

**MINUTES OF THE
TASK FORCE ON K-12 PUBLIC EDUCATION FUNDING
TECHNICAL ADVISORY COMMITTEE
(Senate Bill 500, Chapter 500, Statutes of Nevada 2013)
April 21, 2014**

The second meeting of the Task Force on K-12 Public Education Funding – Technical Advisory Committee was held at 9:00 a.m. on April 21, 2014, in Room 4412 of the Grant Sawyer State Office Building in Las Vegas, Nevada. The meeting was simultaneously videoconferenced to Room 3137 of the Legislative Building in Carson City, Nevada.

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Senator Joyce Woodhouse, Chair

Mike Alastuey, Education Finance Consultant

Dr. Walt Rulffes, Former Superintendent, Clark County School District

Jeff Zander, Elko County School District Superintendent

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Stephanie Day, Deputy Director, Department of Administration

Julia Teska, Director, Department of Administration

Mike Schroeder, Washoe County School District Budget Director

COMMITTEE MEMBERS PRESENT VIA TELECONFERENCE:

Dr. Jay Chambers, American Institutes for Research

Paul Johnson, White Pine County School District Chief Financial Officer

Dr. Jesse Levin, American Institutes for Research

COMMITTEE MEMBERS ABSENT:

James McIntosh, Clark County School District Chief Financial Officer (Excused)

STAFF MEMBERS PRESENT IN LAS VEGAS:

Julie Waller, Senior Program Analyst, Fiscal Analysis Division

Wayne Thorley, Program Analyst, Fiscal Analysis Division

STAFF MEMBERS PRESENT IN CARSON CITY:

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division

Mark Krmpotic, Senate Fiscal Analyst, Fiscal Analysis Division

Eileen O'Grady, Chief Deputy Legislative Counsel, Legal Division

Kristin Roberts, Senior Principal Deputy Legislative Counsel, Legal Division

Donna Thomas, Committee Secretary, Fiscal Analysis Division

EXHIBITS:

[Exhibit A:](#) Agenda

[Exhibit B:](#) Public comment provided by Seth Rau, Policy Director, Nevada Succeeds

- [Exhibit C](#): Identification of ELL Students and Students At Risk of Low Academic Achievement, provided by Paul Johnson, CFO, White Pine County School District
- [Exhibit D](#): Determination of Weights to be used to Allocate Funding for ELL Students and Students At Risk of Low Academic Achievement and Treatment of Students Who Qualify for Multiple Weight Categories, provided by James McIntosh, Clark County School District Chief Financial Officer and Dr. Walt Rulffes, Former Superintendent, Clark County School District
- [Exhibit E](#): Differentiation of Weights by Elementary, Middle or High School Level provided by Jeff Zander, Elko County School District Superintendent
- [Exhibit F](#): Letter to Senator Joyce Woodhouse, TAC Chair, regarding local control of funding formula provided by Mike Alastuey, Education Finance Consultant.
- [Exhibit G](#): California State Board of Education November 2013 Agenda provided by Mike Alastuey, Education Finance Consultant
- [Exhibit H](#): An Overview of the Local Control Funding Formula provided by Mike Alastuey, Education Finance Consultant
- [Exhibit I](#): California Department of Education Local Control Funding Formula Spending Regulations for Supplemental and Concentration Grants and Local Control and Accountability provided by Mike Alastuey, Education Finance Consultant
- [Exhibit J](#): Local Control and Accountability Plan and Annual Update Template provided by Mike Alastuey, Education Finance Consultant
- [Exhibit K](#): Funding for ELL Students and Students At Risk of Low Academic Achievement Inside or Outside the Funding Formula provided by Mike Schroeder
- [Exhibit L](#): The Duration of Proposed ELL Student Weights in the Nevada Education Funding Formula provided by Julia Teska, Director, Department of Administration
- [Exhibit M](#): The Nevada Plan from the 2013 Appropriations Report prepared by the Fiscal Analysis Division of the Legislative Counsel Bureau
- [Exhibit N](#): Simplified DSA Model Narrative and Example provided by Mike Alastuey, Education Finance Consultant

I. ROLL CALL.

Chair Woodhouse called the meeting of the Task Force on K-12 Public Education Funding Technical Advisory Committee (TAC) to order at 9:16 a.m. The secretary called roll and all members were present, except for James McIntosh who was excused.

II. OPENING REMARKS.

Senator Joyce Woodhouse, Chair, welcomed TAC members and the public. She recalled that at the March 31, 2014, meeting, several members were assigned topics to be researched related to English Language Learners (ELL) and students at risk of low academic achievement. She said those findings would be presented to the TAC members at today's meeting. Additionally, the TAC would discuss issues with respect

to special education funding. Lastly, the TAC would be presented with a brief overview of a streamlined version of the equity allocation model for Nevada's K-12 funding formula developed by TAC member Mike Alastuey.

III. PUBLIC COMMENT.

Seth Rau, Policy Director, Nevada Succeeds, thanked the TAC for its work to determine Nevada's new weighted funding formula. He said developing a weighted formula to assist students who need the most help was long overdue in this state. He said the current approach focused on ELL, special education, at-risk, and gifted and talented education students was a solid start, but it did not provide all of the answers.

Mr. Rau said, for example, some ELL students were reading at proficient levels, while other ELL students were five or more years behind grade level. He questioned whether those students should receive the same weight in the funding formula. He said the same was true for students in poverty and with special needs.

Mr. Rau urged the TAC to create a system of weighted funding based on reading and math proficiency levels. He said using the data from current assessments beginning in the 2014-15 school year, more dollars could be focused toward the students who were further behind grade level. He said the weights would be determined based on how far behind grade level a student was. Since the overall performance of a school would be measured through the school performance framework, there would not be an incentive for low-test scores.

Mr. Rau said, while there would be barriers to implementing this system, he ultimately believed it was the fairest system for all of Nevada's students who are behind in school as it was most likely to increase student achievement. He hoped a discussion of proficiency levels would be part of the TAC's conversation moving forward. At the request of Chair Woodhouse, Mr. Rau provided the secretary with a copy of his comments for the record ([Exhibit B](#)).

IV. COMMITTEE MEMBER PRESENTATIONS AND DISCUSSION OF POTENTIAL ISSUES FOR CONSIDERATION BY THE TASK FORCE ON K-12 PUBLIC EDUCATION FUNDING IN RECOMMENDING FUNDING FOR STUDENTS IDENTIFIED AS ENGLISH LANGUAGE LEARNERS (ELL) AND STUDENTS AT RISK OF LOW ACADEMIC ACHIEVEMENT, INCLUDING BUT NOT LIMITED TO:

a. Identification of ELL students and students at risk of low academic achievement.

Paul Johnson, TAC member, said the purpose of his presentation was to provide information for a discussion on the sources and methods to identify ELL students; discuss and identify risk factors for at-risk students; and, discuss sources and methods to identify at-risk populations (page 2, [Exhibit C](#)).

Mr. Johnson said he learned that schools performed a home language survey to identify the primary language of the students. Based on the answers to the survey questions, students were given the World-Class Instructional Design and Assessment - Assessing Comprehension and Communication in English State-to-State for English Language Learners (WIDA-ACCESS) placement test at the school district's expense. Based on that score, students were placed in a category of Limited English Proficient (LEP), or ELL, and a language action plan was prepared for each student. The ELL students were tested annually to gauge whether they still qualified for ELL services.

Mr. Johnson said the test data was recorded in one of the two primary information systems: Power School or Infinite Campus. He noted that the two systems were very similar. He was familiar with Power School, as that was the database used by the White Pine County School District. He said both databases were tied directly to the state's information system. The statistics directly correlated with the demand for services. All of the school districts had a uniform means to identify the students. The systems had a toggle for yes or no. The student either qualified or did not; there was no means for weighted services.

Mr. Johnson said census data was available at the county, state and federal level. He said the state and federal census data was more global, not county specific, and may not account for variations in local demographics. County data was available, but was probably less consistent, because it varied in sophistication depending on the level of administrative resources and expertise in each county. Mr. Johnson said there was a repository of information within each school district regarding ELL services and students.

Mr. Johnson said through researching at-risk factors and populations, he learned that there were many definitions for at-risk students. He said, basically, an at-risk student was any student who, by virtue of his or her circumstances, was statistically more likely than others to fail academically. The indicators for at-risk students for the National Center for Education, Title I and Power School were listed on page 5 of the presentation ([Exhibit C](#)). He noted that that the Power School indicators included some risk factors that were not related to poverty.

Mr. Johnson said Title I basically used free and reduced lunch (FRL) count. Schools that received the money did not necessarily have to use it to fund FRL. The funding could be used for ELL, special education, reading literacy and other risk factors. He said it was interesting to know that not all schools that qualified for Title I funding received the funding. He said a number of schools in Elko County School District qualified, but did not receive Title I funding.

Mr. Johnson said the state formulas included a number of factors to measure the at-risk population. He said the following factors listed on page 7 ([Exhibit C](#)) were taken from the American Institutes for Research (AIR) study prepared for the Committee to Study a New Method for Funding Public Schools (S.B. 11, 2011 Legislative Session, Bulletin No. 13-07, January 2013), which was available on the Task Force on

K-12 Public Education Funding website on the Nevada Legislature webpage (<http://www.leg.state.nv.us>):

- Poverty
- Free and Reduced Meals
- Title I
- High School Students Failing Portions of the High School Graduation Exam
- Economic Impact Aide
- Compensatory Education
- Not Meeting State Standards or Exam Scores
- Pregnant
- Neglected and Delinquent Students
- Foster Care

Mr. Johnson said most states used FRL statistics to identify at-risk students, and some states only used FRL statistics. He said approximately 85 percent of the states that used weighted formulas used that statistic. He said all of the school districts had the ability to collect FRL data in a uniform and consistent method that was connected to the state information system. However, not all schools in Nevada provided nutrition program services. It would be a challenge for the school districts to get that information from students for those schools that did not provide nutrition program services. Those school districts would have to solicit the applications for FRL, or find another survey to collect that information. He said that if FRL data were to be used as an indicator for at-risk students, there must be a uniform and consistent means to collect and report the data, and it seemed that the best repository for that information was the school district information system.

Mr. Johnson said there was discussion in previous meetings that census data, or other information outside of the school district, be used to identify at-risk populations. He recalled that TAC member Dr. Walt Rulffes pointed out that the information within the school district was tied directly to demand for services. Mr. Johnson said that census data, or other data outside of the school district, could be used to verify the reasonability of the school district data.

Mr. Johnson summarized his presentation by saying that every school district in the state had the means to identify ELL and LEP students and the FRL population in a way that was consistent from school to school. He said the data was available to be used without any manipulation, nor was there a need to make it more comparable across schools. He said the data was available to the Nevada Department of Education through the state system.

Mr. Johnson concluded his presentation by suggesting that TAC members consult the AIR study prepared for the Committee to Study a New Method for Funding Public Schools (S.B. 11, 2011 Legislative Session, Bulletin No. 13-07, January 2013) for more information about the different formulas. He said the study included information relative to how other school districts used the ELL and FRL counts in their funding formulas in

Appendix E and Appendix F. He noted that the study was available on the Task Force on K-12 Public Education Funding webpage on the Nevada Legislature website (<http://www.leg.state.nv.us>).

Julia Teska asked if FRL was the only factor that would be used to identify at-risk populations. She noted Mr. Johnson had mentioned homelessness, teen parents, transiency, foster homes, and other potential factors.

Mr. Johnson said he did not have a conclusion as to which factors should be used. He was simply pointing out that there were other factors. Within the Power School database, there were check boxes for alternate test taker, academically disadvantaged, migratory, transitory, and economically disadvantaged. Within the existing information system, there was a means to collect data for other risk factors. He was not suggesting that FRL was the only measure that should be used to identify at-risk students, but it was predominate in the weighted funding formulas used by other school districts.

Dr. Jesse Levin suggested that policymakers in Nevada consider some sort of funding adjustment for mobile students. He was not sure about the difference between migratory and transient students. He and Dr. Chambers developed a formula for the State of New Mexico, with mobility included as a separate factor.

Dr. Levin said he did not know how the Power School program defined being economically disadvantaged. In California, a student was considered economically disadvantaged if the child was either from a family that was eligible for FRL, or either of the parents did not have a high school diploma. He said parental education was a very strong indicator of student success. He suggested that, although most states used FRL, that Nevada consider other factors such as being economically disadvantaged.

Dr. Levin noted that most school districts in Nevada had a student nutrition program, but some did not. He said some capacity building would be needed to collect information for students in school districts that did not offer a student nutrition program.

Dr. Levin said it should be taken very seriously that at the high school level there was an underreporting of students who were eligible for FRL. He advised that if funding were tied to an FRL metric, reporting would become more accurate. Nevertheless, in the first year or two there might still be underreporting.

Mr. Johnson noted that some areas in White Pine County were not served by a nutrition program. There was a 20 percent decrease from elementary school to high school. Originally, he was opposed to the FRL count being used because of those factors, but as Dr. Levin mentioned, using FRL would provide an incentive to our schools to be more diligent in collecting the FRL information. Further, those statistics were tied to federal funds, including E-Rate funding. It may be in the best interest of the school districts to collect that data anyway, because it would provide more accurate information for the district, and provide benefits of a different nature. He said E-Rate used a different survey for reporting, but it measured the same population. He said the White

Pine County School District consistently received a better response from the E-Rate application than the FRL count.

Ms. Teska said one of her concerns regarding using FRL counts was the community eligibility option. She said schools that availed themselves of that option would no longer be required to collect FRL data. Another concern was that many charter schools did not offer nutrition programs, because it was not economically viable for them to do so. That approach would completely discount the nontraditional delivery systems for education. She suggested FRL as one factor to use, but not the only factor. She said a multiple measure would be best to accurately capture information about the at-risk population.

Mike Schroeder, Washoe County School District Budget Director, shared Ms. Teska's concerns. He noted the goal was to identify and help students who were likely to fail academically. He said there was a chance that students who qualified for FRL would be among the students who were likely to fail academically, but not every student who needed academic help would qualify for FRL. He asked Dr. Chambers if there was a way to use test scores to capture the essence of low academic achievement to identify the students who were likely to fail academically.

Dr. Chambers said the concern about using test scores was that the scores could change from one year to the next for the same child. He said the factor should be something that did not change, or that did not create a perverse incentive in the way the scores were reported. He suggested using a moving average.

Dr. Levin said the weighted factors in the funding formula should be outside of the control of the school or the district. He cautioned that a perverse incentive could be created if there were many students near the threshold, and a district or school was in danger of losing funds. He was not implying that a school would hold a student back to hurt them, but if it meant lots of funding for a district, a decision could be made about students on the margin of the threshold. That was why factors outside of the control of a district were considered, such as socioeconomic disadvantage, special education or ELL.

Mr. Johnson commented that the at-risk indicators other than FRL had more variable quantifications. He said another survey could be devised to include risk factors other than FRL.

Mr. Johnson said he would like to know the correlation between the ELL students and the FRL students. He understood that in Massachusetts, 85 percent of the FRL population were also categorized as ELL. He cautioned that if a student was identified as at-risk in a number of different categories, that student could potentially be counted multiple times. He suggested a mechanism be put into place to avoid duplicate counts.

Dr. Levin asked for more information about the data system that Mr. Johnson was describing. He asked if it was possible to tease out unduplicated counts from the

information system. He said there was a valid concern about the overlap between ELL and FRL students.

Mr. Johnson explained that a student categorized as both ELL and FRL in the White Pine County School District database would appear in a search for either factor. One way to fix that would be to record a student as either ELL or FRL. He said training with respect to the school districts would be required. He was not able to find the cross-section of ELL and FRL students. He said an IT request may have been made to the Department of Education as to the cross-section of ELL and FRL students in the state.

Dr. Levin said that depending on the data systems in use, the search results would vary from district to district. He asked whether the White Pine County School District could identify every mutually exclusive category. For example, a student could be ELL only, a student that was FRL only, or a student that was categorized as both. Mr. Johnson said the system was able to do that.

b. Determination of weights to be used to allocate funding for ELL students and students at risk of low academic achievement.

Dr. Walt Rulffes, Former Superintendent, Clark County School District, said that James McIntosh, Clark County School District Chief Financial Officer, was not able to attend the meeting, so he would make the presentation.

Referring to the meeting handout titled, "Determination of Weights to be used to Allocate Funding for ELL Students and Students At Risk of Low Academic Achievement and Treatment of Students Who Qualify for Multiple Weight Categories" ([Exhibit D](#)) Dr. Rulffes said he and Mr. McIntosh agreed that there should be a way to document costs.

Dr. Rulffes said the information provided was based on the Zoom schools, which were funded with a \$50 million state allocation for ELL. He commended the Legislature and the Governor for recognizing that ELL was a major issue in the academic performance of students.

Dr. Rulffes said he has been the superintendent in three different school districts, and all three school districts had similar issues. The difference was that urban schools had concentrations of ELL. The emersion approach did not work in these schools, because the students were immersed in their own language. He asked Chair Woodhouse whether the TAC would discuss the use of the \$50 million allocated for ELL. If the weighted factor was applied using the \$50 million allocation, there would be less impact on the other districts, and the proposal would have a better likelihood of success getting through the Legislature.

Ms. Waller said that discussion would take place along with the discussion of implementation and phase-in. She said there would be a discussion on whether or not to incorporate all funding sources, including the Zoom school funding.

Chair Woodhouse said the Zoom school program was in Clark County and Washoe County. There was some additional funding available to the other schools districts through an application process with the Department of Education.

Dr. Rulffes said all schools have ELL students and at-risk students, but the concentration was in the urban areas. He said, based on the Zoom school cost, the ELL weighting would be 1.33. He did not know whether that was realistic.

Dr. Rulffes said there have been many reports that the State of Florida had made a good deal of progress statewide after adopting a weighted factor for ELL of 1.15. He recommended the TAC adopt a factor between 1.11 and 1.33. He said if the \$50 million were available, he would recommend a maximum eligibility for the funding of up to four years, a provision that the money flow to the schools as opposed to the school districts, and that there be some kind of feedback to the Legislature required to show improvements.

Dr. Rulffes said for at-risk funding, the various categories seemed to fall within the poverty area, such as FRL. He said whether FRL or another variable outside the control of the school district was used was not important as long as it accurately reflected the poverty level. The slippery slope was coming up with a funding level for the at-risk funding. He was able to quantify a factor of about 1.11; however, there was lots of variation, and not much data on which to draw for actual models.

Dr. Rulffes said some at-risk categories were already being funded. He said the state's decision to fund kindergarten fully would have an impact not only on at-risk students, but also on ELL students. The same could be said for pre-school funding, as well as the Title I funding at the early elementary ages.

c. Differentiation of weights to be used to allocate funding for ELL students and students at risk of low academic achievement by elementary, middle or high school level.

Jeff Zander, Elko County School District Superintendent, said he reviewed several reports on the topic of weighted student funding, and differential funding by grade level in preparing his presentation to the TAC, Differentiation of Weights by Elementary, Middle or High School Level ([Exhibit E](#)). One of those reports was the State Education Funding Formulas and Grade Weighting by Michael Griffith, May 2005. He understood that many of the statistics included in the reports have changed over time. In addition, he said that the topic of differentiation by grade level overlapped with some of the topics being presented by the other TAC members.

Mr. Zander reported that some of the funding formulas being used were as follows (page 2, [Exhibit E](#)):

- Foundation/Base Formula – The state determines a base formula per school district, with incremental weightings based on different student populations.
- Modified Foundation/Base Formula – A modified foundation was more like the Nevada Plan, with an individual weighted base formula for each school district, with incremental weightings based on different student populations.
- Teacher Allocation – Based on certified staffing needs.
- Dollar Funding Per Student – Funding that followed students based on a statewide allocation.
- Other Systems – Normally based on historical costs.

Mr. Zander reported that 21 states differentiated funding depending on grade level. Seven of the 8 states that used a teacher allocation system varied the funding depending on grade level. He said it was important to recognize that the cost of delivering education was different by grade level. Of the 21 states that differentiated and weighted funding based on grade level, 9 states differentiated only between kindergarten and 1-12. The other 12 states had weights based on the different grade levels with a configuration of K-6 or another configuration of some sort.

Mr. Zander said he reviewed a number of articles from *Ed Week*, and thought that the New York City Fair Student Funding (FSF) model was probably the easier to conceptualize. The model would address the scale and density issues mentioned by Ms. Teska and Dr. Rulfes. There were eligibility requirements in the model beyond just free and reduced lunch. He said the model was based on the following principles:

- School budgeting should fund students fairly and adequately, and the funding should stay with the student throughout his or her education.
- Fund based on grade level to recognize students' different educational needs.
- Empowerment model - School leaders, not central offices, were best positioned to decide how to improve achievement.
- The school budget should be as transparent as possible.

Mr. Zander noted that the weighting allocations of the New York City FSF model were shown on page 6 of the presentation ([Exhibit E](#)). He said amounts shown were base per capita allocation by grade level. He noted that the last category on the table, Heavy Graduation Challenge, were credit deficient students. He said page 6 showed the weights for ELL and special education students. Page 8 showed additional weighting for career and technical education (CTE), specialized academics, specialized audition, and credit deficient students.

Mr. Zander said within the FSF model, students received additional weights based on their achievement at entry to the school. Based on this methodology, a school would receive funding for enrolling struggling students, but would not lose money for success

in educating them. Once a student was determined to be at-risk, the funding allocation followed the student all the way through the K-12 system.

Mr. Zander explained that students who attended a school funded with an achievement weight rather than a poverty weight, but did not enter the school with test score data, or transferred from another state or country, were weighted based on a special “missing score eligibility criteria.” In the FSF model, the regular citywide testing occurred in third grade. The test data could only be used for schools beginning with fourth grade or later. Poverty was used as a proxy for low achievement for schools beginning before fourth grade, although it was only an estimate of need. The FSF model used FRL to determine the at-risk classification from kindergarten through third grade. Once the students reached fourth grade, student achievement data was used to make that determination. He said specific infrastructures regarding which interventions would be used for the ELL students were put into place.

Mr. Zander said the FSF weights encouraged success by allowing schools to get or keep resources when they were successful in improving student achievement. He reiterated that once a student was given an allocation for improving achievement, those resources followed the student through the system.

Mr. Zander said the information in his report was taken from the Fair Student Funding and School Budget Resource Guide, 2013. He said the guide did not address the specific interventions used for at-risk students; however, it specifically addressed ELL interventions and defined ELL students.

Mr. Zander recalled that Dr. Levin mentioned the importance of measuring outcomes. The FSF model made it possible to identify those outcomes. He said if test scores are used to measure outcomes, the norming of those tests would have a big impact on per pupil funding for each school.

Mr. Zander said the eligibility determinations were weighted poverty, achievement and ELL. Within the weight differentiation by grade level in the FSF model, those schools with grades below grade 4 received a .12 weight. For schools beginning after grade 4, the weight was dependent upon grade level and how far below standard the school was. For heavy graduation challenges in grades 9 through 12, which were credit deficient students, a .20 weight was given.

Mr. Zander referred to page 13 of the presentation to weight differentiation by grade level for ELL students ([Exhibit E](#)) as follows:

- Grades K-5 are weighted .40
- Grades 6-8 are weighted .50
- Grades 9-12 are weighted .50

Mr. Zander said the FSF model included three options for ELL:

- Transitional bilingual education, which was similar to Nevada's ELL program.
- Dual language programming, which were two-way programs that integrated ELL students with native English speakers so that all students developed second-language skills while learning content knowledge in both languages.
- English as a second language, which students were taught in English using ELL methodologies and native language support for a specific amount of time.

Mr. Zander said the New York City ELL program outlined how many minutes per week the ELL students participated in the program. He said there were structures in place that mandated certain instruction, and there must be accountability aligned with that instruction. He noted that the report did not provide information about accountability for outcomes.

Mr. Zander suggested a gradual implementation to preserve stability. He said a successful model would require transparency, and added that many people did not understand Nevada's current funding formula. The model is an empowerment model that must push decisions as to staffing and programming to site level administrators rather than central administrators. He said there must be specific rules in place for eligibility. He noted there had been discussion among the TAC members about issues regarding assessment. In addition, he said it appeared that the school districts that weighted based on grade level had structures in place for the interventions taking place, and how they were implemented. Lastly, all of the models required adequate base funding; otherwise, the ELL and at-risk programs would be taking instruction from other students.

Referring to page 4 ([Exhibit E](#)), Mr. Alastuey asked, of the 12 states that differentiated and weighted funding based upon various allocations by grade level, how many had school districts that did not have all grades unified under the district. For example, most cost histories would show that secondary school students cost more to educate than elementary grade students, supplemental funding for class-size reduction aside. He asked if an elementary school district was justified in claiming the same amount as a high school district. Mr. Alastuey said Nevada's school districts were county-line coterminous, with all districts responsible for every grade therein. He asked if there was a strong justification for differentiating allocation by grade level.

Mr. Zander replied that was a good observation. He said there was no doubt that the configuration of each of the districts would determine whether weighting should be based on grade level. He said it cost more to educate secondary students than elementary students, because of the staffing and elective needs. He noted that for some of the districts in the FSF model, some weights were regressive for those grades.

Dr. Chambers commented there was no reference to preschool or early education programs, where investments can yield substantial economic returns. It was difficult for the students to catch up once they reached middle school or high school. He said if an investment were made in early education, huge weights might not be necessary for

students in poverty. He suggested that funding be provided for language development services for the children early in their careers.

Dr. Rulffes said a goal of the TAC should be to minimize any additional layers of bureaucracy for school districts and teachers in the classroom. The existing database systems should be utilized. He asked what additional data would be required to implement a model such as FSF in Nevada.

Mr. Zander suggested that at a certain grade level, student proficiency could be used rather than FRL. He said New York City had density and community issues that affected ELL and at-risk programs in some of its attendance area. He believed that with the funding came a level of accountability. He agreed that teachers should be teaching with as little bureaucracy as possible. He did not necessarily support the New York City model, but the model made it easy to understand how ELL and at-risk programming were differentiated by grade level.

d. Allocation of funding based on density of ELL students and students at risk of low academic achievement.

Mr. Alastuey said at the last meeting of the TAC there was discussion as to whether the funding being considered should be categorical grants, or should there be a wider range of flexibility for the school districts, with minimal feedback, or something in between.

Mr. Alastuey recalled that the TAC had difficulty defining “density.” Following the last meeting, LCB Fiscal Analysis Division staff provided him with the State of California’s Local Control Funding Formula (LCFF). He provided a written copy of his review of the formula ([Exhibit F](#)). He noted that California, like Nevada, suffered badly from the loss of public revenue during the recession. He noted there appeared to be measures in the LCFF to phase-in some form of base funding recovery.

Mr. Alastuey said the LCFF eliminated a number of earmarks that California had accumulated over time. Referring to page 2 ([Exhibit F](#)), he said the table was drawn from a California Legislative Analyst report titled, “An Overview of the Local Control Funding Formula.” He noted that funding was differentiated based on grades K-3, 4-6, 7-8, and 9-12. He explained that there were a number of school districts in California that were not unified; the schools in those districts were elementary only, or secondary only.

Mr. Alastuey said the LCFF neutralized the issue of creating an incentive to classify students as ELL, low-income, or foster care to increase the funding weight. He explained that each of the three categories was supplemented by 20 percent, and the counts in each of the categories were not duplicated.

Mr. Alastuey said the definition of density was simplified in that if the concentration of ELL and low-income students was over 55 percent, an additional 50 percent of the

adjusted base rate was added. He said there were other add-ons, and a number of categorical grants that remained.

Mr. Alastuey said California, unlike Nevada, provides its funding based on average daily attendance. He noted that there might be issues using both average daily attendance and weights for funding, because, over the school year, the number of weighted students attending would vary. This would not have much impact on a large school district. He noted that in high school, enrollment at the beginning of the school year was much higher than the end of the year, as kids left school for unfortunate reasons. He said it was likely that the students in the weighted funding category would have a greater propensity to leave school before graduation.

Mr. Alastuey recalled that Dr. Levin and Dr. Chambers said the funding formula needed to be oriented toward results. Referring to page 3 ([Exhibit F](#)), he said the following areas of priority were noted in the California Legislative Analyst's report:

1. Course access
2. Parental involvement
3. Student engagement
4. School climate
5. Basic services
6. Implementation of Common Core state standards
7. Student achievement
8. Other student outcomes

Mr. Alastuey noted that only one of the eight areas of priority was related to student achievement. The other seven priorities related to matters that were indicative of low-achievement. In addition, student achievement was prominent in some of the subcategories within the other seven priorities.

Mr. Alastuey said the requirement for proportionality was defined in the California Legislative Analyst's report as requiring the funding to be used to "increase or improve services for ELL/low income pupils in proportion to the increase in funds apportioned on the basis of the number and concentration of unduplicated pupils." The report clearly stated that the regulatory effect of the proportionality clause was unknown at the time of the report.

Mr. Alastuey said Dr. Chambers provided an item from the November 2013 California State Board of Education agenda ([Exhibit G](#)) regarding updates on implementation of LCFF. Mr. Alastuey noted that Dr. Chambers added comments to the margins as to how the implementation might take place in each of the areas.

Mr. Alastuey said the agenda item addressed what happened before the LCFF was enacted, and included information provided to the California State Board of Education. He encouraged the TAC members to review the LCFF information on the California State Board of Education website (<http://www.cde.ca.gov/fg/aa/lc/>).

Mr. Alastuey noted that a handout titled, “An Overview of the Local Control Funding Formula, July 2013” ([Exhibit H](#)) was provided to the TAC members. He pointed out that page 6 of the report included a section that addressed proportionality. A long list of categorical programs that had been eliminated appeared on page 7 of the overview. That left 13 categorical programs remaining, including special education. He explained that the LCFF only addressed low-income, ELL and foster care.

Mr. Alastuey said on page 11 ([Exhibit H](#)) the eight priorities that must be addressed by each district were restated. Page 12 showed the subcategories of students for which goals needed to be established, and for which reporting would be needed.

Mr. Alastuey provided a copy of California Department of Education Local Control Funding Formula Spending Regulations for Supplemental and Concentration Grants and Local Control and Accountability ([Exhibit I](#)) from the California Board of Education website. He noted that there was a reference to how proportionality would be derived on the second page, line 21. He noted the regulation states that “the funding shall be used to increase or improve services for unduplicated pupils as compared to the services provided to all pupils in proportion to the increase in funds apportioned on the basis of the number and concentration of unduplicated pupils as required by Education Code section 42238.07(a)(1).” He said the regulation includes an explanation of how expenditures of such funding meet the local education agency’s goals. The regulation also provides guidance as to how to convert from the categorical program, which was called the “Economic Impact Aide” and how to establish a baseline derived from the previous categorical program, and convert to the local control formula.

Mr. Alastuey said the information was very encouraging, and noted that it was contrary to the preconceived notion that the State of California was unable to resolve some of its major policy issues.

Mr. Alastuey referred to the Local Control and Accountability Plan and Annual Update Template ([Exhibit J](#)). He said the template was updated every year, and completely rewritten every three years. Once again, there were references to the eight priorities. The template anticipates that the districts are, and will be, reporting their progress. He noted that a change of this size would take time to implement. He asked Dr. Levin or Dr. Chambers to describe the implementation schedule.

In summary, Mr. Alastuey said it was wonderful to find that the State of California had already done lots of work on the concept of weighted funding, and had answered some of the significant questions posed by the TAC. He said if the process moved forward, there was material available to review when drafting the legislation.

Dr. Chambers said, regarding the topic of fair student funding, AIR developed “Invest for Student Success” (ISS), a reform strategy to help school districts through the decision-making process required to implement a fair and reasonable student funding formula.

Dr. Levin agreed with Mr. Alastuey that the California Department of Education has done monumental work on the topic of weighted funding. He said the department worked with Governor Brown to get the legislation passed. He emphasized that the number of categorical funding streams that had previously been used in California made the funding process incredibly complicated. The majority of the funding was already spoken for, and could only be spent in certain ways. Passage of the LCFF resulted in a major consolidation of the funding streams. He said the large number of categorical funding streams created a mentality in the districts of spending according to the rules of the funding in order to comply with the audits, rather than spending the money to properly meet the needs of the school district.

Dr. Levin said that implementation of the LCFF in California was a huge undertaking, and was still in the process. The school districts were completing their first local control accountability plans (LCAPs). He said the LCAPs were “input accountability,” which provided more accountability to LEAs, while assuring that the money was being spent wisely. The LCAPs were prepared at the district-level. The county must approve the plan, or send it back to the district if it needed more work or was not deemed appropriate.

Dr. Levin said the LCFF was an elegant plan. He added that it might be overly simplistic in a few areas. He was not sure that just ELL and at-risk covered all of the bases. For instance, there was a high correlation between students that were mobile and being at-risk. In addition, economies of scale, or the scale of operation should be taken into account.

Dr. Levin said that using a concentration factor was not an ideal method. While it was very simple and elegant, it also created discontinuity. If a district or school was very close to the threshold, perverse incentives could be created. He suggested that a gradual gradient of additional funding be used to create a smooth function from zero percent concentration to 100 percent concentration.

Mr. Alastuey asked Dr. Chambers and Dr. Levin to let him know if his presentation included misinterpretations or inaccuracies. Dr. Levin did not believe there were inaccuracies in Mr. Alastuey’s report. He suggested that the TAC members review the LAO report ([Exhibit H](#)), the report submitted by Mr. Alastuey ([Exhibit F](#)), and the State of California Board of Education document ([Exhibit I](#)). Dr. Chambers agreed.

Ms. Teska said, having spent ten years working in school districts in California under the old model, this was a huge step forward, and there was much that Nevada could learn from it. She said California’s implementation was probably smoother because 32 categorical funding programs were eliminated, which made funding available for the transition to the new model. She was surprised about some of the categorical funding programs that remained, as opposed to some that were eliminated. For example, other than for high school, class-size reduction was not included.

On the topic of average daily attendance, Ms. Teska said that having previously worked in a high school district with a migrant population, she knew that attendance and enrollment declined as the year went on. The ratio between enrollment and attendance was consistent. Under the California model, there were two different dates for average daily attendance for funding purposes. The migrant high school district at which she worked always picked the earlier date, which was around the middle of March. Districts with student populations that were continually growing throughout the year selected the later count day. She suggested that options like that should be available under the new funding formula.

Ms. Teska said data collection was more complicated and varied in California. In addition, the “true up” was done in the subsequent fiscal year, which was an approach she recommended strongly.

e. Funding for ELL students and students at risk of low academic achievement inside or outside the funding formula.

Mike Schroeder, Washoe County School District Budget Director, said much of the information in his report ([Exhibit K](#)) was taken from previously submitted articles. He said his report commented on whether the weighted funding should be inside or outside of the funding formula. The report showed ELL and at-risk separately.

Mr. Schroeder said he reviewed the report Nevada Task Force on K-12 Funding (February 2014) written by Michael Griffith, School Finance Consultant, Education Commission of the States. The report surveyed 41 states and found that 35 states provided some form of at-risk funding, and 6 did not, including Nevada. He reported that of the 35 states that provided funding for at-risk students, 25 provided the funding inside of the state funding formula and 24 added some sort of additional weight, ranging from 1.8 to .0915. He said the 10 states that provided at-risk funding outside of the state funding formula provided the funding as a grant.

Mr. Schroeder said the AIR study reported that 42 states provided some form of additional funding for ELL students. He said that was before Nevada implemented the Zoom school funding. He said it was hard to determine whether the ELL funding was weighted. There were at least 28 states that had a weighted or per pupil mechanism, of which 13 applied some type of weight from 10 percent in Texas to 99 percent in Maryland, with the average about 38.7 percent.

Mr. Schroeder said funding outside of the state funding formula was typically provided in the form of categorical grants. Some of the advantages of categorical funding were that earmarked funds had to be spent for the intended purposes, and it was easily added to existing state legislation. Some disadvantages were that categorical funding was outside of the basic support guarantee, and could therefore be eliminated; there was a lack of flexibility in how the funds could be used; and, categorical funds were not equalized, therefore could have an adverse effect on the overall equity of the state’s

funding system. In addition, smaller school districts with little or no grant writing experience might have limited access to the categorical funds.

Mr. Schroeder said the AIR report recommended that the weighted adjustments for low-income and ELL students should be embedded into the Distributive School Account (DSA) through the basic support ratio. He noted that many other states were doing that. He was not necessarily in favor of that. He noted that the State of Nevada education funding included lots of categorical funding that affected ELL and at-risk students. For example, Title I, Title III, Zoom schools, early childhood programs, kindergarten class-size reduction, and full-day kindergarten. There was ELL funding for pre-kindergarten, full-day kindergarten, and kindergarten class-size reduction. Before it can be determined what a weight should be, and how it should be applied, all sources of funding should be considered. A weight may be equitable inside the formula, but if funding sources outside of the formula are not, there would be an inequitable equation.

Ms. Waller asked about the existing funding sources for the programs that in some way or another may relate to students at-risk of low academic achievement, such as class-size reduction, pre-kindergarten or full-day kindergarten. She asked how those funding sources would be considered, without harming the districts by moving the funding inside the funding formula.

Mr. Schroeder agreed with Dr. Rulffes in that the transition from the unweighted to weighted formula should be eased. He said it must be considered how ELL and at-risk were related to early childhood programs and kindergarten class-size reduction. He said the programs seemed to work when they were categorically funded, because the specific circumstances of each of the districts were taken into consideration. He said, when class-size reduction was implemented years ago, certain counties had higher ratios than other counties, and therefore benefited more by hiring more teachers to reach the 16:1 ratio in third grade classes. He did not know how that would be included in the formula. The same could be said for kindergarten class-size reduction, which was intended to reach a 21:1 ratio, although he did not believe that it was funded like that for the entire state. The funding would depend on the circumstances of the school district at the time the program was implemented.

f. Students who qualify for multiple weight categories.

This agenda item was taken out of order.

Dr. Rulffes agreed with Mr. Alastuey that the highest weight should be considered. Dr. Rulffes said he could not find a case where multiple weighting made much sense. He recommended the highest weights, or, for unusual categories, a blended or hybrid weight.

Dr. Chambers said differential weighting for ELL and at-risk children could create an incentive to not reclassify ELL students quite as quickly. He said the differential costs were similar between the two populations. He suggested that if a child was to be

counted in only one category – ELL or FRL – there was no reason to use a differential weight that might create a potential incentive.

Dr. Levin asked if a range of 11 percent to 25 percent was recommended. He was not sure whether the report was implying that the range should be graduated depending on concentration of poverty or ELL. He asked if there would be an exact weight, or a floating weight that would increase with poverty concentration.

Dr. Rulffes said that a single rate was needed that would take into account the variations of concentration. For a high concentration, the single rate would magnify to a greater extent. He said there was no discussion of special education. He did not think that category could be weighted or blended with the ELL or at-risk categories.

Dr. Levin asked about the methodology used to review the Zoom schools. He said the objective of the Zoom schools was broader than ELL or poverty. In addition, it appeared that the analysis of the Zoom schools was focused on expenditures. He explained that economists differentiated expenditures from costs. Costs were for purchases of a quantifiable amount of something: in this case, academic progress.

Dr. Levin said some of the Zoom schools could have been very successful, and others might not have been very successful. Since the outcome was not considered, the study was not considered a cost study.

Chair Woodhouse asked Ms. Waller to provide some background on the Zoom schools. Ms. Waller explained that the 2013 Nevada Legislature approved for the first time state funding for ELL and developed the Zoom schools. The criteria for the Zoom schools incorporate some of the at-risk students as well. She said the funding, which was a categorical grant, was available to a certain number of elementary schools in Clark County and Washoe County. The funding must be used for specific services, including pre-K programs, full-day kindergarten, reducing class sizes, summer programs and reading development skill centers, which are intensive reading interventions for students.

Ms. Waller said because this was the first school year that the funding has been distributed, there were no reports; however, the preliminary response to the Zoom school programs was that the students were progressing and doing very well. She said there would be future discussions as to how to incorporate that funding with the recommendations of the TAC for the ELL funding formula revisions, as well as the at-risk funding.

Chair Woodhouse added that the schools were selected based on which schools had the highest ELL population and the lowest level of achievement. Clark County identified 14 schools, and Washoe County identified 6 schools.

Dr. Rulffes acknowledged that there was a shortcoming in the report in that it was based on expenditures, or input, and did not consider output. He suggested that the TAC

consider a feedback requirement on the success of the various models. He noted that there might be some output information available before the 2015 Legislature.

Mr. Alastuey remarked on the comment that the 1.33 weight represented input rather than the cost of the specified output. He said that some time ago he looked at the Clark County School District (CCSD) budget for cost history related to ELL, and essentially found a flat number of full-time equivalent teaching positions were allocated among the schools by a central authority. He said at that time, using the information available, the CCSD factor was approximately 1.022. He was not defending either approach, but said there was no cost history upon which to base a cost analysis. For discussion purposes, the 1.33 level was something to consider.

Mr. Alastuey noted that the cost factor for Maryland was 1.99 and Texas was 1.1. He suggested a factor in the lower of that range for discussion purposes.

Mr. Johnson asked Dr. Rulffes if the global factors were applied to all schools or whether there was a weighting factor for small schools or geographic area, similar to the current formula.

Dr. Rulffes said the only data available was for CCSD. There was no data available for the small schools. Having been a superintendent in a small school district, he appreciated the need for a small school factor. He said that was his rationale for asking about the \$50 million in Zoom school funding.

Julia Teska suggested a differential weight, or a separate grant program, for ELL students with little or no educational background that entered the education system beyond the normal entry point of kindergarten or pre-kindergarten. She said those students struggled to assimilate a new language, and were behind academically.

In addition, Ms. Teska noted that concentration grants for at-risk students have gotten some attention in other states. When a school has a 50 percent to 60 percent poverty level, there tended to be more systemic issues that are deeper than the issues in schools with much lower levels of poverty. There were not just issues with the schools, but also issues with the entire community.

Lastly, Ms. Teska said on any of the initiatives that the TAC recommends we must be very specific about performance measures. She said it would be critical to measure whether the steps would achieve the desired outcomes. She suggested a review of the outcomes in four or five years.

g. Duration of funding for ELL students.

Julia Teska, Director, Department of Administration, reported on the duration of funding for the ELL student weights. She recalled that because poverty was not a circumstance that tended to change, the duration for weighting was not considered. Theoretically, an ELL student would progress through the system and no longer be an ELL student.

Ms. Teska provided the presentation material titled, “The Duration of Proposed ELL Student Weights in the Nevada Education Funding Formula” ([Exhibit L](#)) to the TAC members. She said the goal of the weighted ELL funding must be determined. The goal could be for the student to pass the proficiency test so that he or she would no longer be classified as an ELL student according to the funding criteria. She noted that academic English proficiency was different from conversational proficiency; academic proficiency could be applied to the student’s other coursework. She said it was a very similar concept to the goal of literacy by the third grade, so that when content-based instruction began, the student would have the skills necessary to be successful.

Ms. Teska said the following factors affected the rate of English language acquisition for students:

- Native Language Literacy/Education
- Home Literacy
- Initial English Proficiency/Exposure
- Age
- Personality
- Socioeconomic Status
- Quality of Language Instruction Education Program
- Type of Language Instruction Education Program

She noted that the AIR report recommended establishing weights as a policy decision, and that there was no duration recommended for the weights. The report said Iowa provided the weighted funding for up to four years, with the ability to request an extension. She said the Louisiana model was based on funding for increasing the number of teachers.

Ms. Teska said the Department of Education staff provided information from a recent study (page 5, [Exhibit L](#)). The study found that the typical time for reclassification of a student from ELL was four to six years. The typical time to reach academic English proficiency was five to seven years. She noted that approximately half of the ELL students that started the program in kindergarten exited the program before or during middle school. The other half would become long-term ELL students, and many would not exit the program. She said there was a recommendation in the report for maintenance support for two years after exit of the ELL program to ensure that the supports the students have been receiving were not cut off all at once simply because the student passed the exam.

Ms. Waller asked if those children exited the ELL program because they had been reclassified, and Ms. Teska replied that was correct.

Ms. Teska said the TAC might consider a separate weight for students entering the system with no educational background. These “late arrivers” have not previously been in a formal education setting, or have very limited formal education background. In addition, although caution should be taken not to double count, the TAC should be

cognizant of the fact that poverty can affect the success of ELL students as well, and that there was a significant overlap of the two.

Ms. Teska said the following five options were based on recommendations from various publications:

1. Full weighting for fixed number of years. The simplest option. An ELL student would receive the funding for a set number of years.
2. Full weighting through reclassification. Until the student was reclassified, the student would be assigned the same weighting.
3. Full weighting for fixed number of years with partial weighting for fixed number of years. For a timeframe for acquisition of language skills of approximately four to six years, the first three years would have a higher weighting, and the last three years would have a slightly lower weighting.
4. Full weighting for fixed number of years with partial weighting through reclassification.
5. Full weighting for fixed number of years with partial weighting through reclassification, then two years of maintenance funding. She said this was the most complicated option. This option would probably be preferred by the ELL program staff. This would allow some support for the students to continue.

Ms. Teska cautioned that the ideal option might not fit in with the goal of having a transparent funding model. The more layers of complexity added to the model, the less transparent the model would become.

Dr. Chambers said he liked the concept of the fifth option. He recalled the earlier presentation on the topic of fair student funding. He understood that under the New York City funding system, when a child was classified as at-risk or ELL, that designation stayed with the student throughout that child's education. That would be a relatively simple option. He said that would reflect the challenge in becoming academically English proficient while learning the subject matter, and the fact that many of the ELL students were also low-income, and may need additional resources to help them learn throughout their educational career.

Ms. Teska believed that could be a variation on the first option, with the fixed number of years being the number of years that the student was enrolled. However, if the goal was to arrive at an unduplicated count, an ELL student who was reclassified after attaining academic English proficiency may default to the at-risk category weight if that student was low-income.

Dr. Chambers said that was an excellent point. He would argue against the differential weights, because he did not see the rationale for any solid cost data between those two categories.

Dr. Levin said he supported the fifth option, which was more complicated than the other options in terms of transparency and data collection. He did not know whether the

classifications were based on an assessment, or whether there was a more subjective method using teacher or principal ratings. He cautioned that the system must be uniform so that reclassification meant the same thing in all school districts. This harkens back to concern about the educator having influence over the need factor. He said, if there was subjectivity in the needs assessment, that could be cause for concern.

Dr. Levin suggested the addition of a contextual aspect to the list of factors influencing the rate of language acquisition, such as the number of languages spoken other than English at the school. If there were three or four languages spoken, there would be additional educational needs, compared to a school where Spanish was the predominate language other than English. He noted that in some San Francisco schools 13 different languages were spoken, which created a need for teachers fluent in those languages. He did not know how applicable that would be to Clark County or Washoe County.

Ms. Teska agreed that insuring consistency and making sure that the data collection was feasible were prerequisites. She suggested the options should be ranked so that when the funding model was determined, a decision could be made as to whether the additional level of funding was worth adding the additional level of complexity.

Ms. Waller asked if the current reporting to the school district or Department of Education for the ELL student population included the number of students that were reclassified.

Ms. Teska said she understood that because those numbers were reported to the federal government as required by Title III funding, information was available for the students who met the proficiency requirements. For assessment purposes, there were tiers assigned to the students.

Chair Woodhouse thanked the presenters for their presentations.

The TAC recessed at 11:33 a.m.

V. DISCUSSION OF POTENTIAL ISSUES FOR CONSIDERATION BY THE TASK FORCE ON K-12 PUBLIC EDUCATION FUNDING IN RECOMMENDING FUNDING FOR SPECIAL EDUCATION, INCLUDING BUT NOT LIMITED TO:

The TAC reconvened at 11:44 a.m.

Chair Woodhouse said she would like to discuss each item listed under agenda item number V. Following the discussion, members may be assigned to research an item in more depth and report findings back at a future meeting of the TAC.

a. Alternative options for funding special education in Nevada including, but not limited to:

Ms. Waller noted that the alternative options to be discussed were derived from the AIR report prepared for the Committee to Study a New Method for Funding Public Schools (S.B. 11, 2011 Legislative Session, Bulletin No. 13-07, January 2013), which was available on the Task Force on K-12 Public Education Funding webpage on the Nevada Legislature website (<http://www.leg.state.nv.us>). She said the report suggested that Nevada consider alternative methods to fund special education, as opposed to the current method of unit funding.

i. Fixed allocation per pupil.

Ms. Waller said the first recommendation was a fixed allocation per pupil, which allocated an equal amount per student eligible for special education services across all districts. She explained that for every district, the total funding available would be divided by the total number of students identified for special education services. That amount would be apportioned to every school district based on the number of students served.

ii. Weighted pupil funding based on a specific learning disability or services provided.

Ms. Waller said there could be one weight for all special education or disability services. Some states break down the weights by disability or the services provided. There were a wide variety of weights used by states.

Ms. Waller noted that the Education Commission of the States presented an Overview of Special Education Funding in the United States the Task Force's March 31, 2014, meeting, which was available on the committee webpage through the Nevada Legislature website (<http://www.leg.state.nv.us>). There were a number of different ways to implement the weighting methodology. Some states provided a single weight. Oregon's single weight was 0.5 and West Virginia's single weight was 2.0. Some states made use of a number of weights. New Mexico used 12 weights based on disability, and the State of Texas used 9 weights based on the service provided.

iii. Weighted pupil funding using group averages.

Ms. Waller said the method of weighting per pupil funding using group averages served to reduce the incentive to over identify students for special education services. She explained that by grouping the average incidence by types of districts, one district was not able to increase its own funding based on identification of special education students.

iv. Census-based approach.

Ms. Waller said the census-based approach allocated revenues to districts based on total enrollment of all students, assuming that there was a fixed incidence of special education students across all districts. The census-based approach would avoid incentives for over classifying special education students.

Ms. Waller reported that the Committee to Study a New Method for Funding Public Schools (S.B. 11, 2011 Legislative Session) recommended to the 2013 Legislative the implementation of a census-based approach that included a catastrophic fund. She said S.B. 500 (2013) directed the TAC to review AIR's report and evaluate the recommendations. She said the TAC was not bound to the recommendations of the Committee to Study a New Method for Funding Public Schools. She noted that Dr. Chambers was a renowned expert on special education studies, and was one of the authors of the most recent cost study. He could provide valuable information to the TAC with regard to the options for funding special education.

Mike Alastuey, Education Finance Consultant, said researching the topic a number of years ago, he found that the original unit funding that was adopted in the late 1960s or early 1970s in Nevada approximated the average cost of a teacher, plus benefits. Since that time, that relationship has been completely shattered, perhaps due to the temptation to not augment the unit funding for each, in exchange for "creating more units." He explained that a unit, rather than a subsidy to the district, has become a mandate to the district, which was largely unfunded. The studies performed by the Department of Education and others showed that the units funded less than half of the teachers' salary and benefits. That was why he thought another approach was long past due.

Mr. Zander said based on the report, he and Mr. Johnson were both opposed to the census-based approach. He said the census-based approach appeared to allocate funding based on a census number that did not reflect actual need within the school district. He preferred a weighted pupil funding methodology using group averages.

Dr. Rulffes agreed with Mr. Zander. He said program staff in special education had no interest in a simpler form of funding. If there was any kind of recognition of the need, that it should be based on a weighted per pupil or group average.

Ms. Teska said when she first read the AIR report, the census-based model with the contingency fund option made the most sense to her, because it ensured that extremely high cost students would not put an undue hardship on a school district. Since then, she had been approached with the idea of a hybrid model, which used weightings based on disabilities listed in the National Conference of State Legislatures (NCSL) report for the State of Oklahoma.

Ms. Teska noted that the extremely high cost students would have similar Individualized Education Program (IEP), regardless of the school district. She described those IEPs as being almost medically based. She said these IEPs would have a significant weight in the funding formula. If there were a disproportionate number of high cost students in a school district, that school district would be paid more based on the number of those weighted students. She noted that these high cost students did not make up the bulk of the students in the special education programs.

Ms. Teska said that the Oklahoma weights ranged from 2.4 to 3.8. She said having a weighted model for that part of the population, and using a census-based model for the other more mainstream special education students would be a middle ground between using an entirely weighted model or an entirely census-based model. She said using a census-based model for the more mainstream IEP students would avoid creating an incentive to over identify students into the special education category.

b. Contingency or Catastrophic Fund for students who require high-cost services.

Julie Waller, Senior Program Analyst, Fiscal Analysis Division, reported that the contingency or catastrophic fund for high-cost students was recommended, along with the census-based approach, by AIR. She said that recommendation was targeted at smaller school districts that were not equipped to handle high cost students. She said that approach could be coupled with another option, or it could be used to modify the unit-based funding and add a new catastrophic or contingency fund. The TAC would need to consider whether the funding would be reimbursement based, and whether there would be a cap.

c. Implications for the Maintenance of Effort provisions of the federal Individuals with Disabilities Education Act.

Wayne Thorley, Program Analyst, Fiscal Analysis Division, reported that regulations that accompanied the federal Individuals with Disabilities in Education Act (IDEA) requires that a state must not reduce the amount of state financial support for special education and related services for children with disabilities, or otherwise made available, because of the excess cost of educating those students below the amount of that support for the preceding fiscal year. He said there were certain exemptions, but in general, the state must continue to provide the same, or more, support for special education students that it provided in the past. He said the Task Force and the TAC should consider that when discussing the recommendations.

Mr. Thorley said the federal funding that the state received for special education was intended to supplement state funding rather than supplant it. There were penalties that could be incurred if a state did not provide continued maintenance of effort. For example, the state could lose federal funding, and be required to pay back federal funding that had already been received.

In response to a question from Mr. Zander, Mr. Thorley explained that the maintenance of effort requirement was at the state level. He explained that it would not include money used by the districts to support special education; rather it would only include state funding. It would not only include state funding through the Department of Education, but any state funding, such as funding from the Department of Health and Human Services provided to support special education.

Mr. Zander asked, if the Elko County School District was given \$3 million per year in federal funding for special education, would that maintenance of effort at the state level be applied to the full amount that the state was allocating toward special education, or would the state have to maintain the \$3 million per year for the Elko County School District?

Ms. Teska said she understood that the state's maintenance of effort was based on the total that the state provided for special education funding. She noted that during the recession, special education was funded at the \$121 million level in order to comply with the maintenance of effort rules, even though the formula did not generate that level of funding. She said there was also maintenance of effort required for the IDEA at the district level, which was the amount of non-federal funds that the district was spending on special education. While the state cannot make adjustments to the level of special education funding, for the districts, the prior year expenditures must be maintained into the current year. She noted that adjustments could be made for the loss of a senior teacher who was being replaced by a new teacher to account for the reduction in cost. In addition, funding could be adjusted at the district level for the aging out of an extremely high cost student. She noted it had been many years since she was involved in maintenance of effort at the district level, and asked for school district staff to clarify if that was not correct.

After having received updated information, Ms. Teska added that exceptions to the maintenance of effort included a decrease in enrollment in children with disabilities; termination of an obligation of the agency; termination of expenditures for costly long-term students; the acquisition of equipment; and, the assumption of a high-cost fund.

Dr. Rulfes said the maintenance of effort at the district level was focused on expenditures, which were not related to funding level. He said if special education funding was coming from other sources in the school district, then the district was required to maintain those as well.

d. Funding for special education students inside or outside the funding formula.

Wayne Thorley, Program Analyst, Fiscal Analysis Division, recalled that at the last meeting of the TAC, Dan Thatcher, Senior Policy Analyst of the National Conference of State Legislatures, presented information about how other states funded special

education. According to his research, 18 states provided special education funding inside the funding formula, while 28 states provided the funding outside of the formula. The rest had a hybrid approach. Nevada's unit funding approach would be considered outside of the funding formula.

Mr. Thorley added that for states that funded special education outside of the funding formula, those funding mechanisms often took the form of cost reimbursement, in which the school districts were reimbursed for costs up to a certain level. He said 9 states used that approach; 6 states used the unit cost approach similar to what was used in Nevada; 2 states used a census-based approach; and, the remaining 14 states used a hybrid of those approaches or another approach.

Chair Woodhouse asked for volunteers among the TAC members to make presentations on each of the potential issues for consideration.

- a. Mr. Alastuey agreed to present information on alternative options for funding special education in Nevada.
- b. Ms. Teska agreed to present information on contingency or catastrophic funding for students who require high-cost services.
- c. Mr. Schroeder agreed to present information on implications for the maintenance of effort provisions of the federal Individuals with Disabilities Education Act.
- d. Dr. Rulffes agreed to present information on funding for special education students inside or outside the funding formula.

VI. OVERVIEW AND DISCUSSION OF A POTENTIAL STREAMLINED EQUITY ALLOCATION MODEL FOR NEVADA'S K-12 FUNDING FORMULA.

Mike Alastuey, Education Finance Consultant, referred to the AIR report prepared for the Committee to Study a New Method for Funding Public Schools (S.B. 11, 2011 Legislative Session, Bulletin No. 13-07, January 2013), and recalled that he had been contacted by Ms. Waller, Dr. Chambers and Dr. Levin regarding some of the findings in the final report.

Mr. Alastuey said among those observations was that accurate documentation was lacking, which he agreed. He said the information existed in various spreadsheets, but it was very difficult to follow. He said unlike other states, there was no detail in statute other than a general concept that the state would contribute whatever the other revenue sources did not provide. The underlying numbers were outdated. Policymakers might never notice this given the current documentation, and how the information was structured. Finally, there was no systematic update process in place. The last consensus based process with district input took place before the 2007 Legislative Session, at which time the latest numbers that were available were from 2004 or 2005.

Mr. Alastuey complimented Ms. Teska for providing her own encapsulation of the current model in a concise fashion. Mr. Alastuey said he had always had trouble with

those formats, so he developed an alternate format that he hoped would be of assistance to the TAC members.

Referring to the Simplified DSA Model Narrative and Example ([Exhibit N](#)), Mr. Alastuey described the numbers on the first page of the table as input data. He noted the top table showed 2001 – 2004 operating and equipment costs, which was a significant driver in the formula. He noted that the most recent information available was for 2004.

Mr. Alastuey said the more recent years were given the greatest weight. He said the columns in the middle of the page included student transportation costs from 2008 through 2011 drawn from audits, with the enrollment being drawn from department generated research bulletins. Average transportation cost per student was based on both current and projected enrollment.

Mr. Alastuey said column 32 included all salary costs, plus operating and equipment costs. He said the 2005 average licensed teacher salaries were included in column 33. Average other licensed salaries were captured in column 34, which included the counselors and the deans, who were not necessarily in the classroom. Mr. Alastuey said column 37 showed that depending on the district, the average ratio was one administrator, nurse or counselor for every six teachers in the classroom. He said the wealth factor, which was the share of the 50-cent tax, the government services tax, and a few other miscellaneous items, was shown as estimated for the coming biennium at the time.

Mr. Alastuey said columns 42 through 45 showed overrides that were inserted into the formula to recognize outliers from the very small and very large districts. He said column 46 was the legislatively approved aggregate basic support per pupil of \$5,590.

Mr. Alastuey noted that a number of items in column 48 through 56 ([Exhibit N](#)) were brought forward from the input on the previous page, or calculated from that information. Column 51 showed teacher allotments from the input table that was derived through a consensus district and department process. This information was input to the columns at the bottom of the same page, and grouped into districts, which, at that time, were thought to have similar characteristics. He explained that, instead of Carson City having its own \$43,045 average teacher salary, a single, four-district average of \$59,641 was derived, as shown in column 67. He explained that districts thought to have similar characteristics were grouped so that aberrations in expenditure patterns were softened and not replicated in following years.

Mr. Alastuey said the overrides in columns 42 through 45 ([Exhibit N](#)) were superimposed in the numbers that were otherwise calculated based on weighted averages. Finally, information was brought forward in columns 74 through 87 from the previous pages. The basic support ratio was shown in column 87. He said, if in fact, the aggregate average cost per student was 1.00 in all of the districts, then this method determined that Clark County represented 96.07 percent of the statewide average, which meant that the biggest district received the lowest percentage.

Mr. Alastuey said transportation was calculated in the second part. The wealth factor was calculated on a per student basis so that, in effect, all of the revenues involved were thrown into one pot, and there were either supplements or reductions to each district at a zero or revenue-neutral basis.

Mr. Alastuey said the basic support was calculated in columns 110 through 118 using the same numbers used by the Department of Education. He said there was a direct comparison in column 119 to S.B. 522 (2013) which provided for K-12 public education funding. He said column 120 was within \$1 of S.B. 522 funding levels, except for Eureka, because the net proceeds of minerals revenue for that county exceeded the cost of education. He noted that a page with brief descriptions of the information in the model was included after the table (page 4, [Exhibit N](#)).

Mr. Alastuey said that information demonstrated that the AIR study was correct. The K-12 funding documentation lacked transparency, and the information was not circulated frequently. He said the format and presentation of the information were significant issues. In addition, the major drivers that illustrated the differences in the way funding was allocated and the way it might be allocated in the future were in the model, but in a different fashion. He said the most significant of those drivers was labor cost.

Mr. Alastuey said the assumption that urban labor was cheaper than rural labor was embedded within the formula. That was not the case necessarily in other states. The formula also assumed that it was fully justified that Clark County received 96 percent of the statewide average under the basic support ratio, and Esmeralda County received 271 percent. He said that included labor and measures of geographical dispersion by virtue of the application of the teachers table.

Mr. Alastuey said he put together the model to reconcile his own understanding of how the information was used for the Executive and Legislative Branch budgeting process. He believed his model was simpler. For example, column 1 ([Exhibit N](#)) showed the estimated weight enrollment. He said that was a count of one to one. This could be re-expressed based on weighted students, either on an incremental funding basis, or on a cost-neutral basis that would allocate the same amount of money, but in a different way.

Mr. Alastuey said the examples in columns 66 through 70 ([Exhibit N](#)) showed the effect of changing the assumptions that urban labor was cheaper than rural labor. He encouraged the TAC members to develop their own formula format to give themselves a better understanding of the formula. He said the information could be presented clearly and simply to demystify the process. In summary, Mr. Alastuey said the existing model used old operating costs, old transportation costs, and old salaries all mixed up and applied to a new number. That was why, year after year, Clark County's support ratio was .96.

Mr. Alastuey commended AIR on the observation about the transparency of the process.

Mr. Alastuey referred to the material provided to the TAC regarding the Nevada Plan from the 2013 Appropriations Report prepared by the Fiscal Analysis Division of the Legislative Counsel Bureau ([Exhibit M](#)). He said page 4 depicted the DSA summary for the 2013-15 biennium. He noted that the 2013 Legislature approved per pupil funding of \$5,590 for 2014, and \$5,676 for 2015.

Mr. Alastuey said the table on page 1 ([Exhibit M](#)) was a more complete presentation, although it was significantly abbreviated. He said the real starting point in determining the amount of state appropriation in the DSA was total operating expenditures. That was the scope of General Fund and special education fund expenses that were anticipated by the Legislature. He noted that every revenue source acted as a deduction starting with total operating expenses. That derives regular basic support. A bunch of earmarks were added. Other monies were deducted, resulting in General Fund support of \$1.1 billion per year. He said this presentation reflected the scope of all of the revenues that would be available from the General Fund and the special education funds of the district.

Mr. Alastuey noted that the DSA summary was prominently distributed and discussed during the legislative process. The table on page 1 ([Exhibit M](#)) was developed and distributed by LCB Fiscal Analysis Division staff after the conclusion of the legislative session. He said the table includes all revenue sources. He said it was a matter of presentation and transparency, and a question of whether all of the materials that we circulate and reviewed during the legislative process were indicative of what was available for K-12 funding.

Ms. Waller said AIR noted in its report that the data for the operating expenditures and salary had not been regularly updated, and the documentation was lacking. It was true updated information was needed, because over the span of a number of years, the ratio could change. She said this information was used to determine the ratio of each district to the statewide average. Over a year or two that ratio may not change, even if expenditures were updated over a period of time. Significant changes could affect the ratios themselves, which were used to determine the basic support for each individual district. She said there was room for improvement in terms of getting a regular schedule for updated information and documentation, and a regular review of the groupings and allotments. Over a long period, those ratios may change, but over a short period, those ratios may or may not have affected the ratio that was applied to the statewide average basic support per pupil.

Mr. Alastuey agreed. He said it was reasonable to adopt a process for more regular updates. He said information from 2001 was included in the formula. Even if the information were updated every year, the fact that past expenditures drive the allocations for current and future expenditures tended to keep us in "lockstep." He added that the last time it was reviewed in the 2005-2007 Interim, the same issue was

present. Some of the numbers had not been updated since the late 1980s. He said the reviews should be performed on a regular schedule, every two or four years.

Mr. Alastuey said when the school districts met, it was discovered that the concept of grouping districts, or making comparisons among districts, had been completely abandoned. Some districts developed their own self-fulfilling cost history, which resulted in significant challenges in phasing in budget reductions.

Dr. Chambers commented that one of the recommendations presented in the AIR report was to consider an alternative to using group average wages as a way to adjust for differences in labor market costs. He said the report recommended using the comparable wage index. He said that information could be replicated on a regular basis if needed. The purpose was to get an estimate from objective sources as to how much it would cost to recruit and employ comparable individuals into the education labor market. It better reflected what was going on in the labor market in some ways. It removed completely any impact from the districts on measurements of variations in the cost of labor in the calculation of state aid for education.

Mr. Alastuey agreed and added that the notion that urban labor was cheaper than rural labor was embedded deeply into the current funding formula. That was not in agreement with the findings of the AIR study. In general, the observation that urban labor was more expensive than rural labor in most areas was probably true. He said the labor market in Nevada was somewhat inverted, principally due to the mining industry. Washoe and Clark County ranked 11th and 12th among the counties in the state for labor market expense. He said, on one hand, it may cost significantly more to recruit decent teachers to Eureka, because of the remote location and the absence of certain amenities. On the other hand, it might be argued that it was more difficult to teach a class of 42 students in Clark County than a class of 16 students in Eureka County. Labor market research was critical. There were value judgments beyond the scope of the TAC, but the TAC may develop the information for the policymakers to review.

Dr. Chambers agreed, and said he did not think a study based purely on census analysis would do the job, because unique factors affected labor markets in Nevada. He said having done similar studies in Alaska, which had some of the same issues, it was found that in some of the more rural remote areas that wages tended to be a little bit higher than in the urban areas. He noted that was the reverse of almost every other state in which a geographic cost of education or comparable wage index had been performed. Part of the reason was that it was difficult to recruit individuals to remote areas, and there were other industrial issues that affected the labor markets in certain counties, states and regions, such as Nevada or Alaska.

Dr. Chambers said it was an issue that needed to be addressed. Studies could be done using both quantitative and qualitative data from Nevada to understand the perspectives of local decision makers in school districts and the problems that were faced recruiting teachers. This would provide an idea as to how to adjust for differences in the cost of

recruiting and employing comparable people in different locations, which was what the geographic cost of education index was supposed to do.

Dr. Rulffes asked, if the data was out of date, should the Nevada Department of Education update the data and perform simulations before the TAC discussion?

Ms. Teska said in the last meeting the TAC voted to request that the department update the data. That project could not be done quickly, and was outside of the timeline of this TAC. She expected the update to be completed for submission to the 2015 Legislative Session.

Ms. Teska said she did not know whether the TAC should wait to see how the numbers come out before making recommendations on policy. She said policy should drive the numbers rather than the numbers driving policy.

Dr. Rulffes mentioned that there has not been much attention paid to the mobility issue. He said, in many cases, the students in the classroom at the beginning of the semester were not the same students in the classroom at the end of the semester. He raised that issue in alignment with the at-risk category. He asked Chair Woodhouse to recognize that as an issue, and left it to her discretion as to whether it would be addressed further by the TAC.

Chair Woodhouse said that topic would be placed on the agenda for discussion by the TAC at a future meeting.

Mr. Alastuey said he was glad that mobility and transiency would be discussed by the TAC. He said many socioeconomic factors were considered on a standalone basis, but everything else, including funding for students, district size and school size, paled in comparison to the issue of student mobility.

VII. DISCUSSION OF FUTURE MEETING DATES.

Chair Woodhouse said the next two meetings of the TAC would take place on May 8, 2014, and May 21, 2014. The recommendations developed by the TAC at the next two meetings would be provided to the Task Force at its meeting on May 22, 2014. She noted that the Task Force must complete its work by the end of June.

VIII. PUBLIC COMMENT.

There was no public comment.

IX. ADJOURNMENT.

The meeting was adjourned at 12:45 p.m.

Respectfully submitted,

Becky Lowe, Transcribing Secretary

APPROVED:

Senator Joyce Woodhouse, Chair

Date: _____

Copies of exhibits mentioned in these minutes are on file in the Fiscal Analysis Division at the Legislative Counsel Bureau, Carson City, Nevada. The division may be contacted at (775) 684-6821.