

**TESTIMONY SUBMITTED FOR RECORD**

**To The**

**FINANCIAL CRISIS INQUIRY COMMISSION**

**By**

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**REGARDING**

**THE IMPACT OF THE FINANCIAL CRISIS ON WASHOE COUNTY  
SCHOOLS AND THE ECONOMIC VITALITY OF NEVADA'S CURRENT  
STATE**

**SEPTEMBER 8, 2010  
LAS VEGAS, NEVADA**

Mr. Chairman and Members of the Financial Crisis Inquiry Commission – It is an honor to come before you to present how Nevada’s current economic crisis is impacting public education, with a particular emphasis on Washoe County School District. While the information I will share about our present state is dismal, it is tied to the decisions of our past. If we are to forge a new Nevada with a stronger economy in our future, there must be greater recognition of the role quality education plays in attracting diverse, stable businesses to our state.

Nevada currently leads the country in unemployment and lost wages in the past four years in the private sector. While the national average for home foreclosures is 1 in 78, the ratio in Nevada is 1 in 17. Out of a state budget of slightly under \$7 billion, the state faces a daunting \$2.9 billion shortfall in the next fiscal year.

While the economic news paints a gloomy picture for the Silver State, the current outlook for public education in Nevada is equally tragic. Nevadans must face the brutal facts of our current educational state -- we are first in everything a state wants to be last in regarding educational quality and last in everything a state wants to be first in. A *New York Times* article released in June ranked Nevada 50<sup>th</sup> in the nation in graduating students from high school, and 1st in high school dropouts. Nevada traditionally ranks in the top three states for employing high school dropouts and last in the country for jobs with students with four-year college degrees. The Heritage Foundation ranked Nevada 48th in state sponsored Pre-K funding per pupil and equally low in a commitment to full-day kindergarten. The state has traditionally been at the bottom of funding public education. In fact, even after a large 17% increase in the 2007 budget for per pupil funding, Nevada still ranked 45<sup>th</sup> in the country, according to the U.S. Census Bureau, and because of declining revenues, those dollars never made it into classrooms or schools. As the economy has quickly crumbled in Nevada, a continuous round of budget cuts has plunged the per pupil funding of education to the bottom of the country. Almost all additional money earmarked for public education in Nevada has dissipated in the last three years. Empowerment funding, created in 2007, school improvement money, full-day kindergarten dollars were entirely eliminated or took massive cuts in a special legislative session. While Nevada ranks last or near the bottom for many education-related benchmarks, the state continues to cut funding for its children, one of its most vital resources to economic stability and vitality.

The decision to stay on this current path is damaging the state’s economy now and for years to come. A recent survey in *Education Week* entitled "Chance for Success" ranked Nevada students' opportunities for success as the very worst in the nation.

**“Chance of Success” – NV vs. US Averages**

- 11% lower in parent education
- 11% lower in parent language skills
- 19% lower in preschool education
- 2<sup>nd</sup> lowest % of young adults with degree, 36.2% vs. 52.8% nationally

Perhaps the most tragic statistic in evaluating the overall quality of education in Nevada is its current graduation rate. Nevada currently only graduates 50% of its students, meaning that out of the approximate 440,000 students presently served in public education, only 220,000 will actually get a high school diploma.

There is little opportunity to commit greater funds to improve the quality of public education in the near future. Nevada leads the country in unemployment with 194,943 reported unemployed Nevadans, according to the U.S. Department of Labor. Furthermore, there are more than 280,000 high school dropouts ages 25 and over in our state, according to the U.S. Census Bureau. These statistics distinctly correlate to our state's dire budget condition. Dominant industries in Nevada employ high school dropouts, and lack of an educated workforce only exacerbates the unemployment rate. All of these factors return to the need for a higher-quality education that can, in turn, lead to a more stable economy for the state.

Nevada's situation is so dismal that it was highlighted in a February *Wall Street Journal* article as the hardest hit state during this economic recession. While California, its neighboring state, reached a budget deficit of \$20 billion, it does not compare to the 22% shortfall Nevada faced last year, and it will be nowhere near the 45% shortfall beginning in February 2011. Nevada chooses to fund basic government services at the lowest level in the country (\$3,563 per capita). With declining tax revenues, cuts to education have become unavoidable. In order to balance the 22% shortfall back in February of this year, the Legislature cut the state portion of education 6.9%, which amounted to \$117 million for the entire state and \$17 million in Washoe County. With another major shortfall looming, it is unclear how much education will be forced to cut without a restructuring of the tax base in this state.

### The Current Year

I came to Nevada just over a year ago and took over as Superintendent of Schools in Washoe County, which, with approximately 63,000 students, is the 55<sup>th</sup> largest school district in the country and the 2<sup>nd</sup> largest in Nevada. Over the last year, I have seen our budget face a reduction of nearly 8% when funding is already the lowest in the country.

With the 6.9% cut, other reductions in state support to K-12 education, and declining local revenues, we were forced to cut \$37 million dollars out of our budget for the 2010-2011 school year. This was after having to cut \$77 million out of the district budget the previous three years. With 87% of our entire budget personnel-related, our main goals when making cuts included preserving as many jobs as possible while continuing to provide a high-quality education. As the largest employer in the county, any major changes to our staffing levels has a large impact on our local economy and employment rate. Our budget was balanced as follows:

### **FY 10-11**

Renegotiated Contractual Agreements	\$11,000,000
Spending Down of Fund Balance/Contingency Funds	\$11,500,000

District Central Services Reduction	\$2,500,000
Utilities Savings	\$2,000,000
Textbooks/Supplementary Materials	\$2,000,000
Increase Class Sizes by 2 in Grade 1-3	\$6,000,000
Misc. Reductions	<u>\$2,000,000</u>
<b>Total:</b>	<b>\$37,000,000</b>

Many districts throughout the country have seen these unprecedented economic times devastate their current educational system. We took numerous steps to move forward with a high-quality education system so our children would be unaware of the cuts.

Our district and its five bargaining associations collaborated to ensure classrooms were impacted minimally. In the spirit of shared sacrifice from all of our 7,200 employees and to avoid as many layoffs as possible, all of our bargaining units voluntarily reopened their contracts to make concessions. All groups agreed to freeze salary step increases and agreed to either 2 or 3 furlough days. The Board or Trustees took a 3.4% decrease in pay, the Superintendent of Schools accepted 10 furlough days with no salary increase, and the Executive Cabinet took 5 furlough days and froze their salary step increases as well. The unprecedented cooperation and all of the concessions shared by the entire district saved **\$11 million**.

Through the last four years of budget cuts from the state, the WCSD continued to use the taxpayers' dollars responsibly. We used **\$11.5 million** of contingency funds and spending down of our fund balance to assist in avoiding layoffs while closing the budget shortfall.

In order to modernize services, to offer as much support to our schools as possible, and to responsibly determine ways to streamline central administration, we reorganized the central administration office to save **\$2.5 million** for our 2010-2011 budget. Vacant positions were eliminated, and current staff assumed more responsibilities to preserve as many jobs as possible. In addition to the above, we underwent an entire reorganization of our IT department by eliminating administrative positions and reallocating positions into the schools.

The District was also able to reduce its utilities budget by **\$2 million** as a result of prior conservative budgeting and energy conservation measures.

Upon passage of Assembly Bill 5 of the 26<sup>th</sup> Special Session, districts were granted a temporary waiver of the Minimum Expenditure Requirement of textbooks, and the WCSD used **\$2 million** of this money to help us close our budget shortfall.

Upon passage of Assembly Bill 4 of the 26<sup>th</sup> Special Session, districts were granted a temporary waiver of class size reduction to add 2 students per class in grades 1 through 3. The WCSD used this flexibility to save **\$6 million**, which ultimately meant eliminating 95 positions. It's not as simple as adding 2 students to each classroom to save money; these are tough decisions because it means people losing their jobs. We testified in front of both houses during the special session

on this topic and came to the conclusion that this move was vital to avoid as many layoffs as possible because our average attrition is approximately 300 teachers a year.

The additional **\$2 million** came from a wide array of small reductions to various operating budgets.

While I have outlined the specific ways our district handled its budget shortfalls, they are similar to the way other school districts in Nevada have addressed the current economic crisis. Nevada has 17 school districts, including the nation's 5th largest, Clark County, with over 330,000 students, and one of the smallest, Esmeralda County, with 68 students. In Clark, over 700 teaching and 100 administrative positions were cut from the budget. Several districts were forced to close schools; several of the smallest school districts are close to bankruptcy.

While we feel we responsibly handled the present year's reduction, we live in a state that graduates less than half its students, has one of the nation's highest achievement gaps, and invests almost no money toward early childhood education. In order to meet the needs of our population and the demands of tomorrow's economy, our citizenry will require a new investment into public education. But the economic challenges that lie ahead will make that commitment extremely demanding.

### The Near Future

With a potential 45% budget shortfall ahead for the 2011 Legislative Session (our legislature convenes 120 days in odd numbered years only) and K-12's portion of the state budget making up nearly 40%, the prospects for further budget cuts appear likely.

The current financial crisis, caused primarily by the downturn in the housing market and a lack of revenue coming from our main industry of tourism, has hit Nevada harder than any state in the nation. With the United States Department of Labor estimating our state unemployment rate at 14.3% and Washoe County's at 13.3%, all public sector budgets have been overwhelmed.

In Nevada's Race to the Top Application entitled "Nevada's Promise," a very diverse group of stakeholders brought together by the Governor's Blue Ribbon Task Force set out a vision for education reform for our state and outlined the importance of investing in our state's economic infrastructure and our children. The WCSD also currently unveiled its new, five-year strategic plan, 'Envision WCSD 2015 – Investing in Our Future.' This plan is the district's reform-focused pathway to get every child to graduate high school ready for college and a highly-skilled career. We are looking toward the future to prepare our children for the demands of tomorrow through these plans.

We know there is an undeniable link between the economic recovery and stability of Nevada and the quality of education our children receive. We also know from the current economic crisis that our state will not look the same in the future. We can no longer rely on gaming and construction to provide the majority of jobs and revenue. We must have new vision revolving around technology, green energy, and an honest commitment to the highest-quality public education system in the country.

Opportunities for business and industry expansion lie right in our backyard. With Nevada's abundance of natural resources and land, the state is more than capable of becoming the renewable/green energy capital of the West. Nevada plays a critical role in the nation's economy by making important contributions to national defense, energy, mining, infrastructure, and public land management (84.5% of the state's land is owned by the federal government). The key to our state's stability is to take advantage of our natural resources to build upon these industries, thus diversifying our economy, and to provide graduates ready to be the leaders of these industries. Education must be coordinated with economic expansion to provide a highly-skilled, trained, and educated workforce necessary for these high-tech industries.

In order to reverse the current situation, we must all be committed to our pre-K through 12 and post-secondary education systems and the alignment of these efforts to economic development and industry. Improving education is a shared responsibility in our state. Everyone from those in the public education sector to lawmakers, parents, business leaders and other community members have a stake in this situation. Investing in education is an investment in the future success of our state and every citizen. The future our state does not have to be bleak, but we must make an honest commitment to providing outstanding education so our children are ready for college and a highly skilled career.

I am very fortunate that our educational, business, and political leadership in our community have agreed there are three core principles to higher-quality public education: every classroom must be taught by an effective teacher, every school must be led by an effective principal and every student must graduate high school career and college ready. These principles are essential not only to Washoe County School District's future, but to Nevada's future, and we all must have an unwavering commitment to them. The time is now to reverse our trends and close all achievement gaps by challenging professionals, parents and students. A better educated Nevada will be a more prosperous Nevada.

In the application for Race to the Top, it simply states that "Nevada is at a crossroad." This could not be a truer statement. If we do not make education a priority now, the future success of our state is in question. Education is the key to our state's future recovery and economic growth. The leaders of our political, educational, and business communities must be united to change the outcomes for every student. The issues confronting our state are so significant we need to make a turn at that crossroad to ensure our economic strength for years to come, and that turn is toward investing in education and our children.

## Economic Vitality and the Future of Nevada

With a historic budget shortfall and Nevada's truly being at a crossroad, we need to make an investment into education while tax revenues continue to decline and our unemployment continues to rise. Since Nevada has historically been funded by construction and gaming industries, both of which do not require a high level of education, the state has never been forced to rely on its intellectual infrastructure. Now, our future economic stability demands it.

As our state legislature convenes in February to decide the future of thousands of students throughout Nevada, we remain hopeful they will understand the long-term effects of investing less in K-12 education. As I mentioned earlier, Nevada struggles to graduate 50% of its entire student population. A study released by Cross and Jofus presented to the Blue Ribbon Task Force estimates that if we had graduated every student in our state in 2009, we would have seen an additional lifetime earnings of \$5.4 billion. It's a clear example of the long-term impacts the state suffers when we do not invest enough in education.

It is critical that we invest the money up front to see the long-term gains. Money invested in education will provide savings in the future. In the 2009 Legislative Session, 29.4% of our state budget was spent on human services and nearly 10% was spent on public safety and corrections. A commonly cited Perry preschool study shows that every dollar invested in early childhood education, Pre-K to grade 3, we save \$17 in social services and corrections. Those savings are compounded when closely looking at incarceration rates. According to the National Institute of Corrections, Nevada's incarceration rate is 12% higher than the national average, and Nevada taxpayers pay 15% higher than the national average for corrections-related costs. This directly correlates with our historically high dropout rates. The Nevada Department of Corrections estimates from its entrance interviews that over 60% of inmates in Nevada prisons never completed high school or received a GED. Nevadans also spend almost 3 times the amount per corrections inmate than we do per pupil in public education grades K-12. A small investment in higher-quality education will pay huge dividends decades from now in our public budgets.

There are hundreds of studies and countless numbers that cite why an investment in education is vital to our economic infrastructure. Public education in Nevada must improve. A 50% graduation rate is unacceptable as are the large numbers of students who require remediation when they enter college. This is a moral imperative to the children of the state. It is also a call to action for the economic future of the state. A recent *Wall Street Journal* article cited Nevada as having the 16th most friendly tax structure for businesses, so it is not our high taxes keeping new businesses from coming to the state. The same survey ranked education quality in Nevada as 50th, an obvious deterrent to economic development. It is a simple but undeniable proposition -- improving public education will be the most important catalyst to improving the economic vitality of Nevada. Improving public education, in conjunction with other attractive benefits the state has to offer will allow Nevada to be a hub for new industries and allow for the diversification of our economic systems.

To be sure, the current economic state in Nevada is dark and depressing, but investing in true educational reform can be a bright light for a better tomorrow.

Thank you for allowing me the opportunity to address your commission and I appreciate all of your hard work in understanding and improving our current economic situation.

Sincerely,

Dr. Heath Morrison  
Superintendent of Schools  
Washoe County School District