

EDUCATION



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The Education function includes three sub-functions: The Department of Education (K-12); the Nevada System of Higher Education; and other educational programs, which include the Department of Cultural Affairs, the Western Interstate Commission for Higher Education program, and the Commission on Postsecondary Education. Historically, education has been the largest function in the state budget supported by the General Fund, and the 2009 Legislature continued this tradition. General Fund appropriations for educational programs approved by the 2009 Legislature total approximately \$1.762 billion in FY 2009-10 and approximately \$1.852 billion in FY 2010-11, a combined 9.1 percent decrease over appropriations approved during the 2007-09 biennium (includes supplemental appropriations approved by the 2009 Legislature, but does not account for budget reductions implemented during the 2007-09 biennium). These appropriations for educational programs account for 55.2 percent of General Fund expenditures over the 2009-11 biennium.

Total funding approved by the 2009 Legislature from all sources for education total \$2.500 billion in FY 2009-10, an 11.5 percent decrease when compared to work program amounts budgeted in FY 2008-09, which totaled \$2.824 billion (includes supplemental appropriations). The \$2.531 billion approved in FY 2010-11 represents a 1.2 percent increase over FY 2009-10 after interagency transfers are deducted.

It should be noted that a total of \$139.6 million in American Recovery and Reinvestment Act (ARRA) funds was allocated to the Distributive School Account in FY 2008-09, and a total of \$184.8 million ARRA funds was allocated to the Nevada System of Higher Education during the 2009-11 biennium.

EDUCATION (K-12)

The voters at the November 2004 and November 2006 general elections approved an amendment to Article 11 of the Nevada Constitution to include a provision that the Legislature must finance the operation of the public schools in the state for kindergarten through grade 12 prior to funding any other part of the state budget for the next biennium. Assembly Bill 563 of the 2009 Legislative Session was enacted to meet this provision by providing funding for the Distributive School Account (DSA), the account for Programs for Innovation and the Prevention of Remediation, the Grant Fund for Incentives for Licensed Educational Personnel, and the Other State Education Programs account.

DISTRIBUTIVE SCHOOL ACCOUNT

The funding which supports Nevada's public elementary and secondary schools is a shared responsibility with state, local and federal sources contributing to the school districts' operating funds. The DSA budget does not include the entire funding for K-12 education, but rather includes only the state's portion of the school district operating funds that provide the basic support guarantee and other state-supported programs.

The following table summarizes the elements (in millions) that are the basis for the DSA as recommended by the Governor and as approved by the 2009 Legislature for the 2009-11 biennium. While the "Total Required State Support" is guaranteed by the state, only the portion of the table below "Total State Share" is included in the DSA budget account.

<u>The Nevada Plan</u>							
	<u>Recommended in The Executive Budget</u>			<u>Legislatively Approved</u>			Percent Change
	(Millions)			(Millions)			
	FY10	FY11	2009-11 Biennium	FY10	FY11	2009-11 Biennium	
Total Operating Expenditures	\$ 3,110	\$ 3,144	\$ 6,254	\$ 3,325	\$ 3,364	\$ 6,689	7.0%
Less: Local Revenues Outside the DSA	\$ (869)	\$ (874)	\$ (1,743)	\$ (947)	\$ (901)	\$ (1,848)	
Less: Non-Basic Support Programs	\$ (131)	\$ (133)	\$ (264)	\$ (143)	\$ (145)	\$ (288)	
 Total Regular Basic Support	 \$ 2,110	 \$ 2,137	 \$ 4,247	 \$ 2,235	 \$ 2,318	 \$ 4,553	 7.2%
Plus Programs other than Basic Support	\$ 280	\$ 283	\$ 563	\$ 300	\$ 303	\$ 603	
<u>State Guarantee</u>							
Total Required State Support	\$ 2,390	\$ 2,420	\$ 4,810	\$ 2,535	\$ 2,621	\$ 5,156	7.2%
Less: Local "Inside" Revenues	\$ (1,142)	\$ (1,172)	\$ (2,314)	\$ (1,175)	\$ (1,190)	\$ (2,365)	
<u>Distributive School Account</u>							
Total State Share	\$ 1,248	\$ 1,248	\$ 2,496	\$ 1,360	\$ 1,431	\$ 2,791	
Miscellaneous DSA Revenues	\$ (154)	\$ (158)	\$ (312)	\$ (159)	\$ (164)	\$ (323)	
 General Fund Support	 \$ 1,094	 \$ 1,090	 \$ 2,184	 \$ 1,201	 \$ 1,267	 \$ 2,468	 13.0%

The approved budget anticipates that the total of all Nevada school district budgets will increase to \$3.325 billion in FY 2009-10 and \$3.364 billion in FY 2010-11, compared to \$3.077 billion and \$3.302 billion for school district budgets approved by the 2007 Legislature for FY 2007-08 and FY 2008-09, respectively. This is an increase of 4.9 percent for the 2009-11 biennium when compared to the 2007-09 biennium. As indicated above, certain locally-generated revenues are considered before the state's responsibility is determined. These revenues are referred to as being "outside" of the Nevada Plan (the state's responsibility) and consist of the following:

- **Property Tax** – State law requires a property tax rate of 75 cents per \$100 of assessed valuation for the support of schools, of which 25 cents is "inside" the Nevada Plan and 50 cents is "outside" the DSA funding formula. The approved budget projects that the 50-cent portion of this tax will generate \$506.4 million in FY 2009-10, a 3.7 percent decrease from amounts estimated to be received in FY 2008-09, and \$462.2 million in FY 2010-11, a decrease of 8.7 percent from projected collections for FY 2009-10.

- Local Government Services Tax – Formerly called the motor vehicle privilege tax, this tax is estimated to generate \$81.4 million each year of the 2009-11 biennium, as compared to FY 2007-08 actual collections of \$90.7 million (10.3 percent decrease) and budgeted collections of \$102.6 million (20.7 percent decrease) for FY 2008-09.
- Other Local Sources – Franchise taxes, federal revenue, interest, tuition, other local revenue and opening balances are expected to contribute \$359.2 million in FY 2009-10 and \$357.3 million in FY 2010-11.

These local revenues are not guaranteed by the state; thus the local school districts benefit when actual revenues are in excess of projections, or suffer the loss when revenues do not meet projections. These locally-generated revenues “outside” of the Nevada Plan are budgeted to generate approximately 28.5 percent in FY 2009-10 and 26.8 percent in FY 2010-11 of the revenue necessary to support the budgets of the school districts (compared to 25 percent in the 2007-09 biennium), with the balance being funded through the Nevada Plan (the state’s responsibility). Nevada Plan funding for school districts consists of state financial support received through the DSA and locally-collected revenues that are “inside” the Nevada Plan, namely the 2.60-cent Local School Support Tax (LSST) (sales tax) and remaining 25 cents of the property tax.

The Legislature determines the level of state aid for schools and each district’s share through a formula called the “Nevada Plan,” which allows for differences across districts in the costs of providing education and in local wealth. A guaranteed amount of basic support per pupil is calculated for each school district and is established in law each legislative session. The state, through the DSA, and local school districts, through the LSST and property tax, share the responsibility for providing the money needed to fund the guaranteed basic support.

Local funding from the 25-cent portion of the property taxes is budgeted at \$253.2 million for FY 2009-10, a 3.7 percent decrease from amounts estimated to be received in FY 2008-09 and \$231.1 million in FY 2010-11, a decrease of 8.7 percent from projected amounts in FY 2009-10. The LSST rate was increased by 0.35 percent (from 2.25 percent to 2.60 percent) as part of the revenue enhancements approved by the 2009 Legislature. The LSST revenues in FY 2009-10 were projected to decline compared to amounts estimated in FY 2008-09 after accounting for anticipated Leadership in Energy and Environmental Design (LEED) credits. However, with the \$137.3 million estimated to be generated in FY 2009-10 from the sales tax rate increase, LSST projections total \$905.8 million in FY 2009-10, which represents a 9.8 percent increase compared to FY 2008-09 estimated LSST collections. For FY 2010-11, LSST collections are estimated to total \$944.2 million, which represents an increase of 4.2 percent from FY 2009-10. It should be noted that since all LEED credits must be taken before the end of FY 2009-10, collections in FY 2010-11 are compared to FY 2009-10 LSST collections when LEED credits are anticipated to be taken, which impacts the rate of growth in LSST collections during FY 2010-11.

The 2009 Legislature also approved, as local funding, \$10.0 million each year of the biennium from Clark County School District's capital project fund which the district may use for operating purposes for the 2009-11 biennium. Additionally, as the result of the abolishment of the Clark County Redevelopment Agency, the Legislature approved \$6.0 million in FY 2009-10 and \$5.4 million in FY 2010-11 (as local funding) which was deemed to be the portion of tax proceeds attributable to Clark County School District that had been distributed to the Redevelopment Agency. Combined, these local sources provide approximately 52 percent of the basic support amount, with the state contributing the remaining 48 percent.

It is important to note that these local revenue amounts are guaranteed by the state; i.e., if budgeted amounts are not actually collected, the state funds the difference, and conversely, if actual revenues exceed projections, the amount of state General Fund support is reduced. The total required state support of school district expenditures within the DSA totals \$2.535 billion and \$2.621 billion for FY 2009-10 and FY 2010-11, respectively, a decrease of 0.2 percent over the legislatively-approved amounts for the 2007-09 biennium. These amounts include all of the programs funded through the DSA (i.e., basic support, class-size reduction, special education, adult programs, professional development, counseling, and early childhood).

In the approved budget, the state's share of funding is provided largely by General Fund appropriations of \$1.201 billion in FY 2009-10 and \$1.267 billion in FY 2010-11, totaling \$2.468 billion for the 2009-11 biennium. This is \$12 million greater than the \$2.456 billion appropriated for the 2007-09 biennium (including a \$323.8 million supplemental appropriation for lower than anticipated sales and property tax revenues guaranteed by the Nevada Plan). This represents a 0.5 percent increase of General Fund support compared to the 2007-09 biennium.

An annual tax on slot machines, interest earned on investments from the Permanent School Fund, revenue from royalties and leases of federal land for mineral exploration, and Local School Support Tax from sales that cannot be attributed to a specific county also provide funding for the DSA and are included in the previous table as "Miscellaneous DSA Revenues." In past biennia, a portion of the estate tax collected by the state has been included as a funding source in the DSA; however, due to changes in federal law that source of funding is no longer available.

The table on the following page displays the DSA budget as approved by the 2007 Legislature, actual revenues and expenditures for FY 2007-08, projections for FY 2008-09, and the legislatively-approved budget for the 2009-11 biennium.

DISTRIBUTIVE SCHOOL ACCOUNT - SUMMARY FOR 2009-11 BIENNIUM

	2007-08		2008-09		2009-10	2010-11
	Legislature Approved	2007-08 Actual	Legislature Approved	2008-09 Estimated	Legislature Approved	Legislature Approved
TOTAL ENROLLMENT *	425,270.20	420,829.80	436,675.20	424,355.60	425,648.40	429,706.60
BASIC SUPPORT	5,122	5,125	5,323	5,214	5,251	5,395
TOTAL REGULAR BASIC SUPPORT **	2,178,412,777	2,156,577,434	2,324,500,302	2,212,704,453	2,235,193,631	2,318,399,593
CLASS-SIZE REDUCTION	141,209,596	141,209,596	153,710,996	153,710,996	144,263,320	145,935,501
SPECIAL EDUCATION ***	111,303,886	111,303,886	121,250,664	121,250,664	121,252,632	121,252,632
SPECIAL UNITS/GIFTED & TALENTED	171,898	171,898	163,656	163,656	162,571	167,459
ADULT HIGH SCHOOL DIPLOMA	21,447,955	21,302,940	23,362,996	22,410,539	21,170,456	22,673,833
SCHOOL LUNCH PROGRAM STATE MATCH	588,732	588,732	588,732	588,732	588,732	588,732
NRS ADJUSTMENT	0	190,176	0	0	0	0
EUREKA COUNTY SK ADJUSTMENT	0	(931,717)	0	0	0	0
SCHOOL IMPROVEMENT PROGRAMS:						
RPDP, NELIP & LEAD	13,089,934	13,089,638	13,513,162	11,937,714	7,897,804	7,897,804
SPECIAL FUNDING:						
EARLY CHILDHOOD EDUCATION	3,251,671	3,208,584	3,338,875	3,338,875	3,338,875	3,338,875
LIBRARY MEDIA SPECIALIST	18,078	18,078	18,798	18,798	18,798	18,798
HIGH IMPACT POSITIONS RETIRMENT CREDIT	22,942,577	0	31,070,767	31,070,767	0	0
TEACHER INCENTIVES MOVED TO B/A 2616	(22,942,577)	0	(31,070,767)	(31,070,767)	0	0
SPECIAL ELEMENTARY COUNSELING	850,000	839,927	850,000	850,000	850,000	850,000
SPECIAL TRANSPORTATION	112,012	170,908	112,012	170,909	170,908	170,908
PRIOR YEAR PAYMENT ADJUSTMENTS	0	(5,760,125)	0	0	0	0
BASIC SUPPORT RET'D / BUDGET REDUCTION	0	(14,825,347)	0	(2,450,135)	0	0
TOTAL REQUIRED STATE SUPPORT	2,470,456,539	2,427,154,608	2,641,410,193	2,524,695,201	2,534,907,727	2,621,294,136
LESS						
LOCAL SCHOOL SUPPORT TAX	(1,021,135,885)	(945,043,907)	(1,108,717,188)	(824,917,676)	(905,809,371)	(944,174,996)
PSOFT (25-CENT AD VALOREM PROPERTY TAX)	(258,661,179)	(237,691,960)	(290,268,708)	(262,950,715)	(253,196,604)	(231,116,201)
EUREKA COUNTY SCHOOL DISTRICT ADJUST.	0	4,296,698	0	0	0	0
CLARK COUNTY S.D. CONSTRUCTION FUNDS	0	0	0	0	(10,000,000)	(10,000,000)
TRANSFER-CLOSURE OF CLARK COUNTY RDA	0	0	0	0	(6,000,000)	(5,400,000)
TOTAL STATE SHARE	1,190,659,475	1,248,715,439	1,242,424,297	1,436,826,810	1,359,901,752	1,430,602,939
STATE SHARE ELEMENTS						
GENERAL FUND	1,041,380,667	1,041,380,667	1,090,814,060	1,042,818,347	1,201,169,591	1,267,051,744
TEACHER INCENTIVES MOVED TO B/A 2616	(22,942,577)	(22,942,577)	(31,070,767)	(31,070,767)	0	0
GENERAL FUND TRANSFER 09 TO 08	0	85,874,930	0	(85,874,930)	0	0
DSA SHARE OF SLOT TAX	37,682,635	34,945,244	40,294,194	35,449,480	35,888,197	36,554,830
PERMANENT SCHOOL FND	11,800,136	14,063,745	12,315,982	13,100,000	13,100,000	13,100,000
FED MINERAL LEASE REVENUE	6,354,164	8,670,417	6,354,164	21,825,000	10,706,000	10,706,000
OUT OF STATE LSST	116,384,350	102,284,309	123,716,564	93,487,859	98,037,864	102,190,265
REAL PROPERTY TRANSFER TAX ⁽¹⁾	0	0	0	0	1,000,000	1,000,000
ESTATE TAX	100	3,981	100	0	100	100
PRIOR YR REFUNDS	0	6,687,926	0	35,788	0	0
SUPPLEMENTAL APPROPRIATION	0	0	0	323,802,183	0	0
ARRA FUNDS	0	0	0	139,626,106	0	0
REVERTED TO GENERAL FUND	0	(22,253,203)	0	0	0	0
TOTAL SHARE STATE ELEMENTS	1,190,659,475	1,248,715,439	1,242,424,297	1,553,199,066	1,359,901,752	1,430,602,939
PROJECTED REVERSION TO GENERAL FUND	0	0	0	\$ 116,372,256	0	(0)
			No. of Units	\$ per Unit	No. of Units	\$ per Unit
*** Special Education Units	2007-08	3,046	36,541.00	2009-10	3,049	39,768.00
	2008-09	3,128	38,763.00	2010-11	3,049	39,768.00

FY09 LEGISLATURE APPROVED IS THE AMOUNT APPROVED BY THE 2007 LEGISLATURE WITHOUT THE 24TH SPECIAL SESSION TEXTBOOK REDUCTION
 FY09 ESTIMATED REFLECTS THE \$48 MILLION TEXTBOOK REDUCTION APPROVED BY THE 24TH SPECIAL SESSION

* FY 08 & 09 Apportioned and FY 10, & 11 Weighted

** Totals May Not Balance Due to Rounding

*** Special Education Units funded separately from Basic Support

⁽¹⁾ Estimated real property transfer taxes currently levied in a redevelopment area to be transferred into the DSA pursuant to A.B. 458, Sec. 36.

A.B. 458 was subsequently vetoed and therefore, these amounts will not be transferred into the DSA.

BASIC SUPPORT PER PUPIL

The 2007 Legislature estimated the statewide average guaranteed basic support for operating purposes at \$5,122 per pupil in FY 2007-08; however, the actual FY 2007-08 per pupil support was \$5,125. For FY 2008-09, the legislatively-approved statewide estimated average for guaranteed basic support for operating purposes was \$5,323 per pupil before a \$48 million reduction in textbook funding approved by the 24th Special Session. The revised legislatively-approved per pupil support including the textbook funding reduction is \$5,213. The chart below compares the statewide average guaranteed basic support funding and increases/decreases by fiscal year since FY 2001-02:

2001-02 Actual	2002-03 Actual	2003-04 Actual	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Actual	2008-09 **Leg App	2009-10 Leg App.	2010-11 Leg App
\$3,921	\$3,987	\$4,298	\$4,433	\$4,490	\$4,699	\$5,125	\$5,323	\$5,251	\$5,395
\$106	\$66	\$311	\$135	\$57	\$209	\$426	\$198	(\$72)	\$144

**The per-pupil basic support was subsequently reduced to \$5,213 by the 24th Special Session as a result of a \$48 million textbook funding budget reduction.

The guaranteed basic support per pupil should not be confused with expenditures per pupil. Resources not considered within the Nevada Plan are also utilized to cover school districts' operating costs.

ENROLLMENT

Each school district's guaranteed level of funding is determined by multiplying the basic support per pupil by the weighted enrollment. Weighted enrollment equals a full count of pupils enrolled in grades 1 through 12, including children with disabilities enrolled in special education programs within a district, and six-tenths of the count of pupils enrolled in kindergarten or programs for three-year-olds and four-year-olds with disabilities. Handicapped preschoolers and kindergarten pupils are only counted as six-tenths of a pupil because they typically attend school for half a day or less. The following chart compares weighted enrollment numbers by fiscal year and the percent of increase each year over the preceding year:

2001-02 Actual	2002-03 Actual	2003-04 Actual	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Actual	2008-09 Estimated	2009-10 Leg App	2010-11 Leg App
344,765	358,641	373,498	387,834	400,101	413,260	420,830	424,356	425,648	429,707
	4.02%	4.14%	3.84%	3.16%	3.29%	1.83%	0.84%	0.30%	0.95%

Based on most recent enrollments, weighted enrollment (utilized to distribute DSA funds to school districts) is estimated to increase by approximately 2.7 percent during the current biennium, to 424,356 students in FY 2008-09. The weighted enrollment is lower than the 436,675 students projected by the 2007 Legislature. The approved budget projects an enrollment increase of 0.3 percent in FY 2009-10 over the FY 2008-09 estimated weighted enrollment and an increase of 0.95 percent in FY 2010-11 over projected enrollment in FY 2009-10.

