

MINUTES OF MEETING - WAYS AND MEANS COMMITTEE - NEVADA STATE LEGISLATURE  
1968 SPECIAL SESSION - FEBRUARY 8, 1968

The meeting was called to order by Chairman Glaser at 4 PM in the Ways and Means Room.

Present: Glaser, Mello, Bowler, Ashworth, Webb, Young, Tyson  
Howard, Jacobsen  
Absent: None

Also present: Assembly Education Committee  
Mr. Burnell Larson, Mr. Lincoln Liston, State Board of  
Education

SB 5: Provides for emergency financial assistance to school districts.  
Estimated cost to state: \$101,553

Mr. Larson, Superintendent of Public Instruction, presented his testimony via a written report, copies of which are attached to and are a part of the minutes.

Mr. Lincoln Liston distributed to members of the committee facts and figures on Lyon and Lincoln Counties regarding their school receipts and expenditures. Mr. Liston commented on the attitude of Lincoln County in that they could cut back their budget if they have to and they will spend as much as we let them.

He went over the Lincoln County sheet, noting the basic contractual commitments, the \$30,000 already spent in equipment under capital outlay. The State Department of Education recommends \$13,887 emergency aid largely for the capital outlay category for Lincoln County 1967-68.

There would be no emergency aid needed for 1968-69. By adjusting and reducing the staff including the certified salary, non-certified salary and non-salary expenditure categories, there would still be provided 51 certified staff at about \$8200 per teacher, and 11% devoted to non-certified salaries which is a usual amount of the budget, and would leave 25% to devote to non-salary categories. By having that much left, it would still permit them to have some capital dollars next year. Our proposals for Lincoln County seem proportional and appropriate to what the other school districts are doing.

Discussion on whether the children in Lincoln County are getting a good education with this budget, in view of the unusual circumstances there. Mr. Liston explained that when this formula was put together last year, the amount of dollars for each of the various districts were determined. No-one ever claimed the level of adequacy. The proportional distributions are in a better relationship now than ever before. All have an improved ability to offer educational programs.

There were questions regarding the track field and if all districts have one. . . . . Mr. Liston said they just don't have an improved athletic field and they have been trying to get one for years. Not all districts have one. He made reference to the statute which says the monies in the general fund shall be applied to the operation of the schools and monies when available may be used for buildings and sites. Bond laws provide for raising money for capital assets. However, Lincoln County is bonded

to capacity so would have a hard time.

32

In answer to Senator Dodge's question of how Lincoln County's ADA was arrived at, Mr. Liston said there were 5 major areas of consideration that were factors. On a per pupil basis, their guaranteed support is greater than any other county except Esmeralda and Eureka. Related to school costs more than pupils is the classroom unit. Given more weight than anything else was the expected cost of the certificated unit taking into consideration the sparsely populated areas. When you look at the guaranteed support for Lincoln County on an allotted classroom basis, it is the highest in the state. The certificated classroom unit guarantee is directly related to the teacher-pupil ratio. A decrease in the ratio results in a decrease in the guaranteed support. Lincoln's problem is that they anticipated a higher ADA than they actually have. The comment was made that at some point a decision was made that the \$9900 for the certificated classroom unit which was allocated would have been something less because of employing other people or putting funds into areas other than instruction.

Discussion on the consolidation of school districts. .... It would reduce administration costs but not operational classroom costs.

Question: Is the increase from \$26,000 to \$31,000 in administration costs for an increase for the Superintendent? ... No. The Superintendent's salary remains at \$16,000 but there are additions in clerical services and additional costs in non-salary items particularly in travel.

Mr. Glaser asked if there is a possibility for consolidation within the county systems. .... Mr. Liston said he has had several discussions on this and the feeling is that it could be accomplished by building a facility large enough to handle the elementary grades of Pioche, Panaca and Caliente and giving up the facilities now present in these localities. It would be feasible transportation-wise; so it would reduce some teacher-pupil costs but increase the transportation costs.

For Lyon County, the State Department of Education recommends using the \$28,000 contingency before sending any emergency aid. Also, there is room to save about \$28,000 out of the capital outlay for this year. This would guarantee a balance together with paying the teacher's salary increment next year. However, by not covering this year, we would have to send aid next year. The estimated receipts for this year were determined on 2,050 pupils. Their actual ADA will be 1990 or 2,000, so we will need to pay for about 60 pupils for which they are eligible because their ADA this year is less than last year. Also, this is the first time for Kindergarten, so we do not count this year's Kindergarten in the comparative figures. The result is that no emergency aid is recommended this year; \$86,000 next year.

Mr. Liston distributed to the committee copies of the Recommendations of the Superintendent of Public Instruction for Amendments to Senate Bill No. 5 dated February 5, 1968. They based their previously mentioned budget recommendations on a change in the law. The law as amended would describe ADA and also describe the categories and kinds of pupils. It identifies 3 categories, so the count would be based on categories instead of individual pupils only. (These same proposals will be submitted to the Senate.) It establishes the way the Distributive School Fund would and has to be paid and also what could be paid in addition and identifies the other reason

Mr. Garfinkle asked if, with this, you will be able to take care of emergencies without a special emergency fund. .... Mr. Larson replied yes. It would be the responsibility of the State Board of Examiners to measure if there are enough funds in the Distributive School Fund.

Mr. Jacobsen asked if in reviewing the applications you would go back and make the same kind of analysis that you have done for these 2 districts under discussion. ... Mr. Larsen: Yes.

In answer to Mr. Howard's question, Mr. Liston said that when the budget is made for the Distributive School Fund, we would have to look at Paragraphs D,E,and F, but, it would not be necessary to categorize any of the dollars in the fund to any one of them. The growth pattern in this state has been quite consistent overall. The Distributive School Fund budget as made this year should and could have covered 103,000 students. This will go down and this will relieve the fund under Paragraph D. In establishing the amount of money for the Distributive School Fund it would force us to look at all 3 possibilities which is something we do not do now.

Mr. Glaser asked if the recommendation is, then, that we make the emergency appropriation and also enact these amendments to the law. .... Mr. Liston said you can pass this bill now and not appropriate any money for emergency funds now because there were 104,000 students estimated and there are actually only 102,000, so we would have an accumulation of funds.

Meeting adjourned about 5:15 PM.

Burnell Larson  
Superintendent of Public Instruction

1. Section 9, which amends section 5 of chapter 322.

Nevada school finance statutes have traditionally provided that state aid be computed and paid currently. This has been very effective and helpful in the financing of our schools during periods of pupil population growth. Most years our school populations have increased.

When a school district experiences an unexpected reduction in pupil population, the practice of computing and paying state aid currently causes a reduction in receipts which cannot be offset effectively by concurrently reducing expenditures, because many expenditures, especially salaries, are obligated prior to the start of the school year.

To provide relief for this latter situation, our finance provisions traditionally have provided a means for computing and allowing state aid on the basis of the prior year's pupil attendance, if it was greater.

Chapter 322 intended to permit such computation, but not to automatically pay the entire larger apportionment. Sometimes, trends of reducing attendance can forewarn of lesser requirements and plans can be made for lesser expenditures to offset lesser receipts. It was felt that when this could be done, only as much additional aid as necessary should be allowed.

The amendment as proposed should enable this intent.

2. When reduced attendance is not extreme and other factors do not exert very much influence, provisions of section 5, as discussed, will permit necessary adjustments to current receipts.

However, as happened this year in two counties particularly, because of the copper strike, not only was there serious financial reductions because of lesser attendance, there was serious loss of receipts from the local 80¢ tax

because of reduced proceeds of mines.

Such rapid, extreme changes in circumstances can have the effect of hardship in the financing of a school district because the formula cannot respond without amendment, and expenditure obligations cannot be eliminated.

Another bombshell just fell last week when it was announced that Federal appropriations for P.L. 874 assistance to schools in 1967-68 will be sufficient to pay only 50% of entitlement in the 1st payment (generally made in late winter) and only about 80% of entitlement when adjusted at the end of the school year (generally the adjustment payment is made in early fall).

This can have serious impact in Mineral County. Clark and Washoe counties also receive considerable P.L. 874 funds, but in relatively smaller proportion.

If these kinds of rapid changes in circumstances are to be prohibited from creating financial hardships on districts, there must be a means for apportioning emergency state aid to school districts so affected. In deciding the means, it is necessary to establish some reliable estimate of the amount of dollars the emergencies can require.

We have reviewed the situations in Lyon and Lincoln counties and will present our findings and recommendations as of today. However, we recognize very strongly that a re-review on a later date could produce different results.

Besides these two counties, we can foresee possible difficulties in White Pine, Churchill, Storey, and Mineral counties. Circumstances have changed there, but as yet they have not been sudden enough, nor extensive enough, to cause a threat of hardship in this fiscal year. If conditions prevail, or get worse, any or all of these counties could need some assistance, and perhaps others, as well.

Whatever the means that is chosen to provide emergency assistance, the amount should be sufficient to provide justified requirements so that "no

deserving school district will be wholly denied relief" as section 4 of SB 5 says. It does not seem, because of information now at hand, and because of circumstances that threaten to continue, or worsen, in our state, that the \$101,553 stipulated in Section 2 will be sufficient to meet the possible emergency conditions that could require relief through fiscal 1968-69.

3. As for means and procedures to accomplish the purposes for which emergency apportionments may be made, I would like to suggest that consideration be given to the following, if it is deemed appropriate under our constitution.

Include the basic provisions of sections 3 through 7 as an additional paragraph (f) in section 5 of Chapter 322, Statutes of Nevada 1967. The suggestion is offered for these reasons:

1. The development of any financial emergency will generally be related to a lesser attendance than anticipated. When this is true, there will be a concurrent lessening of the dollar requirements anticipated from the distributive school fund.
2. The lesser requirements from the distributive school fund will provide an immediate source of dollars that could be used for emergency application.
3. Even though it is recognized that all possible emergency requirements would not be covered by the lesser requirements from the distributive school fund, a greater flexibility would be available within this large fund by purposefully budgeting into it a relatively small amount of emergency dollars. For example, if an additional \$100,000 were to be budgeted into the fund, the total flexibility for making emergency allotments should be at least \$200,000.

4. Flexibility will be impossible under a special appropriated emergency fund of a fixed number of dollars because to have any reasonable assurance of being able to meet emergencies, the extent of the emergencies will have to be anticipated. Emergencies are difficult to forecast.

Some concerns have been expressed to us over the provision that final approval of emergency payments is left to the board of examiners. We feel that the state department of education needs to be aware of school finances at all times, to review them, analyse them, and make reports and recommendations about them. We would expect that needs as determined objectively, and recommendations to meet those needs within statutory and guideline regulations would be approved by proper authority. We also feel that we would do the same objective review and demand firm justification, if the authority for making emergency payments were given to the state board of education directly.

The conditions under which a school district may apply for emergency assistance, as stipulated in the act, require a comprehensive review of a school district budget, and for value judgment regarding a "minimum program" and the costs related thereto. This could become necessary any time a school district realized less receipts than budgeted, even when the receipts might have been over-estimated unrealistically.

Our recommendation carried a somewhat different approach to the conditions under which application for emergency aid could be made, specifically, that only when lesser receipts result from negative changes in attendance or local wealth can a district apply for assistance.

Our budget law now provides that the local governmental agency prepare its budget and estimate its receipts. Budget and finance management requires that both receipts and expenditure estimates be manipulated to the extent necessary to provide room for effective fiscal management.

One of the major premises of the new school finance formula was to give greater freedom to local school districts in determining the deployment of their resources.

It would not be desirable to have to review an inordinate number of possible applications for emergency assistance that could result from purposefully over-estimated receipts.

We have noted in our review of the two districts reported today that the capital outlay category can be a trouble source in emergency determinations. Because NRS 391.200 declares that teachers' salaries shall be prior claims upon the school district fund, and because NRS 387.205 declares that monies shall be used for maintenance and operation and may be used, when available, for purchase of sites and buildings, we have considered only educational and transportation equipment requirements as valid to claims for emergency assistance involving capital outlay.