

BULLETIN NO. 07-7

**LEGISLATIVE COMMISSION'S COMMITTEE TO STUDY
SCHOOL FINANCING ADEQUACY**

Assembly Concurrent Resolution No. 10
(File No. 99, *Statutes of Nevada 2005 Session*)

Members

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Senator Warren B. Hardy, Vice Chairman
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Assembly Concurrent Resolution No. 10
Assemblyman Perkins

FILE NUMBER 99

ASSEMBLY CONCURRENT RESOLUTION—Directing the Legislative Commission to conduct an interim study on the adequacy of the system of school finance in Nevada.

WHEREAS, Section 2 of Article 11 of the Constitution of the State of Nevada requires the Legislature to provide for a uniform system of common schools; and

WHEREAS, Section 6 of Article 11 of the Constitution of the State of Nevada requires the Legislature to provide for the support and maintenance of the common schools by direct legislative appropriation from the General Fund; and

WHEREAS, In *Guinn v. Legislature*, 119 Nev. 277 (2003), the Nevada Supreme Court opined that access to public education is a basic constitutional right in Nevada; and

WHEREAS, Currently, the State of Nevada contributes to the financial support of the operation of public schools in this State in accordance with the Nevada Plan for School Finance; and

WHEREAS, According to "Quality Counts 2004," an annual report published by *Education Week*, the State of Nevada is among the best at equalizing the distribution of state and local revenue in support of public elementary and secondary schools; and

WHEREAS, The authors of the report also determined that the adequacy of education in this State ranks among the very lowest states, with only 1.9 percent of students attending school in a district that spends at or above the national average spending level per student; and

WHEREAS, Based on data from the 2003-2004 school year for 568 public elementary and secondary schools in Nevada, 103 schools failed to make adequate yearly progress and were placed on the watch list, and 122 schools were designated as demonstrating need for improvement pursuant to the No Child Left Behind Act of 2001, 20 U.S.C. §§ 6301 et seq.; and

WHEREAS, In an era where schools and pupils are being held to a high standard of accountability, it is essential for this State to ensure that it provides all children who reside in this State with the tools to be successful, including the opportunity for a meaningful public education with adequate educational opportunities; now, therefore, be it

RESOLVED BY THE ASSEMBLY OF THE STATE OF NEVADA, THE SENATE CONCURRING, That the Legislative Commission is hereby directed to appoint a committee composed of three members of the Assembly and three members of the Senate, one of whom must be appointed as Chairman of the committee, to conduct an interim study of the adequacy of the system of school finance in Nevada; and be it further

RESOLVED, That the committee shall enter into a contract with a qualified, independent, nationally recognized consultant to assist the committee in its study; and be it further

RESOLVED, That the study must include, without limitation:

1. 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, including, without limitation, an identification of any inadequacies or inequities in public education that are caused by the Nevada Plan;

2. A comprehensive analysis of the costs of providing adequate educational opportunities to all pupils enrolled in public schools in this State, giving primary consideration to the following factors:

(a) The resources and services required to provide a meaningful public education to pupils who are limited English proficient, pupils who are at risk based upon eligibility for free or reduced-price lunches pursuant to 42 U.S.C. §§ 1751 et seq., and pupils who are enrolled in programs of special education;

(b) The implications of the size and location of the public schools in this State, including, without limitation, any differences in expenses for personnel, materials, supplies, equipment and other costs that vary based upon the geography of this State;

(c) The costs of providing comparable educational opportunities to pupils who are enrolled in public schools in rural or remote portions of this State with those pupils who are enrolled in public schools in larger, urban school districts, taking into consideration the differences in operating costs and transportation costs;

(d) The costs of providing specific educational programs, including, without limitation, career and technical education and vocational education programs;

(e) The costs for the construction, operation and maintenance of school buildings and other capital facilities of a school district;

(f) The costs of inflation; and

(g) Any other factors deemed necessary for review and analysis by the interim committee or the consultant;

3. A determination of whether Nevada's system of financing public schools is calibrated to the needs and educational goals of pupils in this State;

4. An analysis of methods of school finance that ensure an effective public school system, including, without limitation, an analysis of best practices carried out in other states in an effort to achieve adequacy in school finance and the costs to carry out those practices in Nevada; and

5. Based upon the study, recommendations for legislation that will ensure the State of Nevada provides the children who reside in this State with an opportunity for a meaningful public education with adequate educational opportunities, including, without limitation, recommendations for methods to correct any identified inadequacies or inequities in the Nevada Plan for School Finance; and be it further

RESOLVED, That as used in this act, the term "adequate educational opportunities" means 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:

1. The applicable statutes and regulations of this State and the Federal Government; and
2. Any applicable accreditation standards; and be it further

RESOLVED, That any recommended legislation proposed by the committee must be approved by a majority of the members of the Assembly and a majority of the members of the Senate appointed to the committee; and be it further

RESOLVED, That the Legislative Commission shall submit a report of the results of the study and any recommendations for legislation to the 74th Session of the Nevada Legislature.

ABSTRACT

LEGISLATIVE COMMISSION'S COMMITTEE TO STUDY SCHOOL FINANCING ADEQUACY

Assembly Concurrent Resolution No. 10
(File No. 99, *Statutes of Nevada 2005 Session*)

The 73rd Session of the Nevada Legislature adopted Assembly Concurrent Resolution No. 10 (File No. 99, *Statutes of Nevada 2005 Session*), which directed the Legislative Commission to conduct an interim study on the adequacy of the system of school finance in Nevada. The Legislative Commission appointed a committee composed of three members of the Assembly and three members of the Senate.

The committee held seven meetings, including a work session. Four of the meetings were held in Carson City and three were held in Las Vegas; videoconferencing was provided in each location. In addition, the committee held two public forums to collect public input and comments related to the study on school finance adequacy and the needs of Nevada's schools. One public forum was held at Western High School in Las Vegas and the other public forum was held at Wooster High School in Reno.

The committee was charged with selecting a qualified, independent, nationally recognized consultant who would:

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;

Perform a comprehensive analysis of the costs of providing adequate educational opportunities in the future to all pupils enrolled in public schools in Nevada;

Determine whether Nevada's system of financing public schools is calibrated to the needs and educational goals of pupils in Nevada;

Perform an analysis of methods of school finance that ensure an effective public school system; and

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.

The committee utilized a competitive bidding process and heard testimony from three vendors seeking to be awarded the contract. Following testimony, the committee awarded the contract to Augenblick, Palaich and Associates, Inc. (APA), a privately owned, Denver-based consulting firm.

During the course of its hearings, the committee heard testimony from APA on the progress of the study. In August 2006, the contractor presented the final report for consideration by the committee. The final report provided the results of two different methodologies for estimating the cost of providing an adequate education for Nevada's students, not including resources needed for transportation, food service or capital construction:

A "Starting" Cost: Drawn primarily from the Successful Schools methodology using FY 2003-04 data (the latest full year of data available), this cost offers Nevada policymakers a starting point from which to begin addressing the needs of school districts that currently do not receive adequate funds to meet the 2003-04 state and federal performance standards. For FY 2003-04, the state expended \$2,231.3 million¹ on K-12 education. According to APA, 12 Nevada school districts² would need an additional \$79.6 million,¹ or a total of \$2,310.9 million,¹ to bring them up to the 2003-04 successful schools' adequacy level. This amount would need to be adjusted to provide 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 the 2006-07 school year.

A "Goal" Cost: This cost is drawn primarily from the Professional Judgment panel methodology and represents the total cost of educating students to reach state and federal academic standards, including the standards set through the federal No Child Left Behind Act (NCLBA). For FY 2003-04, the state expended \$2,231.3 million¹ on K-12 education. According to APA, a total of \$3,551.3 million¹ in 2003-04 would be needed to bring school districts up to the NCLBA goal of 100 percent student proficiency (**the required federal NCLBA standard for FY 2013-14**). This amount would need to be adjusted to provide for enrollment changes and the additional K-12 education funding approved by the 2005 Legislature, as well as for inflation to arrive at a "Goal" cost in FY 2013-14.

The enabling legislation charged the committee with considering costs of transportation of students and the capital construction needs of the school districts. In complying with these requirements, at its March 2006 meeting, the committee heard testimony from school district representatives, as well as representatives of the Nevada Association of School Boards concerning the needs and funding of capital construction in the school districts. Issues raised by the school districts included the need for a dependable, stable funding source for the financing of school construction projects.

At its June 2006 meeting, the committee heard testimony from the Nevada Department of Education, school district representatives, and representatives of the Nevada Association of School Boards concerning the calculation and distribution of transportation funding through the Distributive School Account, as well as other student transportation issues in Nevada. Issues raised during the meeting included bus replacement schedules and uniform walk zones for students (i.e., the distance a student resides from a school for which bus service to the school is not provided).

¹ Not including costs for transportation, food service or capital construction.

² According to APA, the other five school districts were currently spending at or above the successful schools' adequacy level.

Three actions addressing the following issues were taken by the committee at its August 31, 2006 meeting:

The committee accepted the final report from APA and forwarded it to the 2007 Legislature without recommendation. The report is entitled, *Estimating the Cost of an Adequate Education in Nevada*;

The committee drafted a letter regarding funding sources for school construction as detailed in the following section (Summary of Actions); and

The committee drafted a letter regarding student transportation issues as detailed in the following section (Summary of Actions).

SUMMARY OF ACTIONS

LEGISLATIVE COMMISSION'S COMMITTEE TO STUDY SCHOOL FINANCING ADEQUACY

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Following is a summary of the actions adopted by the Legislative Commission's Committee to Study School Financing Adequacy at its August 31, 2006 meeting. These actions have been forwarded to the Legislative Commission and will ultimately be forwarded to the 2007 Session of the Nevada Legislature, as appropriate.

THE FINAL REPORT FROM AUGENBLICK, PALAICH, AND ASSOCIATES, INC.

COMMITTEE ACTION – Accept the final report completed by Augenblick, Palaich and Associates, Inc. (APA) and forward it to the 2007 Legislature without recommendation by the committee. The report is entitled: *Estimating the Cost of an Adequate Education in Nevada*.

SCHOOL CONSTRUCTION

COMMITTEE ACTION - Draft a letter, on behalf of the Assembly Concurrent Resolution (A.C.R.) 10 Committee, to the money and education policy committees of the 2007 Legislature expressing the need for the Legislature to consider legislation that would provide a dependable, stable funding source for the financing of K-12 capital construction, renovation, and maintenance needs of the school districts.

In considering legislation, the committee urges the Legislature to review the five sources of

funding currently available to school districts for capital construction projects (i.e., property tax, real estate transfer tax, residential construction tax, county infrastructure sales tax, and room tax) to determine if access to each of these sources is appropriate for all school districts.

In addition, the committee urges the Legislature to determine if there is a need for a revolving loan fund at the state level for facility needs, including maintenance, upgrade and renovation needs.

Finally, the committee urges the Legislature to consider whether a “pay-as-you-go” provision added to the existing rollover bond mechanism might be beneficial to school districts to address construction, maintenance and renovation needs.

STUDENT TRANSPORTATION

COMMITTEE ACTION - Draft a letter, on behalf of the Assembly Concurrent Resolution (A.C.R.) 10 Committee, to the 2007 Legislature expressing the need for the Legislature to consider legislation concerning student transportation issues in the state of Nevada.

In considering legislation, the committee urges the Legislature to review two primary issues concerning student transportation:

Bus Replacement Schedules: The committee learned through testimony that there are no uniform bus replacement schedules or policies among the school districts.

Student Walk Zones: The committee learned through testimony that there are no uniform walk zones (i.e., the distance a student resides from a school for which bus service to the school is not provided) for all school districts.