

THE NEVADA PLAN

The *Nevada Plan* is the means used to finance elementary and secondary education in the State's public schools. The State develops a guaranteed amount of funding for each of the local school districts, and the revenue which provides the guaranteed funding is derived both from State and local sources. On an average, the guaranteed funding contributes approximately 75 to 80 percent of school districts' general fund resources. Nevada Plan funding for the districts consists of State support received through the Distributive School Account¹(DSA) and locally collected revenues from the 2.25-cent Local School Support (sales tax) Tax (LSST) and 25 cents of the Ad Valorem Tax (property tax).

To determine the level of guaranteed funding for each district, a Basic Per-Pupil Support Rate is established. The rate is determined by a formula that considers the demographic characteristics of the school districts. In addition, transportation costs are included using 85 percent of the actual historical costs adjusted for inflation according to the Consumer Price Index. A Wealth Adjustment, based on a district's ability to generate revenues in addition to the guaranteed funding, is also included in the formula.

Each district then applies its Basic Per-Pupil Support Rate to the number of students enrolled. The official count for apportionment purposes is taken in each district on the last day of the first school month. The number of kindergarten children and handicapped 3- and 4-year-olds is multiplied by 0.6 and added to the total number of all other enrolled children, creating the Weighted Enrollment. Each district's Basic Per-Pupil Support Rate is multiplied by its Weighted Enrollment to determine the guaranteed level of funding, called the Total Basic Support.

To protect districts from decreases in enrollment, *Nevada Revised Statutes* contain a "hold harmless" provision. If a district's enrollment decreases, the guaranteed level of funding is based on the prior year's enrollment figures.

An additional provision assists school districts that experience significant growth within the school year. If a district grows by more than 3 percent but less than 6 percent after the second school month, a growth increment consisting of an additional 2 percent of basic support is added to the guaranteed level of funding. If a district grows by more than 6 percent, the growth increment is 4 percent.

Special Education is funded on a "unit" basis, with the amount of per unit established by the Legislature. A "unit" includes the full-time services of licensed personnel providing a program of instruction in accordance with minimum standards prescribed by the State Board of Education. Special education unit funding is provided in addition to the Basic Per-Pupil Support Rate.

¹ The Distributive School Account is financed by legislative appropriations from the State's General Fund and other revenues, including a 2.25 cent tax on out-of-state sales, an annual slot machine tax, mineral land lease income, and interest from investments of the Permanent School Fund.

The *difference* between total guaranteed support and local resources is state aid, which is funded by the Distributive School Account. Revenue received by the school district from the 2.25-percent Local School Support Tax and 25 cents of the property tax is deducted from the school district's Total Basic Support Guarantee to determine the amount of state aid the district will receive. If local revenues from these two sources are less than anticipated, state aid is increased to cover the total guaranteed support. If these two local revenues come in higher than expected, state aid is reduced.

In addition to revenue guaranteed through the Nevada Plan, school districts receive other revenue considered "outside" the Nevada Plan. Revenues outside the formula, which are not part of the guarantee but are considered when calculating each school district's relative wealth, include the following: 50 cents of the Ad Valorem tax on property; the share of motor vehicle property tax distributed to school districts; franchise tax; interest income; tuition; unrestricted federal revenue, such as revenue received under P. L. 81-874 in lieu of taxes for federally impacted areas; and other local revenues.

Local districts also receive funding from the Distributive School Account for Adult High School Diploma Programs. The maximum funding for Adult High School Programs in the school districts and in the State's prisons is established by the Legislature.

In addition to revenues recognized by the Nevada Plan, school districts receive "categorical" funds from the State, federal government and private organizations that may only be expended for designated purposes. Examples include the State-funded Class-size Reduction Program and federally funded programs, such as the Title I Program for disadvantaged youngsters, the National School Lunch Program and School-to-Work. Categorical funds must be accounted for separately in special revenue funds. Funding for capital projects, which may come from the sale of general obligation bonds, "Pay-as-you-go" tax levies or fees imposed on the construction of new residential units, are also accounted for in separate funds (Capital Projects Fund, Debt Service Fund).

Source: Fiscal Analysis Division, Legislative Counsel Bureau
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Nevada Plan Example--Summary

To understand how the system works, follow the steps in the example on the following page. The count of pupils for apportionment purposes (1) is the number of children enrolled on the last day of the first school month in regular or special education programs, except that each kindergarten pupil and handicapped or gifted and talented child under the age of five is counted as six-tenths of a pupil. In instances of declining enrollment, the previous year's enrollment is used. This weighted enrollment figure is multiplied by the basic per-pupil support guarantee for the school district for that school year (2) to determine the school district's guaranteed basic support (3). Next, the number of special education units maintained and operated by the district that year is multiplied by the amount per program unit established for that school year (4), and the product is added to basic support to obtain the school district's total guaranteed basic support (5). This product is the amount of funding guaranteed to the school district from a combination of state and local funds.

Revenue received by the school district from the 2.25 percent LSST and 25 cents of the property tax (6) is deducted from the school district's total guaranteed basic support to determine the amount of state aid the district will receive (7). If local revenues from these two sources are less than anticipated, state aid is increased to cover the total basic support guarantee. If these two local revenues come in higher than expected, state aid is reduced. The difference between total guaranteed support and local resources is state aid, and it is funded by the DSA.

An amount for adult high school diploma programs (8), which is determined by the State Department of Education, is added to a school district's total state aid to determine the total amount of revenue the school district will receive from the Distributive School Account (9).

Sources of revenue "outside" the formula are summed (15) and added to total guaranteed support (5) and the amount provided for adult high school diploma programs (8) to determine the school district's total available resources (16).

THE NEVADA PLAN - AN EXAMPLE

The following example illustrates the guaranteed funding process based on the revenue of a hypothetical district and, in addition, shows other revenue outside of the guarantee, making up the total resources included in an operating budget.

<u>BASIC SUPPORT GUARANTEE</u>	<u>DISTRICT EXAMPLE</u>
1. Number of Pupils (Weighted Enrollment ¹)	7,000
2. x Basic Support Per Pupil	\$ <u>4,100</u>
3. = Guaranteed Basic Support	\$28,700,000
4. + Special Education Allocation (52 units @ \$28,000 per unit)	\$ 1,456,000
5. = Total Guaranteed Support	<u>\$30,156,000</u>
6. - Local Resources	
2.25-cent Local School Support (sales) Tax	(\$ 7,500,000)
25-cent Ad Valorem (property/mining) Tax	<u>(\$ 3,312,500)</u>
7. = State Responsibility	\$ 19,343,500
8. + Adult High School Diploma Funding	<u>\$ 35,000</u>
9. = Total Revenue from Distributive School Account	\$ 19,378,000
<u>RESOURCES IN ADDITION TO BASIC SUPPORT:</u>	
10. 50-cent Ad Valorem (property) Tax	\$ 6,625,000
11. Motor Vehicle Privilege Tax	200,000
12. Federal Revenues (Unrestricted)	150,000
13. Miscellaneous Revenues	10,000
14. Opening Fund Balance	<u>150,000</u>
15. Total Resources in Addition to Basic Support	<u>\$ 7,135,000</u>
16. Total Resources Available (Add lines 5, 8 and 15)	\$37,326,000

¹ Weighted Enrollment includes six-tenths the count of pupils enrolled in kindergarten, six-tenths of the count of handicapped 3- and 4-year-olds, a full count of pupils enrolled in grades 1 through 12, and a full count of handicapped minors age 5 and over receiving special education.