding the Nevada Cost of Education Index, and update from the Nevada Association of School Superintendents, an item regarding messaging related to optimal funding, and a status report on the development of the report required of the Commission by AB 495.

11. PUBLIC COMMENT #2

No public comment.

12. ADJOURNMENT

Meeting was adjourned at 1:22 P.M.

APPENDIX A: STATEMENTS GIVEN DURING PUBLIC COMMENT

1. Brenda Pearson, Clark County Education Association, provided public comment regarding the recommendations of the Commission.

APPENDIX A, ITEM 1: BRENDA PEARSON

Good morning. My name is Brenda Pearson and I represent the Clark County Education Association. CCEA appreciates the hard work of this commission and the insightful work put into discussing and recommending these changes to the Pupil Centered Funding Plan. At this time CCEA does not agree on every recommendation this commission has put forward in your tenure. For instance, utilization of a four-year average for auxiliary service allocations is likely to provide a skewed picture of what students who have had the opportunity to access those services and may misrepresent the socioeconomic position of our students. Further, the recommendation to fund auxiliary services and transportation for schools that have not historically offered these services will be very costly. CCEA believes that our top priority must be funding our traditional public schools to the national average followed by the optimal funding prior to online charter schools that do not provide the same services as in person learning. That we do not with every recommendation, CCEA is supportive of the Commission's recommendations to improve implementation of the PCFP within the limits of appropriate funding. The recommendations to revise the optimal level of funding for public schools within 10 years and the revisions to statute and regulations to improve efficiency and effectiveness of the system and the success of our students. As we approach yet another school year, CCEA emphasizes that large class sizes, low pupil funding, and limited resources hurt both our educators and the learning that occurs with our students in our schools. When our current national consumer price indices and national wage and salary data are prioritized over State specific indices, we ignore the intricacies of in Nevada's economy that provide barriers to both teacher recruitment and retention. For that reason, CCEA supports the Commission exploration and prospective adoption of the DETR data to calculate the salary and wage portion of the Nevada Cost of Education Index as well as the adoption the State specific CPI to ensure that our educators have the quality of life that is attainable. Money alone will not higher the nearly 1500 educators in the Clark County School District that are vacant right now. But money with full implementation of PCFP, decreases class, and increased per pupil funding will create an environment that will help recruit and retain our teacher while training the workforce of the future. Thank you.