

**NEVADA DEPARTMENT OF EDUCATION
COMMISSION ON SCHOOL FUNDING
JANUARY 8, 2021
9:00 A.M.**

Meeting Location

Due to the circumstances created by the COVID-19 pandemic, the Commission on School Funding met via videoconference. In accordance with Governor Sisolak's State of Emergency Directive 006, Section 1, no physical location was designated for this meeting. The meeting was livestreamed on the Nevada Department of Education's (NDE) website.

SUMMARY MINUTES OF THE COMMISSION MEETING

COMMISSION MEMBERS PRESENT

Via Videoconference

Dusty Casey
Andrew J. Feuling
Jason Goudie
Guy Hobbs
Dr. David Jensen
Paul Johnson
Mark Mathers
Punam Mathur
Dr. R. Karlene McCormick-Lee
Jim McIntosh
Dr. Lisa Morris Hibbler

DEPARTMENT STAFF PRESENT

Via Videoconference

Heidi Haartz, Deputy Superintendent of Business and Support Services
Jessica Todtman, Chief Strategy Officer
Will Jensen, Director, Office of Inclusive Education
James Kirkpatrick, Administrative Services Officer III
Beau Bennett, Management Analyst IV
Megan Peterson, Management Analyst III

LEGAL STAFF PRESENT

Via Videoconference

David Gardner, Senior Deputy Attorney General

SUBJECT MATTER EXPERTS PRESENT:

Via Videoconference

Jeremy Aguero, Applied Analysis

AUDIENCE IN ATTENDANCE

Via Videoconference

1: CALL TO ORDER; ROLL CALL

Meeting called to order at 9:01 A.M. by Commission Chair R. Karlene McCormick-Lee. Quorum was established.

2: PUBLIC COMMENT #1

Dr. Kristen McNeill, Superintendent, Washoe County School District, submitted public comment regarding the Pupil-Centered Funding Plan (PCFP). *(A complete copy of the statement is available in Appendix A)*

Ryan Russell and Robert Salyer of Allison MacKenzie Attorneys & Counselors at Law submitted public comment on behalf of some school districts regarding the PCFP. *(A complete copy of the statement is available in Appendix A)*

The Nevada State Education Association submitted public comment regarding the PCFP. *(A complete copy of the statement is available in Appendix A)*

3: APPROVAL OF COMMISSION MEETING MINUTES

Member Paul Johnson moved to approve the December 18, 2020 Commission minutes. Member Punam Mathur seconded. Motion passed.

4: NEVADA DEPARTMENT OF EDUCATION UPDATE

Heidi Haartz, Deputy Superintendent for Business and Support Services provided an update to the Commission regarding the work of the Nevada Department of Education (NDE or the Department) since the December Commission meeting.

Deputy Superintendent Haartz reported that the Department has been working with the Governor's Finance Office regarding implementation of the Pupil-Centered Funding Plan (PCFP). Fact sheets continue to be developed and revised regarding the work of the Commission and the PCFP. Once complete, they will be posted to the Department's website. The recommendations that the Commission made to the Governor and Legislature in July are currently posted to the website. Deputy Superintendent Haartz provided an overview of [budgetary items](#) regarding fiscal year 2021 (FY21) and the FY 22-23 biennium.

James Kirkpatrick, Administrative Services Officer III, provided an overview of changes to the [PCFP Model](#) in response to a prior request from the Commission. Member Johnson expressed concerns regarding the anticipated inflation, as it appears to be low, and Member Mark Mathers agreed. Member Andrew Feuling provided background information about the "successful schools" referenced within the presentation were a cohort of schools that are successful despite being inadequately funded. Member Feuling also confirmed that current education funding is approximately \$4 billion, and to fully fund the PCFP, including the weights, and bringing all districts out of hold-harmless, would require approximately \$6.75 billion. Responding to a question from Member Mathers, Deputy Superintendent Haartz noted it would cost \$553 million to fully fund the weights in FY22 at the current per-pupil amount. To fully fund the APA-recommended base per pupil amount of \$9,238 in FY22, it would require an additional \$1 billion in revenue. To fully fund the weights at that per pupil amount it would require an additional \$763 million, for a total of \$1.8 billion. Member Mathers asked if there would be an adjustment for FY23 inflation if it is higher than expected, or if the amount estimated for FY23 inflation is definitively set as of FY21. Deputy Superintendent Haartz provided an overview of the legislative budget process, inclusive of Senate Bill (SB) 543 related to the determination of inflation and indicated that FY23 would be dependent upon that process.

Member Dusty Casey requested data regarding operating costs per pupil for districts year over year for the past decade for context. He clarified that the \$7,182 per pupil amount was before equity adjustments, including small schools, small districts, or the Nevada Cost of Education Index (NCEI). Regarding hold harmless and maintenance of effort (MOE), Member Casey questioned if hold harmless numbers should remain the same once MOE is removed from the model. Member Casey asked that the APA-recommended per pupil number be updated to reflect current need and contexts.

Member David Jensen reflected that hold harmless does not account for student growth, and that failing to move forward may keep districts in hold harmless for nearly a decade. He suggested that there may need to be a

recommendation regarding enrollment growth and the hold harmless. Member Johnson reflected that information regarding per pupil amounts generated during earlier studies were no longer accurate. Member Casey stated his belief that the first priority must be equity measures, such as funding the weights; however, special education must also be factored and is no longer included in the weights. Member Mathur reflected that the weights and the base seem to weigh more heavily for prioritization.

Member Morris Hibbler asked if there were currently dollars to support the hold harmless and there would be shortages in future years, or if hold harmless funding was already sparse; Chair McCormick-Lee noted that the Commission would need to strategize how best to address the range of shortages in such a way that there is continuous improvement over time for all districts. Member Mathers requested that special education be included in the discussion regarding weights, to ensure that it is included in conversations regarding fully funding the PCFP, as base dollars are still being used to provide special education services. Member Mathers further noted that ideally, once Optimal Funding is reached, no base funds should be used to fund the special education MOE.

5: DISCUSSION REGARDING THE TRACKING OF LOCAL MAINTENANCE OF EFFORT (MOE) FOR SPECIAL EDUCATION IN THE STATE EDUCATION FUND

Deputy Superintendent Heidi Haartz and Will Jensen, Director of the Office Inclusive Education, conducted a PowerPoint presentation regarding [MOE for Special education in the State Education Fund](#).

Member Johnson noted that local contributions to special education have gradually exceeded the State contributions and this trend is a concern in moving special education outside of the formula. Member Mathur asked if it was possible to keep special education as a weight, although perhaps a total enrollment weight rather than a per pupil weight. She expressed concern that moving special education outside of the waterfall reduces the transparency of the formula. Chair McCormick-Lee asked if there was a mechanism to calculate the special education dollars and put it within the waterfall. Deputy Superintendent Haartz noted that there are a number of ways to account for local MOE dollars. Chair McCormick-Lee asked if the total amount for State and local MOE funds would be at the top of the waterfall and protected at an auxiliary level. Deputy Superintendent Haartz responded that the Department could review and assess that scenario but expressed that running the MOE through the PCFP may hinder equity across all districts and tier levels.

Member Johnson expressed concerns with the transparency of special education funding within the PCFP. Chair McCormick-Lee noted that dollars would be allocated to districts through the protected auxiliary component, then districts would determine their MOE and place those funds into the special education fund. Member Johnson asked for and received confirmation that the approach noted by the Chair would keep the funds within the State Education Fund, including revenues earmarked for special education. Member Johnson also reflected that administrative costs do not currently reflect the costs for any of the weighted programs. Ultimately, he noted that keeping funds in one place was more transparent and giving districts the option to transfer as needed was preferential, which he believed the auxiliary tier would accomplish.

Members Mathers and Casey both expressed hesitance regarding the current special education plan and supported reviewing alternative options to ensure adequacy and equity. Member Jason Goudie disagreed with a weight for special education, as adequacy is not measured at a weight but as the cost of any given student's Individualized Education Program. He said that special education is much like transportation costs, in that the amount is equal to the need, and the concern is with regard to determining the current need and ensuring appropriate funding to match that need. Member Goudie questioned whether including special education in the waterfall will necessarily drive an increase in funds. Member Feuling noted that some states fund special education based on a percentage of prior year expenditures, which reflects that students' needs change from year to year.

[Convenience Break]

6: DISCUSSION REGARDING MODIFICATIONS TO THE PUPIL-CENTERED FUNDING PLAN MODEL RECOMMENDED BY THE COMMISSION

Deputy Superintendent Heidi Haartz and James Kirkpatrick, Administrative Services Officer III, Business and Support Services, conducted a PowerPoint regarding [Modifications to the PCFP Model](#).

Chair McCormick-Lee asked for clarification regarding the exact nature of the Commission's recommendation to the Legislature regarding MOE; Mr. Kirkpatrick clarified that the exact language of the recommendation was the "State maintenance of effort (MOE) and federal funding for special education should be transferred to a separate account within the State Education Fund and the requirement for determining a per pupil amount in the weighted funding portion of the Pupil Centered Funding Plan should be removed from statute." Mr. Kirkpatrick noted that today's discussion was regarding the local portion of MOE, while the recommendation to the Legislature was regarding the State portion of MOE.

7: DISCUSSION REGARDING THE MAXIMUM AMOUNT OF FUNDING ALLOCATED TO THE NEVADA DEPARTMENT OF EDUCATION FOR ADMINISTRATIVE EXPENSES

Deputy Superintendent Heidi Haartz and Beau Bennett, Management Analyst IV, Business and Support Services, conducted a PowerPoint regarding [Department Administrative Funding and Staffing](#).

Members Feuling and Johnson noted that the size of NDE compared to other state education agencies is a reflection of education funding differentials among states generally. Member Mathur asked for the current number of Department employees, which Mr. Bennett noted is 169. Member Mathur further asked if recommendations for the Department are within the purview of SB 543, to which Deputy Superintendent Haartz noted such recommendations were not precluded. Member Mathur noted that the Department has initiated numerous reforms, improvements, and Statewide programs since 2015, but their staffing has remained frozen.

Member Jim McIntosh asked about the major costs of the Department outside of salary and benefits and asked if it was comparable to other state Departments. Mr. Bennett noted that other major costs include items such as travel, contracts, and pre-Kindergarten, but it was currently not possible to compare NDE's expenses to other states'. Member Jensen stated that NDE is as gravely understaffed as are Nevada school districts and charter schools; however, because NDE does their job and does it well, the assumption is that they don't need more staff. He pondered what NDE could do if the Department were optimally staffed and funded. Member Mathur reflected that examining the tools or systems required at the State to make implementation, reporting, and accountability that much more transparent and efficient.

Chair McCormick-Lee asked if a comparison was done with those states funding per pupil amounts approximately funding at "adequate" and/or "optimal" rates, and what tools or recommendations may be needed to move towards adequate and/or optimal. Mr. Bennett noted that a comparison by per pupil amounts could be completed, which may also provide information on where the Department's target should be. Deputy Superintendent Haartz noted that during the 31st Special Session there were budget reductions which included funds that had been earmarked for updating the Department's fiscal management systems.

Deputy Superintendent Haartz asked for the Commission's input regarding the administrative cost ratio for the Department and noted that districts with over 100,000 students were capped at 5 percent for administrative costs. Member Johnson supported recruiting expert consultants to conduct a review and provide input regarding streamlining efficiency. Chair McCormick-Lee confirmed that the goal was ultimately for funds to flow through the waterfall and ultimately provide a certain percentage of administrative costs to NDE.

8: DISCUSSION REGARDING OPTIMAL FUNDING

Chair McCormick-Lee facilitated a discussion regarding the [Definition of Optimal Funding](#).

Chair McCormick-Lee opened the discussion by soliciting thoughts on restoration of funding. Member Jensen requested further information regarding federal Elementary and Secondary School Emergency Relief dollars forthcoming through the Coronavirus Response and Relief Supplemental Appropriations Act. Deputy Superintendent Haartz responded that the Department is awaiting further guidance regarding the use of the funds.

Member Mathur supported an approach of expressing to the Legislature that funding to the status of "restore and maintain" must be done urgently. Member Mathur asked if the restoration number includes restoring the reductions made to the Department. Deputy Superintendent Haartz noted that this morning's presentation did not.

In total for restoration, the Commission focusing on restoring reductions as made through Assembly Bill 3 (31st Special Session), plus inflation and enrollment, as well as the Special Session reductions for the Department.

Regarding adequate funding, in addition to fully funded weights and the APA recommended per pupil base, Member Casey expressed the need to include metrics for special education and to revisit the APA-recommended per pupil base as it may be higher given inflation. Member Johnson added that the APA-recommended per pupil amount was also based on special education as a weight, which would need to be taken into consideration if updating the amount.

In total for adequate funding, the Commission included fully funded target weights, the APA recommended per pupil base, special education increases, NDE funded at an adequate level, and inflation and enrollment growth.

Regarding optimal funding, Chair McCormick-Lee asked for thoughts about how to calculate optimal. Member Mathur suggested focusing on restore and adequate, and to develop optimal over time; however, she defined optimal to include eliminating opportunity or achievement gaps and to always meet students where they are. Member Johnson noted that finding data to define what optimal means will be difficult but may need to have a professional judgements approach. Member Jensen added that foundational work would need to be done with the Legislature to begin working towards the structures, supports, etc. needed for optimal. Member Morris Hibbler supported a piece-by-piece approach. Vice Chair Guy Hobbs emphasized the importance of developing the timing of movement within the 10-year timeline of the Commission.

Member Mathur moved to assign a \$200 million as the preliminary figure for “restore and maintain” and \$1.8 billion number as the preliminary figure for “adequate.” Vice Chair Hobbs requested that Member Mathur revise her motion to not include specific numbers, but instead by the methodology which generated those numbers.

Member Mathur agreed to amend her motion and moved to use the method determined for “restore and maintain” to include restoring funds from AB 3 (31st Special Session) to include inflation and enrollment, as well as the NDE reductions determined in the 31st Special Session; and the method determined for “adequate” to include fully funded target weights, the APA recommended per pupil base, special education increases, NDE funded at an adequate level, and inflation and enrollment growth, and with the understanding that the timeline of these items must still be built in. Vice Chair Hobbs seconded. Motion passed.

9: DISCUSSION AND RECOMMENDATIONS REGARDING POTENTIAL REVENUE SOURCES FOR OPTIMAL EDUCATION FUNDING

Vice Chair Guy Hobbs, Member Paul Johnson, and Jeremy Aguero, Applied Analysis, conducted a PowerPoint presentation regarding [Funding Recommendations](#).

Based on the presentation, Chair McCormick-Lee requested that each Commission member recommend their top three tax system principles. Member Johnson noted that taxing inconsistent sources, such as the net proceeds of minerals, can create voids when there are shortages or changes in production.

- Member Mathur prioritized revenue stability, revenue sufficiency, and predictability, and closely supported political viability.
- Member Casey prioritized revenue sufficiency, revenue stability, and competitiveness.
- Member McIntosh prioritized revenue sufficiency, revenue stability, and predictability.
- Member Goudie prioritized revenue sufficiency, revenue stability, and competitiveness.
- Member Mathers prioritized revenue sufficiency, vertical and horizontal equity, and competitiveness. Member Jensen prioritized revenue sufficiency, revenue stability, and competitiveness.
- Member Feuling prioritized revenue sufficiency, revenue stability, and predictability.
- Member Morris Hibbler prioritized revenue sufficiency, predictability, and vertical and horizontal equity.
- Chair McCormick-Lee prioritized revenue sufficiency, revenue stability, and transparency and vertical and horizontal equity.
- Member Johnson prioritized revenue sufficiency, revenue stability, and political viability.

- Vice Chair Hobbs prioritized revenue sufficiency, revenue stability, and noted that there was much crossover between other items, such as stability and predictability.

Member McIntosh noted that there is flexibility regarding what can be done with abatements. Member Johnson confirmed that the tax yields presented were statewide, not exclusively as applied to education. Member Feuling asked if the depreciation was unique to Nevada or if it was a recent change; Vice Chair Hobbs that it was not a recent change. Member Casey asked if property tax changes would bring Nevada on par with other states. Vice Chair Hobbs responded that Nevada has a favorable overall tax structure as compared to surrounding states. Member Johnson supported reviewing abatement. Member McIntosh asked if total property taxes would contribute to education or if there was a need to raise property taxes for public school operations. Vice Chair Hobbs noted that some counties are already at the 3.6% property tax cap, which would need to be raised to proceed further.

Member Feuling was surprised to find that 2/3 of economic activity in Nevada is not taxed and noted that this may be a good source to consider for funding. Member Mathur did express concern regarding vertical equity regarding sales tax.

Member Casey inquired how legislation regarding mining taxes would impact SB 543, and whether those taxes would go to their counties or the State. Deputy Superintendent Haartz responded that net proceeds of minerals would flow through the State Education Fund to be used for the counties where those taxes are generated to be the first dollars spent in those counties. Other pieces of legislation would have to be reviewed to determine how or if those dollars would flow through the State Education Fund and the PCFP.

Member Mathur asked if property and sales taxes could be used in their evaluation to determine which elements would be contributed by businesses to clarify the stakes and promote buy-in. Vice Chair Hobbs summarized that they would return to the Commission with more detailed information at its next meeting.

10: DISCUSSION REGARDING PUBLIC-FACING SUMMARY DOCUMENTS

This item was pulled from the agenda by the Chair.

11: FUTURE AGENDA ITEMS

Chair McCormick-Lee summarized future agenda items to include the administrative costs of NDE, refinement for the approach to calculating restored funding; revisiting special education; revisiting accountability and reporting guidance and communication tools; revisiting earlier recommendations of the Commission; reviewing if there are future recommendations to be made; and further discussion on optimal funding.

Member Johnson asked if there was interest in accelerating the frequency of their meetings due to the Legislative Session; Chair McCormick-Lee noted that their meetings require significant work completed by the Department. Chair McCormick-Lee suggested splitting their meetings into two days, as they had previously. Chair McCormick-Lee and Vice Chair Hobbs agreed to further discuss adding additional meetings or starting a subgroup in order for the Commission to be fully prepared to make recommendations to the Legislature.

12: PUBLIC COMMENT #2

Lindsey Dalley, Moapa Valley Community, submitted public comment regarding the funding plan and Clark County School District. *(A complete copy of the statement is available in Appendix A)*

13: ADJOURNMENT

Member Mathur moved to adjourn the meeting. Member Morris Hibbler seconded. Motion passed.

Meeting adjourned at 2:41 P.M.

Appendix A: Statements Given During Public Comment

1. Kristen McNeill submitted public comment regarding the PCFP.
2. Ryan Russell and Robert Salyer submitted public comment on behalf of some school districts regarding the implementation of the PCFP.
3. Nevada State Education Association submitted public comment regarding the PCFP.
4. Lindsey Dalley submitted public comment regarding Clark County School District.

Item A1, Dr. Kristen McNeill

Madame Chair and Members of the Commission on School Funding:

Thank you for your commitment to this process and all the work that has been done to date. Washoe County School District shares your commitment to implementation of a formula with fidelity. In that vein, I was heartened by the robust discussion at the last meeting on December 18th under agenda item 12 regarding a willingness to revisit the Regional Cost Adjustment and Comparable Wage Index. WCSD formally requests that reconsideration of this item be agendaized at the next feasible meeting. WCSD is prepared to come to that meeting with an analysis of the current methodology as well as possible Nevada-centric, transparent alternative solutions. Thank you for your consideration in this matter.

Item A2, Ryan Russell and Robert Salyer of Allison MacKenzie Attorneys & Counselors at Law
Madam Chair and Members of the Commission on School Funding:

We represent the following county school districts and their respective superintendents: Elko, Eureka, Storey, Douglas, Pershing, Lander, Lyon, Esmeralda, Lincoln, and Carson City.

First and foremost, we would like to express our discouragement at the actions of the Commission at the December 18, 2020 meeting and its unwillingness to consider almost all public comment requesting a delay in implementation of Senate Bill ("SB") 543. This Commission has repeatedly dismissed our requests without exploring alternative options by stating that it is not in the Commission's purview to make recommendations as they relate to the statutory deadlines of Senate Bill 543. Thus, it was surprising that the Commission elected to vote to recommend that SB 543 be implemented on its current schedule. If the Commission truly believes that such matters are beyond the scope of its authority, then this vote was not only unnecessary, but also improper.

In so voting, the Commission disregarded the severe consequences facing school districts around the state as a result of the impacts of the Covid-19 pandemic and the resulting budget cuts. It is also worth noting that we are not the only group requesting a delay in implementation. We are joined by myriad others who have been actively involved with the Commission since its inception and have consistently requested an implementation delay.

We further note that the Commission continues to not make any recommendations regarding funding the hold harmless provision of SB 543 to ensure that all Nevada students will be adequately provided for. To that end, we reiterate and stress our request that the Commission make a recommendation to the Legislative Committee on Education that not only the hold harmless provision be fully funded, but that implementation itself be delayed in order to achieve that basic mandate and to fully vet all aspects of SB 543. Such a recommendation is the Commission's only and best avenue to avoid the disastrous consequences that will inevitably flow from premature implementation of SB 543 on its current schedule.

We are grateful for the open and apparent diligence and consideration the Commission continues to demonstrate in grappling with difficult decisions. Especially those related to adequate versus optimal funding, and indeed with implementation. However, we continue to be distressed by the Commission's discussions of "winners and losers" and the idea that some students will "feel more pain than others." The pain that will be endured by the vast majority of Nevada school districts if implementation is rolled out as scheduled is wildly disproportionate to any possible benefit of rushed implementation. Indeed, the reality of the needs of most rural school districts are being minimized and sacrificed to benefit the urban "winners." That approach does not honor the statutory duties set out for the Commission nor the duties embodied in the Nevada State Constitution to provide a uniform system of schools.

In conclusion, we would implore the individual Commission members to contemplate the consequences of premature implementation. We also encourage the Commission to make a recommendation to the legislative committees to fully fund the hold harmless provision to ensure that the district "losers" will not experience financial ruin upon implementation.

Sincerely,

Ryan D. Russell, Esq. Robert M. Salyer, Esq.

Item A3, Nevada State Education Association

The Nevada State Education Association has been the voice of Nevada educators for over 100 years.

When SB543 was first released, NSEA was clear – any new funding plan that does not include new funding is destined to fail. Now, more than a year and a half later, this is even more true. No one could have foreseen the COVID-19 pandemic and the associated economic crisis hitting hardest here in Nevada. The unfortunate new reality is Nevada is falling further away from optimal funding for public education. During the first Special Session last summer, Nevada cut \$156M from the education budget, including total elimination of weighted funding for at-risk students and English learners—the very basis for the new funding plan. And with COVID-19 cases and hospitalizations still at record highs, the crisis and the related economic impacts are far from over. We are concerned about additional cuts to public education and the further decimation of our chronically underfunded system, which will likely lead to layoffs and takeaways, further elimination of education supports and equity programs, and even larger class sizes.

Faced with deep cuts to education, new revenue is even more desperately needed. No longer can Nevada students and educators afford empty promises and funding proposals that are little more than blank slates. That is why NSEA is again asking the Commission on School Funding to adopt a formal position in support of AJR1 from the 32nd Special Session. AJR1 would amend the Constitution to increase the mining tax from 5% of net proceeds to 7.75% of gross proceeds. This would generate \$485 million in new revenue for Nevada annually. AJR1 has already been written, introduced, and passed by the legislature. Now it only needs to be passed by the legislature a second time in the 2021 Session and then by a vote of the people in 2022. NSEA has been a part of a significant coalition of organizations supporting the measure, and we are working to broaden the base of support.

While AJR1 is only a part of what is needed to deliver a high-quality public education to every Nevada student, we see it as a critical first step toward building a funding plan to achieve optimal funding.

Item A4, Lindsey Dalley

My name is Lindsey Dalley from Moapa Valley, a rural CCSD School community. I have attended many of the live Funding Commission meetings, but this is the first one I've commented on virtually.

The State already recognizes that educational funding inequity exists between urban districts and rural districts, the Nevada Plan proves this. To state the obvious, this is one of the major issues this committee grapples with. Also, this committee spent much time ensuring Districts should not have to use base funding to supplement sped funding. This begs the question that if this is a problem, why is it NOT a problem to allow this same practice for other student classes that the State already recognizes as unfair and inequitable, i.e. rural vs urban funding. Isn't this the whole purpose of the Nevada Plan? If the State does not provide for separately funding CCSD's rural students, the State would be guilty of inconsistent and inequitable funding because they would require CCSD to take from their per pupil urban base funding to supplement CCSD's additional educational expenses for their rural students.

- At a minimum, this committee needs to address two glaring issues:
 1. Recognize that rural students exist within CCSD. This would open up access to numerous grant applications, including for SPED and Native American funding.
 2. Provide consistent and equitable rural CCSD per pupil funding, so CCSD would not have to unfairly take from their urban student base funding.

Thank you,

Lindsey Dalley