

**Joint Meeting of the Senate Committee on Finance and  
Assembly Committee on Ways and Means**

**Presentation on School Financing Adequacy (A.C.R. 10, 2005)  
February 14, 2007**

**Requirements of A.C.R. 10**

Assembly Concurrent Resolution 10 (A.C.R. 10) of the 73<sup>rd</sup> Session of the Nevada Legislature directed the Legislative Commission to conduct an interim study on the adequacy of the system of school finance in Nevada. Adequate educational opportunities in Nevada are defined in A.C.R. 10, as follows:

*The provision of educational opportunities under a system of public education that includes operational and educational programs, services and facilities and that is in full compliance with the applicable statutes and regulations of Nevada and the Federal Government, and any applicable accreditation standards.*

Members of the committee include: Assemblywoman Debbie Smith, Chair; Senator Warren B. Hardy, Vice Chair; Senator Bob Beers; Senator Michael Schneider; Assemblyman Richard Perkins; and Assemblyman Brooks Holcomb.

Pursuant to the requirements of A.C.R. 10, the committee was to enter into a contract with a qualified, independent, nationally recognized consultant who would:

1. Perform an analysis of the Nevada Plan for School Finance to determine whether that plan provides an opportunity for a meaningful public education with adequate educational opportunities;
2. Perform a comprehensive analysis of the costs of providing adequate educational opportunities in the future to all pupils enrolled in public schools in Nevada;
3. Determine whether Nevada's system of financing public schools is calibrated to the needs and educational goals of pupils in Nevada;
4. Perform an analysis of methods of school finance that ensure an effective public school system; and
5. Provide recommendations for legislation that will ensure the state of Nevada provides the children who reside in the state with an opportunity for a meaningful public education with adequate educational opportunities.

**Selection of a Consultant to Perform the Study of School Financing Adequacy**

The committee utilized a competitive bidding process to select a consultant to complete the study of school financing adequacy. Three vendors submitted proposals for the committee's consideration.

At the January 12, 2006 meeting, each potential consultant presented a proposal to the committee. In making the presentations, each of the potential consultants noted that they would

be unable to provide an analysis of the costs for transportation or the construction, operation and maintenance of school buildings and other capital facilities of a school district. All three of the potential consultants noted that such an analysis of transportation or capital construction would be outside the realm of a standard adequacy study.

Following testimony, the committee awarded the contract to Augenblick, Palaich and Associates, Inc. (APA), a privately-owned, Denver-based consulting firm. The qualifications of APA are as follows:

#### **APA Qualifications**

- More than 20 years experience.
- Senior staff with significant expertise working with state policymakers and legislative bodies.
- Evaluated school finance systems in more than 20 states.
- Conducted adequacy studies in 18 states.
- Helped create the school finance systems in Colorado, Kansas, Kentucky, Louisiana, Maryland, Mississippi, New Hampshire, Ohio, and South Dakota.
- Pioneered use of the Successful Schools (SS) approach to determining funding adequacy.
- Conducted Professional Judgment (PJ) studies in 14 states.

### **Overview of the Study of School Financing Adequacy**

Augenblick, Palaich and Associates, Inc. (APA) proposed to use two primary methods to estimate the costs of an adequate education in Nevada. The two primary methods utilized by APA for the study were the Successful Schools (SS) approach and the Professional Judgment (PJ) approach. The following describes the approaches and how they were utilized by APA in the Nevada study.

#### **Successful Schools (SS) Approach**

The SS approach examines the actual spending of schools or school districts that successfully meet state and federal performance expectations. The base spending of identified successful school districts or schools is then used to help determine an overall adequate base funding level. The SS approach offers a view on the present-day spending of successful schools; it does not provide information about the added cost adjustments (weights) required for special-need populations, such as: special education, English Language Learners (ELL), at-risk, or Career and Technical Education (CTE) students.

The contractor selected “successful schools” in Nevada using two criteria. First, through a statistical process, schools that were on target to meet the FY 2008-09 annual measurable objectives under the federal No Child Left Behind Act (NCLBA) were selected. For this analysis, APA utilized testing data from the 2002-03, 2003-04, and 2004-05 school years to make the determination. Once the schools were selected based upon the first criteria, APA reviewed the schools based upon a second criteria, which focused on special student populations. For this

review, APA reviewed the 2004-05 school year reading and math tests for each of the populations of special education, at-risk pupils, and English Language Learners (ELL). To be considered successful for APA's purposes, a school that met the first criteria also had to meet the 2004-05 school year annual measurable objectives for at least two of the six tests administered among the special populations. In total, 118 Nevada schools were identified for inclusion in the analysis.

In order to determine the base spending of the identified successful schools, APA utilized data from FY 2003-04 (the latest full year of data available) obtained from a financial analysis program, In\$ite®, which is the program utilized statewide to provide school-level financial information for accountability purposes. Since the spending for special education, English Language Learners, at-risk, and Career and Technical Education students was excluded from these base costs, the "weights" developed through the Professional Judgment analysis were applied to these base costs to determine total costs. In addition, the size adjustment developed using the Professional Judgment analysis was applied to the costs developed through the Successful Schools approach to establish base costs for each school district.

### Professional Judgment (PJ) Approach

The PJ approach relies upon panels of experienced educators and education service experts – informed by education research – to specify the resources needed for different size schools and districts to educate their students to meet state and federal performance expectations. In contrast to the Successful Schools approach, the PJ approach is useful in identifying special-need student costs (added weights) and in examining the future costs of schools and school districts in meeting state performance standards. These performance standards include the standards set through the federal No Child Left Behind Act (NCLBA) that requires all students be proficient by the 2013-14 school year.

Panel members for the PJ analysis were selected through a nomination process that included the Superintendent of Public Instruction, school district superintendents, the Nevada Manufacturers Association, the Nevada Association of School Boards, the Nevada Association of School Administrators, and the Commission on Educational Excellence. There were approximately eight members on each of six panels. The panels were defined by the contractor and are summarized as follows:

- Two panels were convened to address school-level needs in three hypothetical K-12 school districts (small, moderate, and large);
- One panel was convened to address district-level needs;
- One panel was convened to address special population needs, including special education, ELL, and at-risk populations;
- One panel was convened to address career and technical education needs; and
- One in-state panel was convened to review the work of the separate panels.

Panelists were asked to outline the resources they believed were needed in large, medium, and small school districts in order for students to meet performance standards under the federal No Child Left Behind Act (NCLBA) so that all students would be proficient by the 2013-14 school year. To assist the panelists, APA provided information received from two national experts on the types of resources research shows may be needed to improve student performance. Panelists were instructed that the information from the national experts could be accepted, modified or rejected by the panelists.

Through the work of the Professional Judgment panels, APA developed a series of formulas that could be utilized to apply the base cost amounts to school districts of varying size. In addition, the Professional Judgment analysis provided APA information on the resources needed to serve students with special needs. APA utilized that information to develop a series of “weights” regarding the cost of serving students with special needs.

### **Results of the Study of School Financing Adequacy**

The contractor presented the final report of the study of school financing adequacy to the committee at its August 24, 2006 meeting. The results were presented in three parts. The first concerned the contractor’s review of the current Nevada Plan for School Finance to determine if the plan currently provides equitable educational opportunities for students. The second concerned a “starting cost” from which the state could begin to address the future needs of school districts, and the third concerned a “goal cost,” which is the estimated amount the state would need to spend annually by 2013-14 to achieve 100 percent student proficiency under the federal No Child Left Behind Act. The following summarizes the results presented by APA.

#### **Nevada Plan for School Finance – Equity Analysis**

As a part of A.C.R. 10, the contractor was asked to perform an analysis of the Nevada Plan for School Finance to determine whether that plan provides an opportunity for a meaningful public education with adequate educational opportunities for students in Nevada. In performing the analysis, the contractor was asked to make a determination whether there are inadequacies or inequities in Nevada’s system of public education and the extent to which the Nevada Plan may contribute to those inadequacies or inequities, if any.

Through the contractor’s review, APA found that the Nevada Plan provides a school finance system that is highly equitable in terms of inter-district spending. No recommendations were made by APA to alter the Nevada Plan for equity purposes.

#### **A “Starting” Cost – The Successful Schools (SS) Approach**

According to APA, the Successful Schools approach provides a starting point from which the state could begin to address the needs of school districts. For FY 2003-04 (which was the latest full year of data available to the committee and the consultants), the state expended approximately \$2.23 billion on K-12 education, not including the costs for transportation, food service, or capital construction. According to APA, 12 Nevada school districts would need an additional \$79.6 million in FY 2003-04 so that all Nevada schools would be on target to meet the 2008-09 annual NCLBA measurable objectives. This amount would need to be adjusted to account for enrollment changes and the additional K-12 education funding approved by the 2005 Legislature, as well as for inflation to arrive at a “starting” cost for any future school year. In addition, as noted previously, the costs for transportation, food service, capital outlay, and debt service were not included.

The contractor also found that five school districts spent \$15.3 million more than what would be expected to be on target to meet the 2008-09 annual NCLBA measurable objectives.

#### **A “Goal” Cost – The Professional Judgment (PJ) Approach**

According to APA, the Professional Judgment approach provides a future funding goal, which is the amount the state would need to spend annually if it is going to achieve 100 percent student

proficiency, as required under the federal NCLBA, by the year 2013-14. Again, for FY 2003-04, the state expended approximately \$2.23 billion on K-12 education, not including the costs for transportation, food service, or capital construction. According to the contractor, under the PJ approach, to meet the 2013-14 standard in FY 2003-04, Nevada would have needed to spend a total of \$3.55 billion on K-12 education. Assuming a 2.3 percent inflation factor, that amount would increase to \$4.46 billion in FY 2013-14, and the state would need to increase spending by an additional \$222.7 million annually until the goal is reached. This amount is based upon FY 2003-04 enrollment and does not provide for any increases to fund additional enrollment. Again, the costs for transportation, food service, capital outlay, and debt services were not included.

**The consultant noted that the Professional Judgment analysis is not intended to identify the specific services and programs that are required to meet the standard, but rather to determine the level of funding necessary to meet the standard. The intent is that schools and districts would have the authority to decide how to use the funds if they were available.**

The results of the PJ panel process are based, for the most part, upon the size of school districts and schools, as follows:

**Size of Schools and School Districts in Nevada**

Type of School District*	Number of School Districts	Size of Schools		
		Elementary	Middle	High
Small <1,500 Students	8 – Esmeralda, Eureka, Lander, Lincoln, Mineral, Pershing, Storey, and White Pine	70 or 175	120	240
Moderate 1,500 Students – 49,999 Students	7 – Carson City, Churchill, Douglas, Elko, Humboldt, Lyon, and Nye	600	750	1,250
Large Equal to or Greater than 50,000 Students	2 – Clark and Washoe	900	1,500	2,500

\*Enrollments do not include charter schools.

Augenblick, Palaich and Associates, Inc. included several key service and program recommendations across the panels, as follows:

Small Class Sizes (either lower pupil-to-teacher ratios or additional support personnel for larger classes): Based upon the work of the PJ panels, the following pupil-to-teacher ratios were recommended by the PJ panels for elementary, middle and high schools:

**ELEMENTARY SCHOOL – Pupil-to-Teacher Ratios**

Personnel	Small School District		Moderate School District	Large School District
	Small Elementary	Large Elementary		
<b>TEACHING STAFF</b>				
Classroom Teacher	10:1	16:1	17:1	17:1
Other Teacher	141:1	116:1	120:1	120:1
Instructional Facilitator	714:1	909:1	200:1	303:1
Instruction Aide	47:1	50:1	100:1	100:1

**MIDDLE SCHOOL – Pupil-to-Teacher Ratios**

Personnel	Small School District	Moderate School District	Large School District
<b>TEACHING STAFF</b>			
Classroom Teacher	20:1	25:1	25:1
Other Teacher	60:1	125:1	125:1
Instructional Facilitator	588:1	250:1	370:1
Instruction Aide	60:1	189:1	189:1

**HIGH SCHOOL – Pupil-to-Teacher Ratios**

Personnel	Small School District	Moderate School District	Large School District
<b>TEACHING STAFF</b>			
Classroom Teacher	18:1	19:1	19:1
Other Teacher	60:1	None	None
Instructional Facilitator	588:1	313:1	417:1
Instruction Aide	238:1	313:1	313:1

Full-Day Kindergarten and Non-Traditional Academic Classes: The PJ panels noted that certain educational programs were needed for different populations of students so that all students could meet the academic standards as established under the federal NCLBA. The following shows the recommended educational programs for elementary, middle and high schools and the percentage of enrollment expected to participate in those programs:

**ELEMENTARY SCHOOL – Educational Programs by Student Population**

Personnel	Small School District		Moderate School District	Large School District
	Small Elementary	Large Elementary		
<b>PRE-SCHOOL</b>				
At-Risk Students	100%	100%	100%	100%
Special Education	100%	100%	58%	52%
<b>FULL-DAY KINDERGARTEN</b>				
All Students	100%	100%	100%	100%
<b>AFTER SCHOOL</b>				
All Students	25%	25%	25%	25%
<b>SUMMER SCHOOL</b>				
All Students	20%	20%	20%	20%
<b>EXTENDED SCHOOL YEAR</b>				
Special Education	50%	48%	36%	36%

**MIDDLE SCHOOL – Educational Programs by Student Population**

Personnel	Small School District	Moderate School District	Large School District
<b>AFTER SCHOOL</b>			
All Students	10%	20%	20%
<b>SATURDAY SCHOOL</b>			
All Students	10%	3%	3%
<b>SUMMER SCHOOL</b>			
All Students	20%	20%	20%
<b>EXTENDED SCHOOL YEAR</b>			
Special Education	48%	14%	17%

### HIGH SCHOOL – Educational Programs by Student Population

Personnel	Small School District	Moderate School District	Large School District
<b>SATURDAY SCHOOL</b>			
All Students	8%	0%	0%
<b>DUAL CREDIT</b>			
All Students	10%	20%	20%
<b>CREDIT RECOVERY</b>			
At-Risk Students	17%	17%	18%
<b>SUMMER SCHOOL</b>			
All Students	20%	20%	20%
<b>EXTENDED SCHOOL YEAR</b>			
Special Education	30%	20%	15%

Non-Personnel Costs: The PJ panels also noted that there were certain non-personnel costs needed if all students were to meet the academic standards are established under the federal NCLBA. The following shows the recommended non-personnel costs for elementary, middle and high schools:

#### ELEMENTARY SCHOOL – Non-Personnel Costs

Item	Small School District		Moderate School District	Large School District
	Small Elementary	Large Elementary		
Instructional Supplies/ Materials/Equipment	\$375/Student	\$375/Student	\$250/Student	\$250/Student
Student Activities	\$20/Student			
Professional Development	\$500/Teacher + 5 Extra Days			

#### MIDDLE SCHOOL – Non-Personnel Costs

Personnel	Small School District	Moderate School District	Large School District
Instructional Supplies/ Materials/Equipment	\$450/Student	\$300/Student	\$300/Student
Student Activities	\$40/Student	\$60/Student	\$60/Student
Professional Development	\$500/Teacher + 5 Extra Days		

#### HIGH SCHOOL – Non-Personnel Costs

Personnel	Small School District	Moderate School District	Large School District
Instructional Supplies/ Materials/Equipment	\$675/Student	\$450/Student	\$450/Student
Student Activities	\$560/Student	\$300/Student	\$250/Student
Professional Development	\$500/Teacher + 5 Extra Days		

### Summary of Findings and Recommendations

For FY 2003-04, a total of \$2.23 billion was expended on K-12 education statewide. The draft report from APA provides two base cost figures, one using the SS approach - \$2.31 billion, and the other based on the PJ approach - \$3.55 billion. These costs represent operating costs, but do not include transportation and food service. According to APA, one way to interpret these

amounts is that the SS base represents a starting point in FY 2003-04 and the PJ amount, when adjusted for such things as inflation and student enrollment, would represent an ending point in FY 2013-14. Assuming a 2.3 percent inflation factor, that amount would increase to \$4.46 billion in FY 2013-14 and the state would need to increase spending by an additional \$222.7 million annually until the goal is reached. This amount is based upon FY 2003-04 enrollment and does not provide for any increases to fund additional enrollment. Again, the costs for transportation, food service, capital outlay, and debt services were not included.

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**Additional Analysis Offered by Staff**

As discussed earlier, the amounts included in the consultant’s report are based on the 2003-04 school year enrollments and expenditures. The amounts do not provide information on enrollment projections and funding increases in the K-12 system since that time and into the future.

The following table displays the “adequate” per-pupil expenditures as developed in the study and inflated for future years, staff estimates for each of the years, and the estimated percentage of “adequate” per-pupil expenditures that could result if all of the assumptions were realized. The assumptions include:

- Using the Professional Judgment per-pupil expenditure amount for FY 2003-04 developed by the consultant (\$9,623);
- Assuming inflation based on the consumer price index;
- Including actual expenditure and enrollment information for FY 2004-05 and FY 2005-06, the projections for FY 2006-07 and the recommendations included in The Executive Budget for the upcoming biennium,

**As actual information becomes available for each of the years, the per-pupil amounts and percentages will vary from these estimates.**

School Year	CPI	“Adequate” Per-Pupil Expenditure	Actual, Projected or Governor Recommended Per- Pupil Expenditure	Percent of “Adequate” Funded
2003-04		\$9,623	\$6,552	68.1%
2004-05	3.0%	\$9,912	\$6,859	69.2%
2005-06	3.8%	\$10,288	\$7,238	70.3%
2006-07	2.1%	\$10,504	\$7,547	71.8%
2007-08	2.0%	\$10,714	\$8,175	76.3%
2008-09	2.2%	\$10,950	\$8,557	78.1%