

PRESENT: Chairman Norman Glaser  
Vice-Chairman Floyd Lamb  
Senator William Raggio  
Senator Carl Dodge  
Senator James Kosinski  
Senator Mike Sloan  
Senator Don Ashworth

Mr. Ed Shorr, Fiscal Analyst

GUESTS: Mr. Marvin Picollo, Washoe County School District  
Dr. Claude Perkins, Clark County School District  
Mr. Clifford Lawrence, Carson City School District  
Mr. Jim Shields, Nevada State Education Association  
Mr. Roy Nickson, Nevada State Department of Taxation

The meeting was called to order on Monday, March 5, 1979, at 12:00 noon, in Room 213, with Senator Norman Glaser in the Chair.

Chairman Glaser announced that this meeting was being held in order that the school districts could voice their opinions on the proposal of capping revenue expenditures.

Mr. Marvin Picollo, Washoe County School District, presented a handout on "School District Budgeting Information", Exhibit "A". Mr. Picollo said that this handout contains national information concerning cost of education; national and local information which support rationale for the formulas presented later in the text; and commentary on certain counties who are experiencing serious financial problems.

Mr. Picollo said that over the years, sharp increases in parts of the budgets that do not go toward salaries have forced a reallocation of priorities, see Page 5 of Exhibit "A".

Mr. Picollo said that beginning on Page 7 of Exhibit "A", the districts have calculated various alternative proposals to the suggested "cap" measures. Mr. Picollo said that the school districts feel that it is "unrealistic" to go back to 1975. He said that if the capping process described in Senate Bill #204 were used, for next year, Washoe County would have a \$47 million budget which strongly contrasts with the \$52 million budget for this year.

Mr. Picollo said that the districts suggest that if a "cap" is going to be used the base year should be 1978-79, or at least they wish to only go back to the current biennium. Mr. Picollo said that the districts also wish that the legislature will consider budgets rather than expenditures because in regards to salaries, monies have to be carried from the first year of the biennium to the second in order to make the salary schedule "float".

Mr. Picollo said that if this carry-over balance is removed this will create a money flow problem that the districts could not live with, and they would have to borrow money in order to function in the summer.

Senator Dodge asked why the cities and counties since 1975-76 have appeared to budget in a more "frugal" manner? Mr. Picollo said that he "could not accept the basic premise that they have budgeted more frugally", because the school districts are the most labor impacted entity of all.

Dr. Claude Perkins said that over the past year, Clark County has passed a \$39 million bond election which has opened new school facilities, and this increases their impact. Mr. Picollo said that the biggest factor is the growth index in regards to apportionment of budgets. Mr. Picollo added that in Washoe County, every Monday morning there are 600 children at the elementary level which are attending a different school than they were attending on Friday. Senator Raggio said that he was under the impression that in Washoe County last year, the school enrollment did not increase. Mr. Picollo answered said that this will increase because the district has actually counted 12,000 new homes starting in Washoe County. Senator Dodge said that increases in population are part of the formula in considering any of the "cap" legislation.

Senator Dodge said that the reason the cities and counties have ended up in a "plus" position, and the school districts have ended up in a "minus" position, is the school district's priority on the rate. The Senator said that the districts have the option to levy \$1.50 of the \$5.00 ad valorem tax collected, and this gave the districts the ability to increase their expenditures beyond the growth rate. Senator Dodge said that as a result of this, perhaps that priority ought to be dropped, and instead of the option, the school districts ought to negotiate with the counties and cities for that 80¢. Mr. Clifford Lawrence, Carson City School District, said that perhaps the key solution would be to "carefully analyze the expenditure patterns between districts and cities and counties over those years." Mr. Picollo said that the district's emphasize putting funds towards lowering pupil/teacher ratios. Dr. Perkins said that Clark County would be opposed to changing the 80¢ optional where they would have to negotiate with the cities and counties to receive those funds.

Senator Lamb asked if the school district representatives were suggesting that a "cap" be placed on all other governmental entities, but not on the school districts? Dr. Perkins said "no", he was just indicating that the districts already live with certain "caps" that are already built into the Nevada Plan, which control almost every

situation excepting the 80¢ optional.

Senator Lamb said that maybe there should be two types of "caps", one for the cities and counties and one for the schools? Mr. Picollo said that this might be a solution, because Washoe County has increased in growth approximately 12%, and the schools have increased only 4%, but both bid for services and employees in the same market.

Senator Sloan asked if the 1978-79 base year would be more palatable to the districts? Mr. Picollo said "absolutely, that is the most critical of all".

Senator Raggio said that he felt that the public voted for Question 6 because they were telling the Legislature that they wanted them to address over-spending by all governmental entities. Dr. Perkins said that in Clark County, the populace voted two to one on bonds to build new schools and also, at the same time, they voted to reduce taxes. Dr. Perkins felt that this called for a reasonable compromise between tax cuts and tax "caps". Mr. Lawrence said that everyone has a difficult job in deciding what is a fair "ceiling" that affects all entities in a similar way. Senator Dodge felt those were legitimate observations.

Mr. Picollo observed that last year at the beginning of the biennium, the estimate was made that in Washoe County, the State was going to pick up approximately 45% of the total costs of education in Washoe County, and the district was going to support the remainder. He said that in fact, the district is picking up 70% and the State is supporting 30%. He said that if the governmental entities were given a 12% increase in spending, this would represent less than a 2% increase in State expenditures for education. Senator Dodge said that it is true that the State's surplus has been generated because of the substantial increase in the 1¢ local school support tax, as a result of local effort; however, the districts still had flexibility in spending with the 80¢ optional in the property tax. Also, Senator Dodge remarked that Washoe County cannot be used as a typical example of what the State gives towards public education, county by county, because Washoe County is a regional shopping area and collects more sales tax dollars.

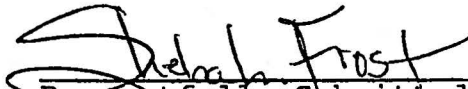
Senator Raggio asked how many counties fully utilize the 80¢ optional? Mr. Picollo said all but Storey County.

Mr. Jim Shields, Nevada State Education Association, said that the teachers' association supports the school district's proposal number 2, (see Page 7, of Exhibit "A") which suggests using personal income as an index. Mr. Shields also stated that there is a difference of comparison between cities and counties

and schools; schools use the Consumer Price Index and enrollment as an index, and the local governments use the Consumer Price Index and population.

Senator Raggio asked how reliable the personal income index is? Mr. Roy Nickson said that the State of New Jersey uses this index on their "cap" for both State and local governments.

There being no further business, the meeting was dismissed at 1:30 p.m.

  
Respectfully Submitted By:  
Sheba L. Frost, Secretary

  
Approved By: Senator Norman Glaser,  
Chairman

"A"

SCHOOL DISTRICT BUDGETING INFORMATION

REQUESTED BY

THE ASSEMBLY TAXATION COMMITTEE

- Mr. Robert Price, Chairman
- Mr. Robert Craddock, Vice Chairman
- Mr. Lonnie Channey, Member
- Mr. Steve Coulter, Member
- Mr. Joe Dini, Member
- Mr. Lloyd Mann, Member
- Mr. Lou Bergevin, Member
- Mr. John Marvel, Member
- Mr. Robert Rusk, Member
- Mr. Darrell Tanner, Member
- Mr. Robert Weise, Member

(This same information, or very similar information, will also be presented to the Senate Taxation Committee and to the Chairman of the Assembly Ways and Means Committee and the Chairman of the Senate Finance Committee)

CONSIDERATIONS RELATIVE TO THE  
BUDGETING PROCESS IN NEVADA PUBLIC SCHOOLS

-INTRODUCTION AND OVERVIEW-

The material enclosed is submitted in response to a request from the Assembly Taxation Committee Chairman for suggestions and recommendations as to how the yearly budget increases of Nevada's Public Schools might be limited. A variety of alternatives for achieving this "capping process" have been considered and the effects that five of these alternatives would have upon school district budgets are attached. During the verbal presentation that will be made to the members of the Assembly Taxation Subcommittee, the pros and cons of each of these alternatives will be reviewed.

In addition, information compiled nationally in comparing local school costs has been included. This has been done as part of the supporting rationale for the rank order in which these alternatives have been listed. Local school district information is even more supportive of this rationale, consequently, specific information concerning cost increases in various subcategories of Nevada School Districts will also be presented during the presentation to the committee.

Also included is a listing of the six Nevada School Districts that are in need of equalization for the coming biennium. Normally, this equalization would occur each year in an automatic way as the various factors that go to make up the school distribution formula are computed; however,

if school district budgets for the current school year (1978-79) are "frozen" and used as a base for the future, then these inequities could only be corrected by the addition of the per pupil dollar amounts that are listed below.

<u>COUNTY</u>	<u>LOW WEALTH</u>	<u>RELATIVE WEALTH</u>	<u>TOTAL</u>
Carson City		25	25
Churchill		30	30
Lincoln	35	80	115
Lyon		70	70
Mineral		70	70
White Pine		70	70

It should be noted and emphasized that the dollar amounts represented by the increases recommended for these six County School Districts would not require an increase in the State Distributive School Fund for the current year. They do, instead, represent recommended adjustments that would raise the dollar amounts for these counties when and if "new" monies are given to the schools, but they would be offset by decreases in the number of "new" dollars that are given to other County School Districts.

Finally, it must be pointed out that while representatives from a cross section of Nevada Public Schools have assisted with the development of this paper, it has not been reviewed by personnel from each and every school district prior to its submission, therefore, it must be considered as a draft copy that is subject to change and correction.

-SUPPORTING RATIONALE-

Enrollment in the nation's public school system decreased from 44.4 million students in school year 1976-77 to an estimated 43.7 million students in school year 1977-78. However, this survey of district budgets indicates that it costs an additional \$194.00 to educate this year's student population, a much steeper increase than last year's increase of \$111.01. The cost of education climbed to \$1587.42 per student in 1977-78 exhibiting a significant 13.9% increase over last year's cost of \$1393.42 per student.<sup>1</sup> The decreasing enrollment experienced in recent years has served to buoy up the per-student cost of education because district budgets are divided by a reduced pupil base yielding higher per-student expenditures. This situation, coupled with the nearly 72% portion of the budget allocated to salaries, produces a locked-in effect greatly reducing the potential for budget cuts with a national enrollment decrease of less than 2%. Enrollments would have to decline at a substantially more rapid pace to bring about a decrease in the cost of education.

The addition of transportation, capital outlay and debt service brings the total cost of educating one public school student to \$1838.38 in 1977-78. Extrapolating this per-pupil figure to the national enrollment scene yields an estimated 80.3 billion dollar national public school budget. This represents an 8.7 billion dollar increase over last year's estimated total cost of 71.6 billion dollars.

1

Excerpts from Market Data Retrieval Publications 1976-77 and 1977-78  
Market Data Retrieval, Ketchum Place, Westport, Ct. 06880



An analysis of the 1977-78 and 1976-77 national averages yields an explanation of this year's increase. For the most part, this sharp increase was brought about by rising costs for Instruction. This budget category evidenced the greatest dollar increase -- \$109.45 per-student causing Instruction to jump from \$924.22 in 1976-77 to \$1033.67 in 1977-78. The bulk of this increase involved salaries which rose from \$850.05 in 1976-77 to \$963.99 in 1977-78. Allocation for Classroom Teachers' salaries accounted for more than 80% of this instruction-related salary increase. Other line items contributing to the overall total net increase are Fixed Charges - up \$27.58, Plant Operation and Maintenance - up \$18.46, and Food Services - up \$13.35. The only budget categories containing decreases were Administration - down \$4.87 and Attendance Services - down \$0.63.

Over the past decade, the cost of education per student has increased by 186.5%. During this same time period, The Consumer Price Index (CPI for Urban Wage Earners and Clerical Workers) has risen 80.6% (Chart A). Assuming that school costs had advanced at the same rate as the CPI, the cost of educating a public school student in 1977-78 would be \$1000.43 per-student - \$586.99 less than the current cost.

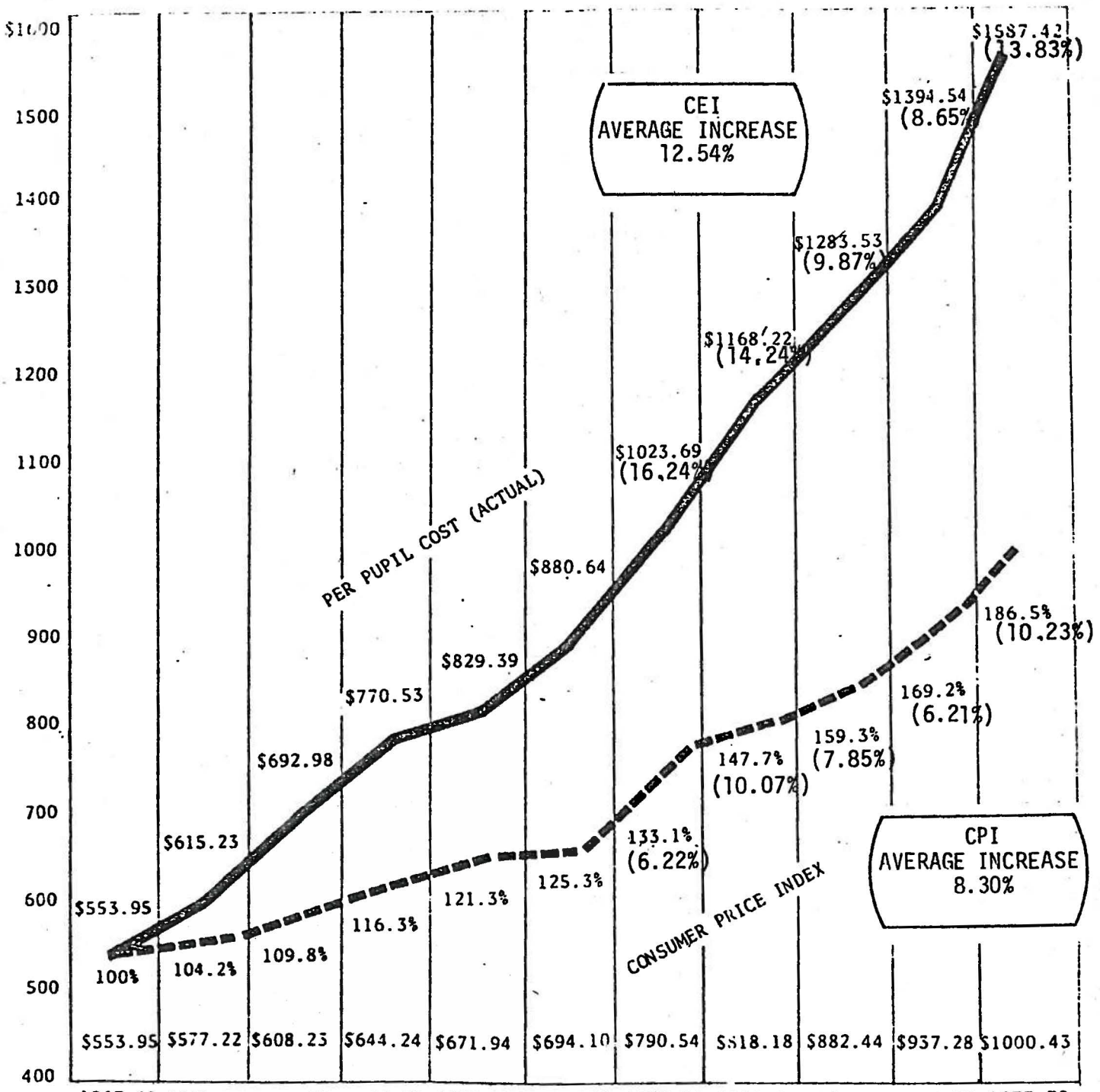
#### Administration

As noted, the national average for Administration dropped from \$55.19 per student in 1976-77 to \$50.32 per student this year.

Despite the salary increases in dollars, this 72% going for salaries exhibits a decreasing trend with respect to budget allocation for employee salaries. In 1967-70 salaries totaled 86.3% of the budget; this was reduced to 82% in 1975-76 and then further reduced to 72% for the 1977-78 school year. The current school year reflects a drop of 14% for total salaries since 1967-68 and a drop of 10% since 1975-76. A substantial portion of this trend can be explained in terms of salaries for teachers and other professionals. Budget allocation for classroom teachers decreased 3.3% in 1976-77 and dropped even further for the current year. Salaries for other professionals dropped 1.9% in 1976-77 and dropped even more sharply during the current year.

In effect, sharp increases in that part of the budget that does not go for salaries forced a reallocation of priorities. As examples, since 1974-75, utility costs in the nation have nearly doubled. This same trend has been experienced here in Nevada, where, since 1974-75, utility costs have increased 129%, heating costs (excluding natural gas) have increased 149% and natural gas costs have increased 278%.

**COST OF EDUCATION INDEX**  
 INCREASE IN PER PUPIL COST VERSUS  
 INCREASE IN CONSUMER PRICE INDEX 1967/68-1977/78



CONSUMER PRICE INDEX APPLIED TO 1967 PER PUPIL COST (\$553.95=100%)

THIS CHART ILLUSTRATES THAT PER PUPIL COSTS HAVE GROWN FASTER THAN THE CONSUMER PRICE INDEX. DOTTED LINE SHOWS CONSUMER PRICE INDEX AS PER CENT FROM 1967 BASE OF 100. FIGURE IMMEDIATELY ABOVE THE BOTTOM LINE OF THE CHART GIVES CONSUMER PRICE INDEX IN PER PUPIL COST EQUIVALENT.

DEFINITIONS:

Mathematical Calculation:

CEI (Proposal 1)	)					Maximum
PII (Proposal 2)	)	Enrollment		Current		Budget
PII - CEI (Proposal 3)	)	X Factor	X	Year	=	Allocation
CPI - CEI (Proposal 4)	)			Budget		FY80, FY81*
CPI (Proposal 5)	)					

1) CEI - Cost of Education Index (112.54%)

This factor is developed by Market Data Retrieval, Inc., as the result of budget survey responses by the majority of school districts in the United States. This yearly nationally published information is recognized by school districts as the authoritative compilation of educational budget data for public schools. The CEI has been compiled since 1967, formerly by School Management Corp., and in the last five years by its successor, Market Data Retrieval, Inc.

2) PII - Personal Income Index (109.3%)

This factor is given in the Governor's Budget and is derived by averaging the five interval periods between 1973 and 1978.

3) CPI - Consumer Price Index (108.3%)

This factor is determined by the Federal Government and is published on a monthly basis. The base CPI may vary dependent upon the month selected for computation. For the purposes of this discussion the CPI used is that of Market Data Retrieval, Inc., which was consistent in time with the budget documents provided by participating school districts for the time intervals shown in No. 2 above.

4) 80% Personnel/20% Non-Personnel

Consistently, education (which is person oriented rather than material oriented) has maintained a budget ratio of approximately 80/20 for personnel vs. other costs, such as utilities, supplies and equipment. This ratio varies from year to year, but over the years nearly always has maintained the average shown. This ratio recognizes that non-personnel educational costs rise at a rate greater than costs rise for personnel.

\* All factors within the formula are subject to outside verification.

5) Enrollment Factor

This factor results from dividing the 1978-79 first month enrollment in each district by the same period enrollment for the 1977-78 year. The factor has been used for both years of the biennium.

CEI - Total Budget - 1.1254%

E X H I B I T A

	(2) % Enrollment Factor	(3) Current Year Budget	(4) FY80 Maximum Budget Alloc.	(5) FY81 Maximum Budget Alloc.
Carson City	1.024	\$ 9,993,000	\$ 11,516,029	\$ 13,271,183
Churchill	1.092	4,319,753	5,308,703	6,524,061
Clark	1.023	133,434,907	153,621,500	176,862,006
Douglas	1.106	5,713,151	7,111,116	8,851,152
Elko	.978	6,851,494	7,541,037	8,299,976
Esmeralda	.965	476,206	517,165	561,647
Eureka	.972	732,032	800,762	875,944
Humboldt	1.078	3,307,728	4,012,873	4,868,343
Lander	1.032	1,724,869	2,003,285	2,326,641
Lincoln	1.045	2,001,232	2,353,535	2,767,858
Lyon	1.028	4,275,386	4,946,242	5,722,363
Mineral	.973	2,539,653	2,780,956	3,045,186
Nye	1.103	3,604,233	4,473,993	5,553,640
Pershing	.996	1,424,186	1,596,368	1,789,366
Storey	1.184	491,656	655,119	872,928
Washoe	.998	52,377,479	58,827,724	66,072,311
White Pine	.884	3,329,665	3,312,529	3,295,482

PII - 80% (Personnel)  
CEI - (Non Personnel)

1.0995%

	(2) % Enrollment Factor	(3) Current Year Budget	(4) FY80 Maximum Budget Alloc.	(5) FY81 Maximum Budget Alloc.
Carson City	1.024	\$ 9,993,000	\$ 11,250,998	\$ 12,667,363
Churchill	1.092	4,319,753	5,186,529	6,227,226
Clark	1.023	133,434,907	150,086,048	168,815,062
Douglas	1.106	5,713,151	6,947,460	8,448,438
Elko	.978	6,851,494	7,367,487	7,922,340
Esmeralda	.965	476,206	505,263	536,093
Eureka	.972	732,032	782,333	836,090
Humboldt	1.078	3,307,728	3,920,521	4,646,840
Lander	1.032	1,724,869	1,957,181	2,220,782
Lincoln	1.045	2,001,232	2,299,370	2,641,925
Lyon	1.028	4,275,386	4,832,409	5,462,004
Mineral	.973	2,539,653	2,716,955	2,906,635
Nye	1.103	3,604,233	4,371,028	5,300,958
Pershing	.996	1,424,186	1,559,629	1,707,953
Storey	1.184	491,656	640,042	833,211
Washoe	.998	52,377,479	57,473,860	63,066,124
White Pine	.884	3,329,665	3,236,295	3,145,542

PII on Total Budget - 1.093%

	(2) % Enrollment Factor	(3) Current Year Budget	(4) FY80 Maximum Budget Alloc.	(5) FY81 Maximum Budget Alloc
Carson City	1.024	\$ 9,993,000	\$ 11,184,485	\$ 12,518,034
Churchill	1.092	4,319,753	5,155,867	6,153,818
Clark	1.023	133,434,907	149,198,773	166,824,967
Douglas	1.106	5,713,151	6,906,388	8,348,842
Elko	.978	6,851,494	7,323,932	7,828,946
Esmeralda	.965	476,206	502,276	529,773
Eureka	.972	732,032	777,708	826,234
Humboldt	1.078	3,307,728	3,897,344	4,592,061
Lander	1.032	1,724,869	1,945,611	2,194,602
Lincoln	1.045	2,001,232	2,285,777	2,610,780
Lyon	1.028	4,275,386	4,803,841	5,397,615
Mineral	.973	2,539,653	2,700,893	2,872,370
Nye	1.103	3,604,233	4,345,187	5,238,467
Pershing	.996	1,424,186	1,550,409	1,687,818
Storey	1.184	491,656	636,258	823,389
Washoe	.998	52,377,479	57,134,087	62,322,662
White Pine	.884	3,329,665	3,217,162	3,108,460



CPI - 80% (Personnel)  
CEI - 20% (Non Personnel) 1.0915%

	(2) % Enrollment Factor	(3) Current Year Budget	(4) FY80 Maximum Budget Alloc.	(5) FY81 Maximum Budget Alloc.
Carson City	1.024	\$ 9,993,000	\$ 11,169,136	\$ 12,483,697
Churchill	1.092	4,319,753	5,148,791	6,136,937
Clark	1.023	133,434,907	148,994,018	166,397,391
Douglas	1.106	5,713,151	6,896,910	8,325,943
Elko	.978	6,851,494	7,313,881	7,807,472
Esmeralda	.965	476,206	501,587	528,320
Eureka	.972	732,032	776,641	823,968
Humboldt	1.078	3,307,728	3,891,995	4,579,465
Lander	1.032	1,724,869	1,942,941	2,188,583
Lincoln	1.045	2,001,232	2,282,640	2,603,619
Lyon	1.028	4,275,386	4,797,248	5,382,810
Mineral	.973	2,539,653	2,697,186	2,864,491
Nye	1.103	3,604,233	4,339,224	5,224,098
Pershing	.996	1,424,186	1,548,281	1,683,189
Storey	1.184	491,656	635,385	821,131
Washoe	.998	52,377,479	57,055,678	62,151,720
White Pine	.884	3,329,665	3,212,747	3,099,935

CPI on Total Budget - 1.083%

## EXHIBIT A

	(2) % <u>Enrollment Factor</u>	(3) <u>Current Year Budget</u>	(4) FY80 Maximum <u>Budget Alloc.</u>	(5) FY81 Maximum <u>Budget Alloc.</u>
Carson City	1.024	\$ 9,993,000	\$ 11,082,157	\$ 12,290,023
Churchill	1.092	4,319,753	5,108,695	6,041,727
Clark	1.023	133,434,907	147,833,734	163,786,324
Douglas	1.106	5,713,151	6,843,201	8,196,772
Elko	.978	6,851,494	7,256,924	7,686,345
Esmeralda	.965	476,206	497,681	520,123
Eureka	.972	732,032	770,592	811,184
Humboldt	1.078	3,307,728	3,861,686	4,508,419
Lander	1.032	1,724,869	1,927,810	2,154,628
Lincoln	1.045	2,001,232	2,264,864	2,563,226
Lyon	1.028	4,275,386	4,759,890	5,299,300
Mineral	.973	2,539,653	2,676,182	2,820,051
Nye	1.103	3,604,233	4,305,433	5,143,051
Pershing	.996	1,424,186	1,536,223	1,657,095
Storey	1.184	491,656	630,437	808,391
Washoe	.998	52,377,479	56,611,360	61,187,483
White Pine	.884	3,329,665	3,187,728	3,051,842