

COMMISSION ON SCHOOL FUNDING

Friday, October 11, 2019

12:00 PM

Meeting Locations:

The meeting was video conferenced from two locations:

Office	Address	City	Meeting Room
Department of Education	2080 E. Flamingo Rd.	Las Vegas	Room 114
Department of Education	700 E. Fifth St.	Carson City	Board Room

SUMMARY MINUTES OF THE REGULAR MEETING

COMMISSION MEMBERS PRESENT:

In Las Vegas:

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

COMMISSION MEMBERS EXCUSED:

Jason A. Goudie

DEPARTMENT STAFF PRESENT:

In Las Vegas:

Jhone M. Ebert, State Superintendent of Public Instruction
Felicia Gonzales, Deputy Superintendent for Educator Effectiveness and Family Engagement
Heidi Haartz, Deputy Superintendent of Business and Support Services
Gregory Bortolin, Public Information Officer
Jessica Todtman, Chief Strategy Officer
Megan Peterson, Management Analyst, Business and Support Services

In Carson City:

Jonathan P. Moore, Ed. D., Deputy Superintendent for Student Achievement

Sarah Nick, Management Analyst
James Kirkpatrick, Administrative Services Officer

LEGAL STAFF PRESENT:

In Las Vegas:

David Gardner, Senior Deputy Attorney General

OTHERS PRESENT:

In Las Vegas:

Lindsey Dalley, Moapa Valley, Logandale Education Advisory Board (LEAB)

Jimmy Lau, Ferrari Public Affairs

Meredith Freeman, Hope for Nevada

Linda Jones, Clark County Education Association (CCEA)

Alexander Marks, Nevada State Education Association (NSEA)

Amelia Pak-Harvey, Las Vegas Review-Journal

John Vellardita, Clark County Education Association (CCEA)

In Carson City:

Sarah Adler, Silver State Government Relations; Charter School Association of Nevada (CSAN)

Pat Hickey, A.C.S.O.

Jennifer McMenary, Allison Mackenzie Law Firm

Maggie O'Flaherty, Legacy

Jim Penrose, R&R Partners

Mary Pierczynski, Nevada Association of School Superintendents (NASS)

Victor Salcido, Charter School Association of Nevada (CSAN)

AGENDA ITEM #1 - CALL TO ORDER; ROLL CALL; PLEDGE OF ALLEGIANCE

Chair McCormick-Lee called the meeting to order at 12:05 p.m.

Roll Call was taken; a quorum was present.

The pledge of allegiance was led by Chair McCormick-Lee.

AGENDA ITEM #2- PUBLIC COMMENT #1

Public comment will be taken during this agenda item regarding any item appearing on the agenda. No action may be taken on a matter discussed under this item until the matter is included on an agenda as an item on which action may be taken. A time limit of three minutes will be imposed by the Commission Chair in order to afford all members of the public who wish to comment with an opportunity to do so within the timeframe available to the Commission. Public comment #2 will provide an opportunity for public comment on any matter within the Commission's jurisdiction, control, or advisory power.

Public Comment in Las Vegas:

Alexander Marks, Communications Specialist, Nevada State Education Association (NSEA) voiced concerns that the voice of educators was shut out of the Commission on School Funding process. He added that NSEA has concerns with regard to transparency around Mr. Aguero's

role during the legislative session; NSEA would like to have known whom Mr. Aguero worked for, who was paying him and in what capacity he was serving. Mr. Marks stated that if Mr. Aguero is contracted as part of the Commission's work, the NSEA requests specifics with regard to the capacity in which he would be retained.

Lindsey Dalley, Logandale Education Advisory Board, stated that he has been a member of the Education Advisory Board for about 15 years and serves on the education team for two schools. He wanted to extend a reminder to the Commission that the Clark County School District is either the largest or fourth largest rural school district in the state, depending on how you count. He said that rural students are invisible in the formula, which could lead to funding instability. A minor fluctuation in enrollment in a rural school could result in the loss of a teacher, whereas the same change in a large school would just increase class size. In the last four years, the middle school for which he serves on the School Organizational Team has lost their art teacher and librarian. Mr. Dalley asked the Commission not to forget the rural schools within urban districts and expressed his willingness to be involved in the process.

No public comment in Carson City.

AGENDA ITEM #3 - APPROVAL OF FLEXIBLE AGENDA (FOR POSSIBLE ACTION)

Chair McCormick-Lee noted there would be a flexible agenda. No formal action was taken.

AGENDA ITEM #4 – SUPERINTENDENT’S REPORT (INFORMATION AND DISCUSSION)

The Superintendent's Report was held for a later section of the agenda.

AGENDA ITEM #5 - APPROVAL OF SEPTEMBER 27, 2019 MEETING MINUTES (FOR POSSIBLE ACTION)

Item was deferred for consideration at a future meeting. No formal action was taken.

AGENDA ITEM #6 - CORE BELIEFS (INFORMATION, DISCUSSION, AND FOR POSSIBLE ACTION)

The Commission will review guiding principles and optimal criteria for public school funding models as discussed in existing reports including the 2012 American Institutes for Research Study of a New Method of Funding for Public Schools in Nevada, the 2018 Augenblick, Palaich and Associates Nevada School Finance Study, and the 2019 presentations by Applied Analysis

Chair McCormick-Lee outlined and requested feedback on core constructs for the Commission's work, including core beliefs and the focus of the two work groups, which provides an overview of the guiding principles and criteria for optimal school funding models represented in existing research and reports.

Member Jim McIntosh commented that the constructs were discussed in the meeting of the Reporting and Monitoring work group. He noted there is a requirement for the Commission to monitor the implementation of the Pupil-Centered Funding Plan and a question has come up as to what "monitoring" means, as it is somewhat subjective.

Vice Chair Hobbs said that he viewed the core constructs as attributes that the Commission would take into consideration in reviewing both the existing formula and the formula proposed in SB 543.

Chair McCormick-Lee stated that the Commission does not have to adopt the constructs. The options would be to use the core constructs as a guide, review the list of items and consider for adoption, or explore and clarify some of the terms as the Commission moves forward with its work.

Member Paul Johnson shared that he did not know if politics should sway decisions that are going to be made by the Commission with respect to the funding formula.

Chair McCormick-Lee asked if the list should be used as a guide to move forward or something to consider in the future.

Member McIntosh suggested keeping the list in general as guiding principles and noted that some of the terms may mean different things to each member.

Member Jensen agreed with Member McIntosh with regard to definitions. He stated having the list as a general rule of thumb and guidelines seemed most appropriate.

Chair McCormick-Lee determined the use of the information would be as background in conversations to clarify the terms and, if necessary, to consider for adoption in the future.

AGENDA ITEM #7 - KEY TERMS & PARAMETERS (INFORMATION AND DISCUSSION)

The Commission will receive a presentation on key terms included in Senate Bill 543 to ensure that their work is grounded in a common understanding of definitions and intent as well as what is within and outside of the Commission's purview.

Chair McCormick-Lee stated that key terms and parameters and a "SB 543 101" were among the information requested at the Commission's meeting on September 27, 2019. The Department of Education was asked to prepare a presentation to review key terms included in SB 543 and to ensure that the work of the Commission is grounded in terms that are clearly defined.

Heidi Haartz, Deputy Superintendent for Business and Support Services, Department of Education, presented a document that included terms, definitions, and funding sources in SB 543 as well as tasks and responsibilities of the Commission. She noted that the Department will expand the document to add additional terms as needed or at the request of the Commission.

Deputy Haartz noted some concerns that have been identified in a review of the bill:

- The Governor’s Finance Office and State Controller’s Office raised concerns that the State Education Fund cannot be designated as a Special Revenue Fund with General Fund revenue in it.
- The Department identified a concern regarding the minimum expenditure requirement for textbooks and related materials, which will transition from a requirement to a recommendation. While the Department will post the report to its website, it may be helpful to clarify with whom the report should be shared so that it is meaningful and purposeful.
- The Department identified a concern that it may be difficult to translate the allocation of money from a per-pupil basis to average expenditures for teachers and services as required by the “average school report.”
- The Department also identified concerns regarding the net proceeds on minerals, specifically if it is legally permissible to be moved into a centralized account or whether the funds should stay with the counties where those taxes are earned and received.

Vice Chair Hobbs requested clarification on the role of the Commission, noting that the Commission may make recommendations within the limits of appropriated funding, as well as developing some recommendation for optimal level of funding. It would appear that those are separate tasks given to the Commission. Vice Chair Hobbs deferred the question to legal counsel for clarification.

David Gardner, Senior Deputy Attorney General, stated that they are distinct and the order in which the Commission wishes to address the tasks is at its discretion.

Chair McCormick-Lee asked if there were any terms that should be added to the list or other areas about which the Commission would like greater clarification.

Member Jensen requested to add definitions for “hold harmless” as described in SB 543 and the Comparative Wage Index developed by APA Consulting.

Deputy Haartz confirmed that the definitions would be added to the list.

Member Mathers raised a question with regard to the definition of base, noting that definition appears to use the methodology of the current Nevada Plan, not the methodology described in the Pupil-Centered Funded Plan.

Deputy Haartz stated that the provided definition of the base is from State Budget Instructions and is that which all state agencies use when they prepare a biennial budget request. The base budget would be actual expenditures in the first year of the biennium and would serve as the starting point for the next biennial budget. As an example, for the Department of Education, the base budget would be the Department’s expenditures in fiscal year 2020.

Member Mathers stated that under SB 543 the calculation of base funding is entirely different. As described in SB 543, the amount of general fund funding increases based on the economic

forum forecasts in those revenues. He requested additional clarification of what base per-pupil is intended to represent.

Deputy Haartz stated that the terms are similar in nature, but mean something very different. From a budget building perspective, the base budget would be expenses for the year of measure and the point from which budgets would ideally increase. With respect to SB 543, the statewide base per-pupil funding amount is based on the total amount of money in the State Education Fund divided by the student enrollment. The amount would include the actual amount of money that was expended in the base budget as well as any maintenance or enhancement decision units. That statewide base per pupil funding amount is intended to allow for a point of comparison from one fiscal year to the next, or from one biennium to the next. The adjusted base per-pupil funding amount is the amount per pupil, once the adjustment factors have been applied to the statewide per pupil base amount. That is the actual of money that would be distributed to each school district or to each charter school and the university school for profoundly gifted students.

Member Mathers requested that additional lines be added to the definition.

Member Johnson asked whether the existing categories of unrestricted and restricted or grants and general funds would remain or be lumped into a general fund.

Member Mathers stated that it is possible to have a Special Revenue Fund that includes General Fund money and referenced a guidance letter from the Department of Taxation that addresses the issue. He also noted that GASB 54 has guidance on that.

Deputy Haartz stated that the concerns regarding the Special Revenue Fund came from the Governor's Finance Office and that she would defer to them for further clarification.

Member Jim McIntosh stated that Member Goudie, who was excused from the meeting, had concerns with regard to the broad interpretation of ending fund balance. Member McIntosh would like clarification regarding the definition of the monitoring component.

AGENDA ITEM #4 - SUPERINTENDENT'S REPORT (INFORMATION AND DISCUSSION)

The State Superintendent of Public Instruction will provide an update to the Commission on the Department of Education's work related to Senate Bill 543.

Superintendent Ebert extended an invitation from President Elaine Wynn to join the State Board of Education at their next meeting scheduled for November 14, 2019. President Wynn has shared her interest in the work of the Commission and would like an update with regard to its progress.

Superintendent Ebert provided a progress update on the hiring process for the professional staff that will support the Commission and the implementation of the Pupil-Centered Funding Plan.

Superintendent Ebert outlined the process for contracting subject matter experts to support the work of the Commission. The Department of Education intends to request funds from the Interim Finance Committee (IFC), during the October 24, 2019, meeting. If all goes well, contracts will be considered by the Board of Examiners (BOE) during their meeting on November 12, 2019.

Member Mathur asked Superintendent Ebert if the Commission would have subject matter experts available at the November 14-15 meeting.

Superintendent Ebert noted that the Department hoped to have contracts in place by then.

AGENDA ITEM #8 - WORK GROUP REPORTS (INFORMATION AND DISCUSSION)

The Work Group Leads will report back on the progress made during their first meetings.

Chair McCormick-Lee requested updates with regard to meetings held by the work groups.

Report from Dr. David Jensen, Lead, Formula and Distribution Work Group

Member Jensen outlined the work that must be done in a relatively short amount of time. The nomination of Paul Johnson as a co-chair was considered; no action was taken.

Four specific goals were identified as well as deliverables, liabilities, dependencies, assumptions and risks.

Goals:

1. To review, evaluate, and propose adequate base funding
2. To review, evaluate, and propose appropriate weights for at-risk populations
3. To review, evaluate, and propose appropriate cost adjustment factors based on the new criteria
4. Consider and recommend an effective distribution model

Deliverables:

1. Validate and provide recommendations regarding the Pupil-Centered Funding Plan (PCFP)
2. Conduct an affirmation and recommendation of proposed weights relative to the proposals and determine their appropriateness and adequacy
3. Validate and make recommendations regarding cost adjustment factors
4. A reasonable assurance that the distribution model is appropriate for Nevada

Liabilities: The group recognized that there is a significant amount of potential for litigation based on the work that needs to be done.

Dependencies:

1. The work group is going to need support from the Department of Education and the Attorney General's office in addressing constitutionality.
2. It will be essential to review a deconstruction of the Pupil-Centered Funding Plan (PCFP).
3. The work group will have to do a side-by-side comparative analysis of the PCFP and the current Nevada Plan to study the impact of the proposed plan.
4. Review of the PCFP will require help from multiple agencies.

Assumptions:

1. The PCFP will change the way business is done at school districts and charter schools.
2. The PCFP will stand the test of time and will withstand scrutiny.
3. Current funding is inadequate.
4. The work group will be working within the structure that is currently laid out in SB 543. Its role is to provide recommendations for improvements to the plan, not to create a new plan.
5. The PCFP should be more transparent than the current model.
6. The initial analysis is going to require that overall education funding be tied into the new funding model.

Risks:

1. Time management
2. Availability of subject matter experts
3. Weighted allocations may pull from other funding sources
4. Redistribution of existing funds
5. The work may become divisive

Member Jensen outlined action steps related to each of the work group's goals.

Member Jensen concluded his report.

Member Dusty Casey questioned the idea of comparing the bases of the two funding models given the difference in the way that the money is allocated in each plan.

Member Jensen replied that they would try to compare as best as they can.

Jim McIntosh, Lead, Reporting and Monitoring Work Group

Member McIntosh stated that there is a lot of overlap between both work groups.

The first goal of the work group is to project the distribution of the Pupil-Centered Funding Plan (PCFP) for the 2019-2021 biennium and compare the projection to the funding under existing law for the 2019-2021 biennium. The first tasks outlined were to review reporting required by NRS 387 and identify what will need to be reported under the PCFP at the state, district, and school levels.

The work group would also be responsible for determining tasks for monitoring the plan. He shared that Member Feuling indicated he would like to see an aggregated database regarding the enrollment, staffing, and the age and number of school buildings in districts.

In order to document all of the business rules, processes, and assumptions that would govern the PCFP, the work group would like to have a presentation and a report from Applied Analysis and support from APA Consulting regarding the assumptions that went into the model.

Member McIntosh stated that the work group would like to have a crosswalk between the current and proposed funding plan so they can review what the new plan will mean for districts. He indicated that he believes the definition of base funding is changing in the PCFP.

There were concerns surrounding the impact of the new funding mechanism at the school level and how administrative costs were going to be calculated, specifically, the amount per pupil that schools would receive, how those costs will be calculated, and the impact on school districts. He shared that the work group believes it is important to begin identifying the critical processes in place at the Department of Education, districts, and schools to ensure that they have the appropriate resources to implement the plan.

Member McIntosh shared that Member Lisa Morris Hibbler shared information on funding plans in other states and the time and effort it took to implement these plans with fidelity.

Member McIntosh said that Member Jason Goudie shared concerns regarding the amount of work for districts that will result from the Commission's interpretation of the budget reports required in SB 543.

Member McIntosh stated that in order to monitor the plan, the work group must identify the critical elements and processes that need to be monitored and that some direction would be needed around benchmarks or guidelines. He shared that the work group would like to have a discussion with a subject matter expert that has worked on funding plans in other places to learn from their implementation.

Risks and Assumptions:

- The short time frame.

- The work group needs to understand the model to properly consider distribution under the new plan and to evaluate whether the plan is working as intended.
- Member McIntosh summarized comments received from Member Goudie in advance of the meeting expressing concerns with respect to the Clark County School District. The Clark County School District is subject to very specific rules under Assembly Bill 469 from the 2017 Legislative Session. The addition of SB 543 creates challenges in reconciling the two bills. Member Goudie also has questions regarding whether the maintenance and operations of schools is properly accounted for in the per pupil amounts.
- The work group discussed the risks regarding overlap of their work with that of the Formula and Distribution Work Group and ensuring both groups are operating under the same assumptions.

Member McIntosh concluded his report.

Member Paul Johnson stated that there is a shortcoming in the existing formula that affects both work groups. Throughout SB 543, the term inflation is mentioned. The existing per-pupil funding plan has used the inflation index, but he does not feel that represents the actual increase in cost that school budgets incur. Member Johnson stated that using the Consumer Price Index may not be reasonable because the majority of costs for districts are wages and benefits.

Vice Chair Hobbs recommended that questions for Mr. Jeremy Aguero from Applied Analysis be identified in advance of his presentation.

Chair McCormick-Lee agreed that questions should be submitted in advance of Mr. Aguero's presentation at the November 1 meeting.

Member Punam Mathur recommended an afternoon meeting with Mr. Aguero on November 14 to allow time to develop a basic understanding of his model and asked questions.

Chair McCormick-Lee stated that the Commission needs to focus on establishing and confirming the funding formula and the distribution and ensuring that they can report and monitor with clarity and transparency. She asked if the Commission would like to explore the idea of taking a deeper dive into the proposed formula on the afternoon of November 14th, have the work groups meet on the morning of November 15th, followed by the full Commission in the afternoon.

Member McIntosh requested to have the spreadsheet developed by Mr. Aguero available for review prior to the meeting. The Commission would then be able to synthesize the information prior to the meeting.

Vice Chair Hobbs stated there was some discussion that Mr. Aguero could provide individual briefings. He asked whether that creates any Open Meeting Law issues.

Senior Deputy Attorney General Gardner stated that it would depend upon how many people attend those meetings. If a minority of the Commission has a briefing the Open Meeting Law would not be implicated.

Chair McCormick-Lee shared that a meeting had been scheduled for November 1 during which Mr. Aguero, APA Consulting, and the Department would present and overview of the proposed funding model, the background and decisions that informed that model, and other contextual information.

Member Dusty Casey asked if there were people who could provide outside points of view with regard to the implementation of plans in other states. He noted that it is critical for the Commission not to rely on just one person.

Vice Chair Hobbs stated that he keeps going back to the wording in SB 543 to understand the latitude that afforded to the Commission. The Commission is required to examine the formula side-by-side with the Nevada Plan and has been charged with identifying improvements that could be made to provide to its implementation. There is a concern with regard to the information that went into the implementation of affected weights. They have a direct implication for the base because the wording also says “within the confines of existing appropriations.” Vice Chair Hobbs said that the Commission will discuss optimal funding and that it is responsible for recommending funding sources to bring its funding recommendations into reality within the next decade.

Member Lisa Morris Hibbler stated that the Commission should look at who has done similar work before. Member Morris Hibbler did a cursory review and stated that she did not believe the Commission should be limited to Jeremy Aguero or APA Consulting. The Commission has to know that the Department of Education can monitor appropriately, that the districts can execute appropriately, and that the schools have the tools that they need in order to make sure that they are using the Pupil-Centered Funding Plan.

Member Johnson commented that the bottom line is student performance. The delivery of instruction is not the same as it was 20 years ago and it’s going to continue to change. This work will take time and the Commission must have patience to do the work with the goal of providing students with a world-class education. It will be critical that the Commission provides a public forum where concerns can be shared.

AGENDA ITEM #9 - FUTURE AGENDA ITEMS (INFORMATION AND DISCUSSION)

Chair McCormick-Lee stated that the conversation has already generated a lot of ideas for future agenda items. The appropriate way for members of the Commission to forward questions to be addressed at the November 1 meeting is through email to Jessica Todtman, Chief Strategy Officer at the Department of Education.

Chair McCormick-Lee requested a meeting with the leads from both work groups and staff from the Department of Education to walk through existing resources, align expectations for the work with consultants, and leverage their expertise within each work group plan.

AGENDA ITEM #10 - PUBLIC COMMENT #2

Public comment will be taken during this agenda item on any matter within the Commission's jurisdiction, control, or advisory power. No action may be taken on a matter raised under this item until the matter is included on an agenda as an item on which action may be taken. A time limit of three minutes will be imposed by the Commission Chair in order to afford all members of the public who wish to comment with an opportunity to do so within the timeframe available to the Commission.

No public comment in Las Vegas or Carson City.

AGENDA ITEM #11 - ADJOURNMENT

The meeting adjourned at 2:15 p.m.