

The *NEVADA PLAN* For School Finance

An Overview



**Legislative Counsel Bureau
Fiscal Analysis Division**

2019 Legislative Session

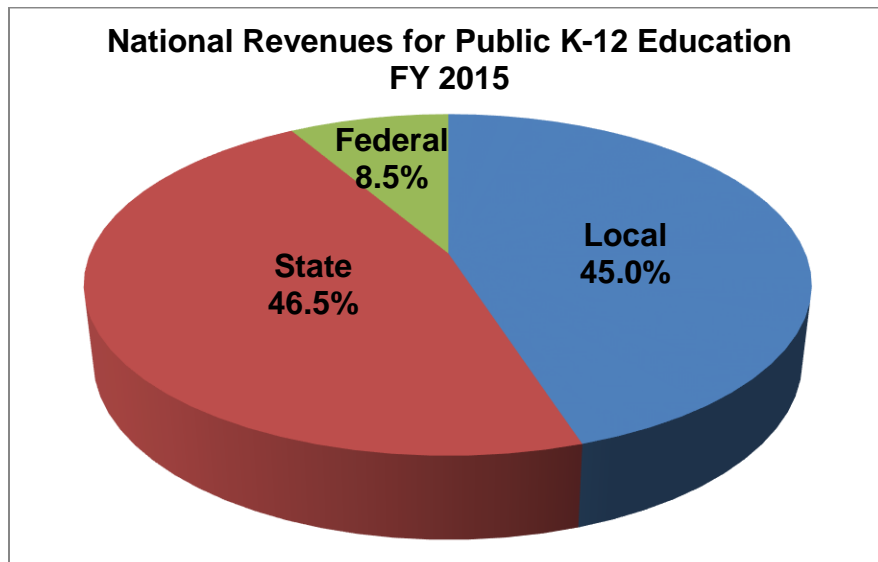


Nevada Plan for School Finance

I. Overview of Public K-12 Education Finance

National Overview

The National Center for Education Statistics (NCES) reports that approximately \$648.6 billion was collected in revenues for public elementary and secondary education in the United States in FY 2015 (the most recent year for which data is available). These revenues were used to support the operations of schools, as well as capital construction, equipment costs, and debt financing, and come from a combination of local, state, and federal sources. The greatest percentage of revenues came from state and local governments, which together provided \$593.6 billion, or approximately 91.5 percent of all revenues; the federal government's contribution was \$55.0 billion, or approximately 8.5 percent of all revenues.



Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2014–15 (Fiscal Year 2015)"

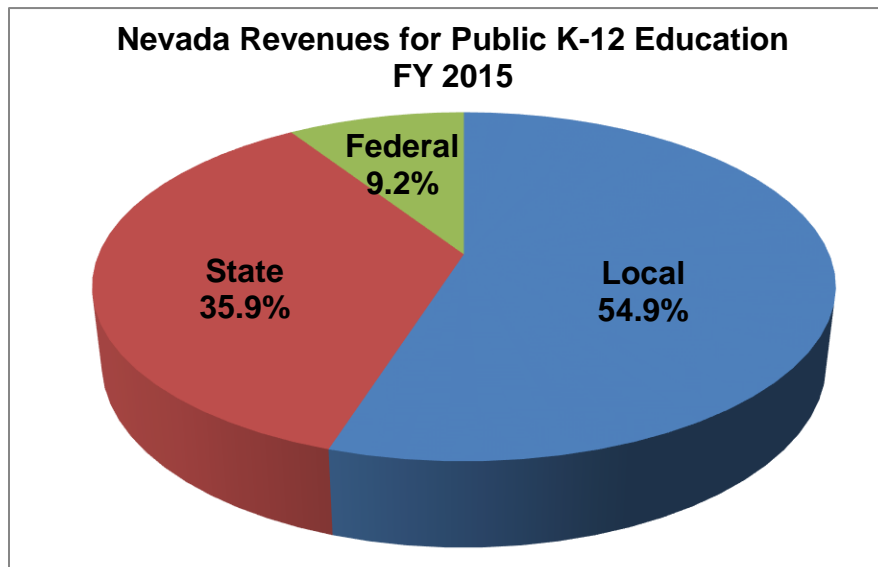
Between FY 2006 and FY 2015, total revenues for public elementary and secondary education in the United States increased by 24.6 percent, from \$520.7 billion in FY 2006 to \$648.6 billion in FY 2015. The largest percentage increase has occurred in revenue provided by local governments, which increased from \$230.9 billion in FY 2006 to \$292.0 billion in FY 2015, a 26.5 percent increase. Over the same period, state revenue for public K-12 education increased from \$242.2 billion to \$301.6 billion and federal revenue increased from \$47.6 billion to \$55.0 billion, a 24.5 percent and 15.6 percent increase, respectively. See Appendix A for a chart showing changes in national revenues for public elementary and secondary education between FY 2006 and FY 2015.

Due to the differing financing mechanisms utilized in each of the states, there are tremendous differences between the revenue mix used to fund public elementary and secondary education. For example, among states with more than one school district (i.e. all states except Hawaii), local contributions to the public K-12 education funding mix in FY 2015 varied from 3.9 percent in Vermont to 66.8 percent in Illinois. Similarly, state contributions to public K-12 education in FY 2015 varied from 24.9 percent in Illinois to 90.1 percent in Vermont. As a result of these differences in funding mixes, a meaningful comparison across states of public elementary and secondary education revenue is difficult.

Nevada Overview

According to NCES, revenues in support of Nevada’s public K-12 schools for FY 2015 were approximately \$4.5 billion, which represents the largest amount over the last ten fiscal years. When compared to the FY 2006 total revenue of \$3.7 billion, revenue for public elementary and secondary education in Nevada has increased by 22.6 percent between FY 2006 and FY 2015. This percentage increase in K-12 public education revenue compares to the national increase of 24.6 percent over the same period. See Appendix B for a chart showing changes in Nevada revenues for public elementary and secondary education between FY 2006 and FY 2015.

Like the nationwide support for education, financial support of Nevada’s public elementary and secondary schools is a shared responsibility. In FY 2015, the local share of public K-12 education revenue totaled 54.9 percent (\$2.5 billion), while revenue from the state totaled 35.9 percent (\$1.6 billion). Total revenue for public elementary and secondary schools in Nevada in FY 2015 was rounded out by a 9.2 percent (\$0.4 billion) contribution from the federal government, which was above the national average of 8.5 percent.



Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), “National Public Education Financial Survey (NPEFS),” FY 2015.

It should be noted that a large portion of the local funding in Nevada is derived from the state-mandated Local School Support Tax (LSST) and Ad Valorem Property/Mining Tax (property tax). As a result, the local share of public K-12 education revenue in Nevada

has historically been one of the highest in the nation. However, the Great Recession affected the amount of local revenue collected for public elementary and secondary education, which caused a higher percentage of state funding to flow toward education. In FY 2006, the local share of K-12 public education revenue in Nevada topped out at 66.9 percent, the highest in the nation at that time (excluding the District of Columbia). By FY 2015, the local revenue share had dropped to 54.9 percent, the seventh highest percentage nationally (excluding the District of Columbia). Over the same period, the state share of public elementary and secondary education revenue in Nevada increased from 25.9 percent to 35.9 percent. See Appendix C for a chart showing the percentage distribution of revenues for public elementary and secondary education in Nevada and the United States between FY 2006 and FY 2015.

Just as there are differences between the national averages and Nevada’s sources of revenue for public education, there are differences between Nevada’s averages and what might be found in any given Nevada school district. For example, due to the wealth created by the mining industry in Eureka County, approximately 1.9 percent of total revenue in the Eureka County School District came from state aid in FY 2017 (the most recent year for which district data was reported to the state). On the other hand, the Lincoln County School District received approximately 72.7 percent of its total revenue from state aid in FY 2017. It is important to note that the funding percentage distribution varies between Nevada school districts as a result of an equity allocation process, which factors in wealth and operating and transportation costs to determine the amount of state support for each school district.

Nevada K-12 Public Education Revenues and Percentage Distribution – FY 2017							
District	Revenues (Millions of \$)				Percentage Distribution		
	Local	State	Federal	Total	Local	State	Federal
Carson City	\$45.0	\$40.3	\$8.2	\$93.5	48.1%	43.1%	8.7%
Churchill	\$16.9	\$18.3	\$4.6	\$39.7	42.4%	46.1%	11.5%
Clark	\$1,996.0	\$1,002.1	\$320.0	\$3,318.1	60.2%	30.2%	9.6%
Douglas	\$42.4	\$22.9	\$4.2	\$69.6	60.9%	33.0%	6.1%
Elko	\$74.0	\$46.9	\$7.6	\$128.6	57.6%	36.5%	5.9%
Esmeralda	\$1.0	\$1.7	\$0.2	\$2.8	34.5%	59.2%	6.3%
Eureka	\$10.8	\$0.2	\$0.4	\$11.4	94.7%	1.9%	3.4%
Humboldt	\$22.1	\$13.9	\$3.7	\$39.7	55.6%	35.0%	9.4%
Lander	\$8.0	\$1.8	\$0.7	\$10.5	76.5%	17.0%	6.6%
Lincoln	\$3.7	\$11.7	\$0.7	\$16.1	23.0%	72.7%	4.3%
Lyon	\$29.9	\$56.7	\$10.7	\$97.3	30.7%	58.3%	11.0%
Mineral	\$2.8	\$4.5	\$0.7	\$8.0	35.3%	56.3%	8.4%
Nye	\$21.8	\$33.3	\$7.5	\$62.6	34.9%	53.2%	11.9%
Pershing	\$4.4	\$6.9	\$1.2	\$12.5	35.0%	55.4%	9.7%
Storey	\$6.4	\$1.5	\$0.4	\$8.2	77.6%	18.0%	4.4%
Washoe	\$383.6	\$215.8	\$65.2	\$664.7	57.7%	32.5%	9.8%
White Pine	\$8.9	\$9.4	\$0.9	\$19.3	46.3%	48.8%	4.9%
State Sponsored Charter Schools	\$13.7	\$289.1	\$9.3	\$312.1	4.4%	92.6%	3.0%
Statewide	\$2,691.5	\$1,777.2	\$446.1	\$4,914.8	54.8%	36.2%	9.1%

Source: NRS 387.303 Report, Major Funds tab, FY 2017 (unaudited)

Notes: Revenues exclude bond proceeds, fund transfers, opening fund balance, and all other revenue not categorized as local, state, or federal.

Totals may not balance due to rounding.

II. History of Legislation Affecting Public K-12 Education Funding in Nevada

For over 50 years, changes in Nevada’s tax policy have affected the share of revenue each level of government contributes to fund our schools. This section includes a brief overview and discussion of some of the major tax policy and other changes that have affected public elementary and secondary education funding in Nevada. This section should not be read as an exhaustive history of public K-12 education funding changes, but rather a brief introduction to the major adjustments, reforms, and revisions to education funding in Nevada.

- **1967** – The Legislature approves the creation of the Local School Support Tax (LSST), which is added to the sales and use tax at a rate of 1 percent.
- **1979** – To provide relief to taxpayers, the Legislature approves a reduction in the property tax rate for the support of schools from \$1.50 (70 cents mandatory and 80 cents optional) to 50 cents per \$100 of assessed valuation. General Fund appropriations to the state’s Distributive School Account (DSA) were increased to offset the effects of reducing property tax and removing sales tax on food (see the next bullet concerning the food exemption from the sales and use tax).
- **1979** – Voters amend the sales and use tax to provide for the exemption of food for home consumption.
- **1981** – To reduce the cost of K-12 public education on the State General Fund, the LSST increases from 1 percent to 1.5 percent.
- **1983** – As a result of the 1981 “Tax Shift,” which changed the primary revenue source of local governments from the property tax to the sales and use tax, local governments are hit hard when the national recession causes sales and use tax revenues to fall short of estimates. In response, the Legislature increases the property tax rate by 25 cents (from 50 cents to 75 cents) and guarantees the extra 25 cents through the *Nevada Plan* formula to offset State General Fund appropriations for K-12 public education.
- **1991** – The LSST rate increases from 1.5 percent to 2.25 percent, which reduces the need for State General Fund appropriations for K-12 public education.
- **1999** – The Legislature moves the Class-Size Reduction (CSR) program to the DSA and funds the program entirely with State General Fund appropriations. Historically, the CSR program had been funded as a categorical grant with revenues from estate taxes and State General Fund appropriations.
- **2001** – As a result of the passage of the federal Economic Growth and Tax Relief Reconciliation Act of 2001, estate tax revenues in the DSA begin to decline. Nevada’s allowable “pick-up tax” credit is reduced by 25 percent in 2002, 50 percent in 2003,

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NRS 387.121*
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75 percent in 2004, and repealed in 2005. During the same period, Nevada also realizes a reduction in revenue from the estate tax because of changes to the exemption threshold, which increased from \$675,000 in 2001 to \$1 million in 2002, and to \$1.5 million in 2004.

- **2009** – Due to the Great Recession, the Legislature temporarily increases the LSST rate by 0.35 percentage points (from 2.25 percent to 2.60 percent) for the period beginning July 1, 2009, through June 30, 2011.
- **2009** – Initiative Petition (IP) 1, though not signed by the Governor, becomes law pursuant to Article 4, Section 35, of the Nevada Constitution. The initiative imposes an additional tax on the gross receipts from the rental of transient lodging in certain counties. Pursuant to the language of the initiative, the proceeds from this tax are credited to the State General Fund between July 1, 2009, and June 30, 2011.
- **2011** – The Legislature votes to maintain the LSST rate at 2.60 percent and extend the sunset to June 30, 2013, at which time the rate would revert to 2.25 percent.
- **2011** – Pursuant to the language of IP 1, beginning July 1, 2011, the proceeds of the transient lodging tax are supposed to be credited to the State Supplemental School Support Account to be distributed proportionally among all school districts and charter schools in the state to improve student achievement and to retain qualified teachers and non-administrative employees. However, the Legislature approves the transfer of all IP 1 revenue over the 2011-13 biennium (FY 2012 and FY 2013) from the State Supplemental School Support Account to the DSA.
- **2011** – The Legislature approves Senate Bill 11, which instructs the Legislative Commission to appoint a committee (known as the Committee to Study a New Method for Funding Public Schools) to conduct an interim study concerning the development of a new method for funding public schools in Nevada. After contracting with a consultant to assist with the study, the committee makes various recommendations, including, but not limited to, a bill draft request to include the definition of the data modules of the school finance formula and the basis for the allocation of special education funding in statute; a recommendation that the state consider moving to a weighted-funding formula that considers individual needs and characteristics of student populations; and a recommendation that the state consider alternatives to the single count day approach for determining enrollment for apportionment purposes.
- **2013** – The Legislature votes to maintain the LSST rate at 2.60 percent and extend the sunset to June 30, 2015, at which time the rate would revert to 2.25 percent.
- **2013** – The Legislature votes to transfer all IP 1 revenue from the State Supplemental Support Account to the DSA for the 2013-15 biennium (FY 2014 and FY 2015).
- **2013** – The Legislature approves Senate Bill 500, which creates the Task Force on K-12 Public Education Funding to conduct a review of the consultant's report to the Committee to Study a New Method for Funding Public Schools; survey the weighted pupil public education funding formulas used in other states; and develop a plan for

revising and implementing the state's public education funding formula in a manner that equitably accounts for the needs of, and the costs to educate, students based upon their individual educational needs and demographic characteristics, including students from low-income families, students with disabilities, and students who have limited proficiency in the English language. Recommendations from the Task Force on K-12 Public Education Funding include, but are not limited to, implementing a weighted student funding model that would apply a weight of not less than 1.5 for students identified as English Learners (ELs) or at-risk of low academic achievement and replacing the unit-funding methodology for students with disabilities with a weighted student-funding model that would apply a 2.0 weight to all students with disabilities.

- **2015** – The Legislature votes to continue the transfer of the IP 1 revenues as a revenue source in the DSA budget for the 2015-17 biennium (FY 2016 and FY 2017).
- **2015** – The Legislature votes to permanently increase the LSST rate from 2.25 percent to 2.60 percent.
- **2015** – The Legislature concurred with the Governor's recommendation to complete the expansion of the state's Full-Day Kindergarten (FDK) program to all school district and charter school kindergartens by FY 2017. Historically, the state funded kindergartners as six-tenths of one pupil for attending a half-day kindergarten program. However, in accordance with Section 11 of Senate Bill 508, students attending full-day kindergarten will be counted and funded as 1.0 full-time pupils beginning in FY 2018. The state-funded FDK program is optional; therefore, some school districts and charter schools may continue to elect to operate half-day kindergarten programs.
- **2016** – Ballot Question 2 is approved by Nevada voters and authorizes the sale of recreational marijuana in the state. As required by the provisions of the ballot question, the proceeds from the 15 percent excise tax on wholesale sales by a cultivation facility and the application and license fees first fund the costs of administration by the Department of Taxation and local governments with the revenue in excess of these costs deposited in the DSA to provide state funding for K-12 education.
- **2017** – The Legislature votes to continue the transfer of the IP 1 revenues as a revenue source in the DSA budget for the 2017-19 biennium (FY 2018 and FY 2019).

III. The Nevada Plan

The 1967 Legislature approved Senate Bill 15 (*Statutes of Nevada, 889*), which revised the method the state uses to finance elementary and secondary education in the state's public schools and created the *Nevada Plan*. In creating the *Nevada Plan*, the Legislature declared "that the proper objective of state financial aid to public education is to ensure each Nevada child a reasonably equal educational opportunity."

The *Nevada Plan* is a statewide, formula-based funding mechanism for public K-12 education. Stated as a formula, the *Nevada Plan* calls for state financial aid to school districts to equal the difference between school district basic support guarantee and local available funds produced by mandatory taxes minus all the local funds attributable to pupils who reside in the county but attend a charter school or a university school for profoundly gifted pupils (*Nevada Revised Statutes* [NRS] 387.121).

The *Nevada Plan* does not include targeted, formula-based funding for individual student differences. However, the state does provide student-specific categorical funding beyond the *Nevada Plan*, for programs including, but not limited to, Class-Size Reduction, Career and Technical Education, Adult High School Diploma, Special Education, English Learner, Victory and Turnaround Schools (low-income students), and Gifted and Talented Education (GATE).

How the Nevada Plan Works

Under the *Nevada Plan*, the state develops a guaranteed amount of funding for each of the local school districts. The revenue, which provides the guaranteed funding, is derived from both state and local sources. On average, this guaranteed funding contributes approximately 80.6 percent of school districts' and charter schools' general fund resources. *Nevada Plan* funding for school districts and charter schools consists of state support received through the DSA and locally collected revenues from the LSST, and one-third of the proceeds from the 75-cent property tax imposed pursuant to NRS 387.195.

To determine the level of guaranteed funding for each school district, a basic per pupil support amount for each district is established in law each legislative session. The amount is determined by a formula that considers the demographic characteristics of each school district. Average operating and transportation costs, as well as a wealth adjustment, are also considered to determine the basic per pupil support amount for each

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school district. The wealth adjustment is based on a district's ability to generate revenues in addition to the guaranteed funding. It should be noted that the basic per pupil support amount for charter schools varies and is determined by the school district of origin for each student. For example, a virtual charter school that enrolls students from multiple Nevada school districts will receive differing basic per pupil support amounts for each student depending on the home school district of each student.

The corresponding basic per pupil support amount is then multiplied by a school district's or charter school's weighted apportionment enrollment. The official enrollment for apportionment purposes (Average Daily Enrollment or ADE) is reported quarterly by each school district and charter school on or before October 1, January 1, April 1, and July 1, for the immediately preceding quarter of the school year. The number of disabled three- and four-year-olds and the number of children enrolled in half-day kindergarten is multiplied by 60 percent and added to the total number of all other children who are enrolled in full-day

kindergarten through grade 12, net of transfers, to derive the total weighted apportionment enrollment.

Special Provisions Related to Enrollment Changes

Nevada Revised Statutes 387.1223 allows school districts and charter schools with current enrollment of less than or equal to 95 percent of the prior school year's enrollment to utilize the enrollment number from the same quarter from the immediately preceding school year for purposes of apportioning funding from the DSA. It should be noted that this hold-harmless provision does not apply to school districts or charter schools that deliberately cause a decline in the enrollment by eliminating grade levels, moving into smaller facilities, or other means.

Special Education Funding

Funding for students with disabilities is provided in addition to each school district's or charter school's basic per pupil support amount. Prior to FY 2017, state funding for special education was provided on a "unit" basis, with the amount per unit established by the Legislature and intended to fund licensed personnel providing a program of instruction in accordance with minimum standards prescribed by the State Board of Education. With the passage of Senate Bill 508, the 2015 Legislature implemented a change in the methodology for distributing state funding for students with disabilities beginning in FY 2017. The new methodology requires state funding for students with disabilities to be distributed proportionally to each school district and charter school largely based upon the number of students with a disability, not to exceed 13 percent of the total pupil enrollment for the school district or charter school.

In addition, the 2015 Legislature approved a General Fund appropriation of \$5.0 million in FY 2017 to establish a Special Education Contingency program, for which the State Board of Education adopted regulations for the application, approval and disbursement of money to reimburse school districts and charter schools for extraordinary program expenses and related services for pupils with significant disabilities.

The 2017 Legislature further revised the funding mechanism for students with a disability by approving Senate Bill 49. This legislation, later codified in NRS 387.122, allows school districts and charter schools with enrollment of students with disabilities that exceed 13 percent of the total student enrollment to receive one-half of the additional funding that is provided by the state for students with disabilities for those students that exceed the 13 percent threshold. In conjunction with this policy change, the Legislature approved the transfer of \$3.0 million carried forward from FY 2017 from the Contingency Account for Special Education Services to the Students with Disabilities category in the DSA. The Legislature approved a total of \$1.5 million in each fiscal year of the 2017-19 biennium to fund one-half of the per pupil amount for students with disabilities to school districts and charter schools with enrollment of students with disabilities that exceed 13 percent of the total student enrollment. With this change, the Legislature also provided funding of \$2.0 million in the Contingency Account for Special Education Services in each fiscal year of the 2017-19 biennium to reimburse school districts and charter schools for extraordinary program expenses and related services for pupils with significant disabilities.

Determining State Aid

The difference between the total guaranteed support (as approved by the Legislature) and local resources is state aid, which is funded through the DSA. Revenue received by the school district from the LSST derived from in-state sales and from one-third of the proceeds from the 75-cent property tax is deducted from the school district's or charter school's total basic support guarantee to determine the amount of state aid the district or charter school will receive. If local revenues from these two sources are less than anticipated, state aid is increased to cover the shortfall in total guaranteed support. Conversely, if these two local revenues exceed projected levels, state aid is reduced.

In addition to revenue guaranteed through the *Nevada Plan*, school districts receive other local revenue that are not guaranteed under the *Nevada Plan* and therefore not included in the state guarantee. Non-guaranteed local revenues include two-thirds of the proceeds from the 75-cent property tax; the share of basic governmental services tax distributed to school districts; franchise tax revenue; interest income; tuition revenue; unrestricted federal revenue, and other local revenues. Because these other local revenues are not guaranteed, state aid is not increased or decreased based on actual realized revenue from those non-guaranteed local revenue sources. Charter schools are allocated non-guaranteed local revenues proportionally by the district in which a charter student would otherwise attend.

In addition to revenues, both guaranteed and not guaranteed by the *Nevada Plan*, school districts and charter schools may 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, Early Childhood Education, Career and Technical Education, and Education Technology. Recent Legislatures have expanded categorical funding for education through various initiatives, including the Read by Grade Three program, Social Worker or Other Licensed Mental Health Worker Grant program, Nevada Ready 21 Technology Plan, College and Career Readiness Grant program, the GATE program, and the New Nevada Education Funding Plan.

Examples of federally-funded programs include the Title I program for disadvantaged pupils, Every Student Succeeds Act, the National School Lunch program, and Individuals with Disabilities Education Act (IDEA). Categorical funds must be accounted for separately in special revenue funds by school districts and charter schools. 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).

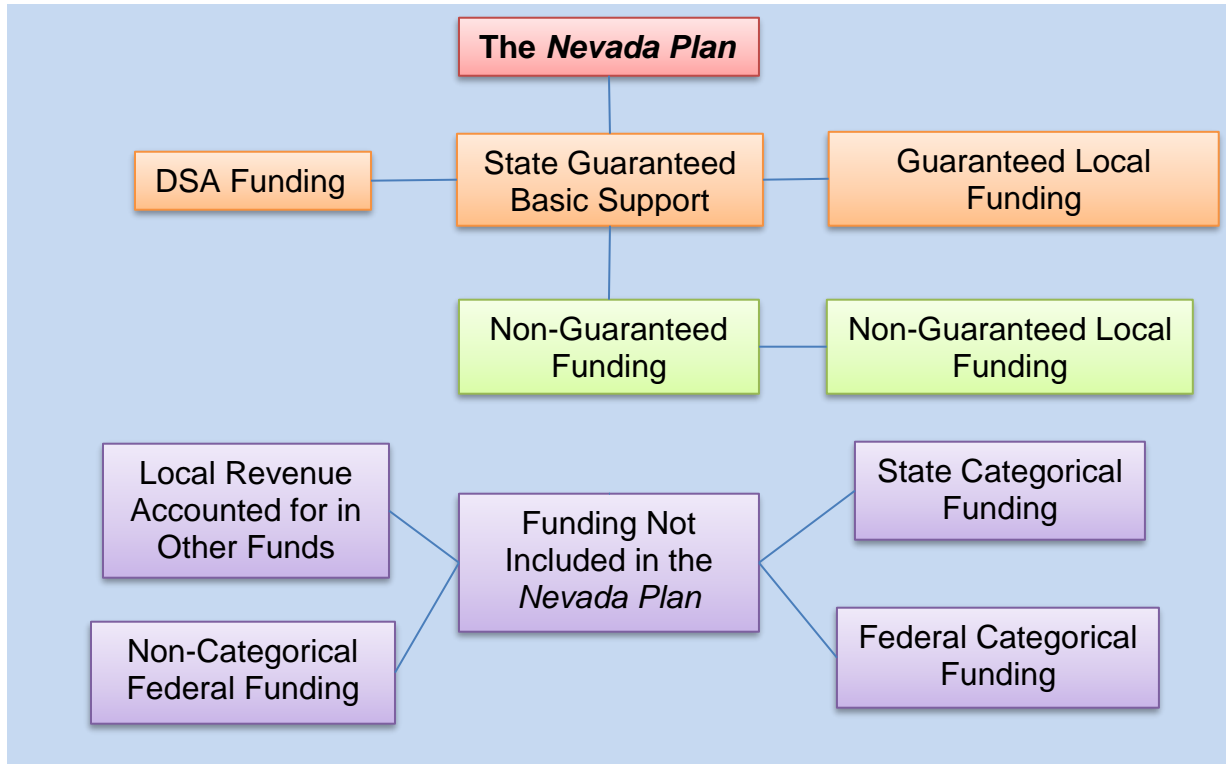
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If local revenues from the Local School Support Tax and one-third property tax are less than anticipated, state aid is increased to cover the shortfall in total guaranteed support. Alternatively, if these two local revenues exceed projected levels, state aid is reduced.

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IV. Components of the Nevada Plan

The *Nevada Plan* is made up of various funding components. The following chart illustrates the combination of funding components that make up the *Nevada Plan*, as well as other K-12 education funding sources that are not part of the *Nevada Plan*:



The list below outlines the various revenue components:

DSA Funding

- State General Fund appropriations
- A share of the annual slot tax
- Investment income from the Permanent School Fund
- Federal mineral land lease receipts
- Out-of-state LSST revenue that cannot be attributed to a particular county
- Transfers of IP 1 (2009) room tax revenues
- The proceeds from the 15 percent excise tax on wholesale sales by a marijuana cultivation facility and the application and license fees, less the cost of administration by the Department of Taxation and local governments.

Guaranteed Local Funding

- LSST
- One-third of the proceeds from the 75-cent property tax

Non-Guaranteed Local Funding

- Two-thirds of the proceeds from the 75-cent property tax
- Share of basic governmental services tax distributed to school districts
- Franchise taxes
- Interest income
- Tuition
- Rent
- Opening General Fund balance

Non-Categorical Federal Funding

- Impact received in lieu of taxes for federally impacted areas
- Forest reserves

Federal Categorical Funding

- Nutrition Education (e.g., National School Lunch Program)
- Title I Program
- Special Education Programs
- Vocational Education Programs
- Other School Improvement Programs, including programs under the federal Every Student Succeeds Act

Other Funding

- Capital Projects – General Obligation Bonds
- “Pay as You Go” Debt Service

V. Biennial DSA Budget Preparation

To prepare a biennial budget for Nevada’s public schools, estimated General Fund and Special Education expenditures for charter schools and each of the 17 school districts funded by state or local revenues are combined into a single, statewide budget for each year of the upcoming biennium.

It is important to recognize that the DSA budget does not include the entire funding for K-12 public education, but rather includes only the state’s portion of the school district and charter school operating funds that provide the basic support guarantee and other state-supported programs. Federal categorical funds, such as those received through Title I or IDEA, as well as most state categorical funds, are not included in this budget, but do contribute significantly to the total amount of funding available to local schools.

School district and charter schools’ opening fund balances and projected non-guaranteed local revenues are then deducted from the total statewide operating expenditures. Because non-guaranteed local revenues are deducted from the funding formula at this point, they are not built into the state guarantee.

Next, the costs of programs that are not allocated to schools based on enrollment, such as the costs of special education programs, are subtracted to yield statewide basic support, which is divided by the estimated (weighted) enrollment for the year to determine

the guaranteed statewide average basic support per pupil for each fiscal year in the upcoming biennium. In summary, the estimated need, minus non-guaranteed local revenue, is divided by the number of pupils to determine a statewide average basic support per pupil that will be guaranteed by the combination of state DSA funding and guaranteed local revenues in the *Nevada Plan*.

From the statewide average basic support per pupil, the Nevada Department of Education calculates a separate basic support per pupil figure for each school district, using a formula that considers the economic and geographic characteristics of each school district. The dollar amount of basic support differs across school districts due to variations in the cost of living, differences in the costs of providing education as a result of school size, and the cost per pupil of administration and support services. The funding formula also recognizes each school district's transportation costs by including 85 percent of actual, historical costs adjusted for inflation. A wealth adjustment, based on each district's ability to generate revenue in addition to the guaranteed level of funding, is also included in the funding formula.

Since funding through the *Nevada Plan* is based on a guaranteed amount of basic support per pupil set forth in law during each legislative session, the only way to increase the total amount to be received through the *Nevada Plan* is if enrollment increases. Conversely, if enrollment fails to meet projections, schools will receive less money than expected, because a given dollar amount per pupil is guaranteed only for those pupils enrolled, except for cases of significant enrollment decreases for which the hold-harmless provision would apply.

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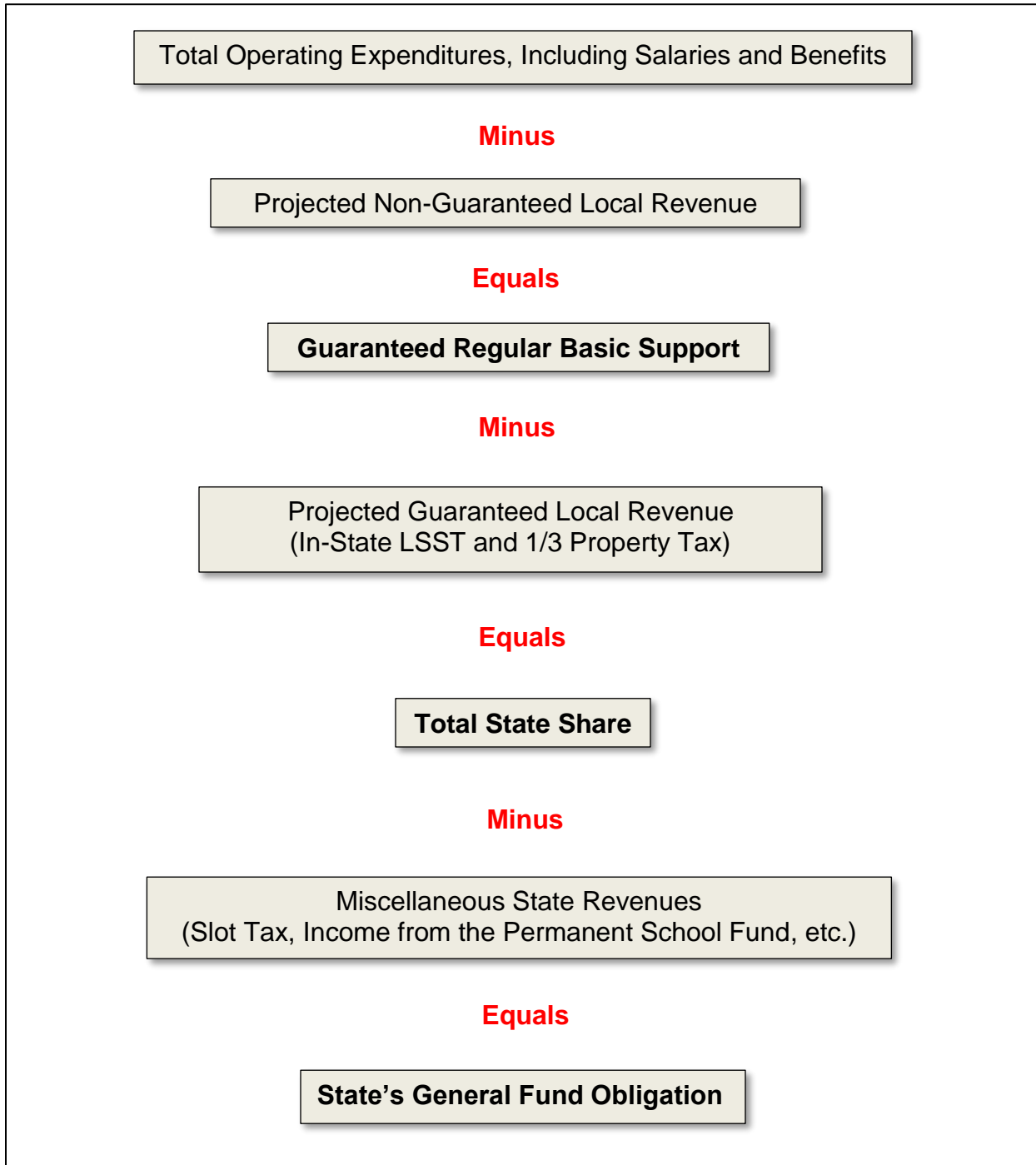
The estimated need to operate the school districts and charter schools, minus local revenue that is not guaranteed under the Nevada Plan, is divided by the number of pupils to determine a statewide average basic support per pupil that will be guaranteed by the combination of state DSA funding and local revenues guaranteed under the Nevada Plan.

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The funding for additional programs that are not allocated to schools on the basis of enrollment (e.g., Class-Size Reduction programs) is then added to the total regular basic support guarantee amount to arrive at the total required support. This figure represents the amount of funding, through a combination of guaranteed local revenues, State General Fund appropriations, and other non-General Fund state revenues, that the school districts and charter schools will receive.

To determine the state's share of the total guaranteed support, projected local revenues that are guaranteed by the state (LSST and one-third property tax) are deducted. The remaining amount is the state's share, and after subtracting the amount of non-General Fund state funding sources, the state's General Fund obligation is established. Because the total guaranteed support is made up of both guaranteed local revenues and State General Fund appropriations, if actual realized guaranteed local revenues are higher than projected, State General Fund appropriations are reduced. Alternatively, if actual realized guaranteed local revenues are less than projected, State General Fund appropriations are increased to meet the guaranteed support amount.

The chart below illustrates the steps that are taken to prepare the DSA budget and determine the state's General Fund obligation:



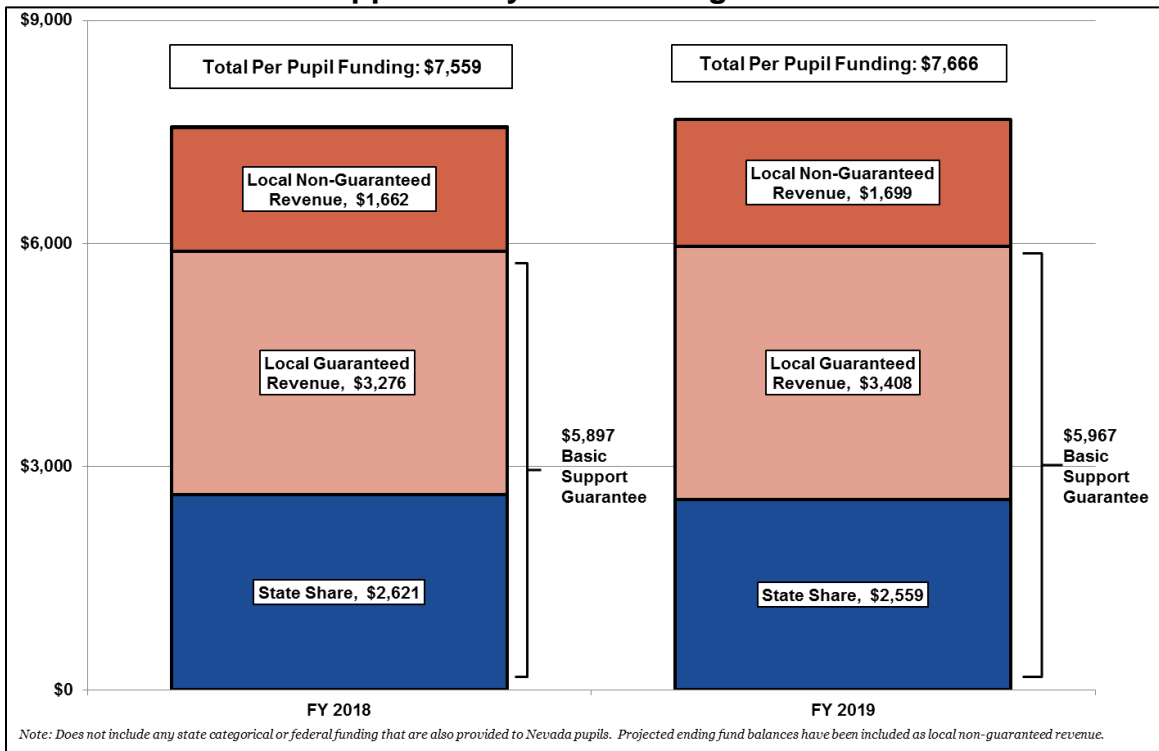
To understand how this calculation is performed with actual data, the following table summarizes the elements (in millions of dollars) that are the basis for the DSA, as approved by the 2017 Legislature, for the 2017-19 biennium.

	FY 2018 (millions)	FY 2019 (millions)	2017-19 Biennium (millions)
Total Operating Expenditures	\$3,601	\$3,697	\$7,298
Less: Non-Guaranteed Local Revenues	\$792	\$820	\$1,612
Total Regular Basic Support	\$2,809	\$2,877	\$5,686
Less: LSST In-State Portion (Guaranteed Local Revenue)	\$1,341	\$1,410	\$2,751
Less: 1/3 Property Tax (Guaranteed Local Revenue)	\$220	\$233	\$453
Total State Share	\$1,249	\$1,234	\$2,483
Less: Non-General Fund DSA Revenue	\$388	\$405	\$793
General Fund Appropriations	\$861	\$829	\$1,690
Total Regular Basic Support (millions)	\$2,809	\$2,877	
Divided by Projected Enrollment	476,338	482,292	
Statewide Average Basic Support Guarantee Per Pupil	\$5,897	\$5,967	

Note: Totals may not balance due to rounding.

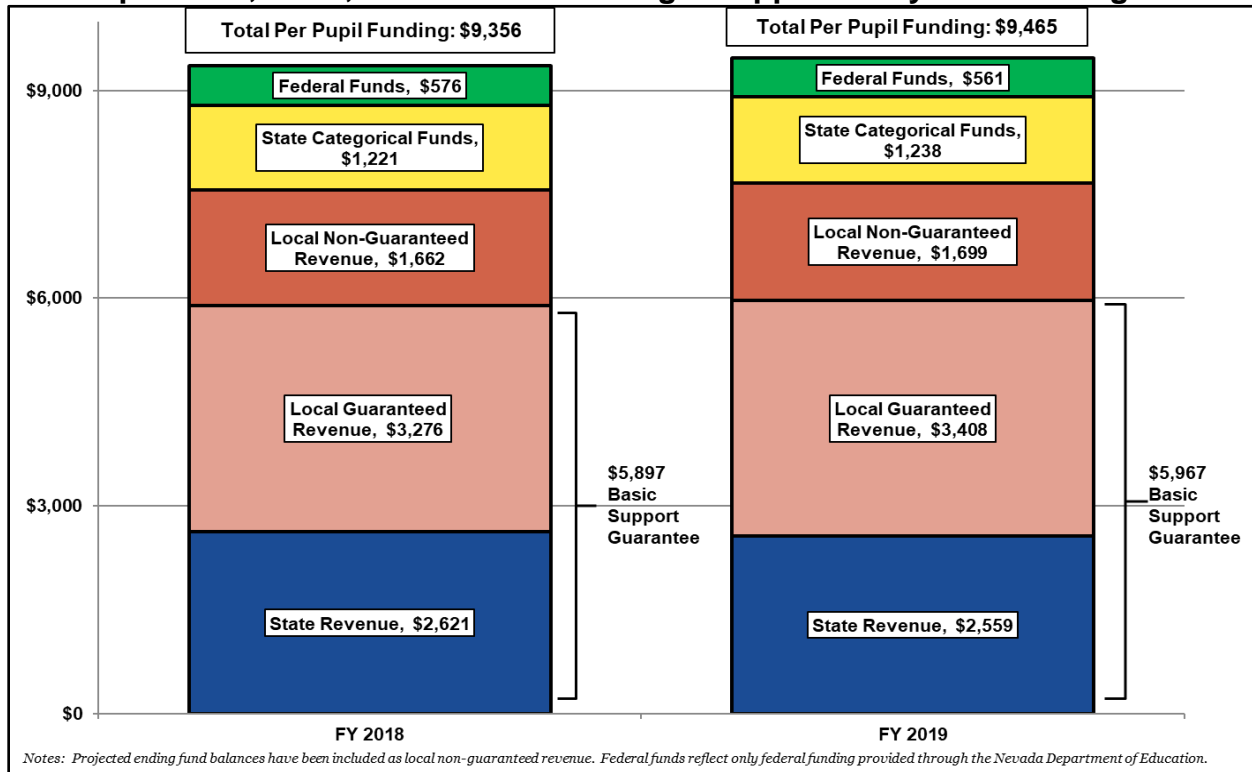
To determine the statewide average basic support per pupil, the total regular basic support amount is divided by the estimated weighted enrollment for each fiscal year in the upcoming biennium. It is important to note that the guaranteed basic support per pupil should not be confused with expenditures per pupil. Other resources not considered within the *Nevada Plan*, include, but are not limited to, two-thirds of the proceeds from the 75-cent property tax, governmental services taxes, franchise taxes unrestricted federal funding and state and federal categorical funding, are also available to support schools' operating costs. For example, the legislatively approved, statewide average basic support amount was \$5,897 per pupil in FY 2018 and \$5,967 in FY 2019. However, when all projected local revenue is considered, the average funding approved for each Nevada pupil was \$7,559 in FY 2018 and \$7,666 in FY 2019, as indicated in the following chart.

Per Pupil Local and State Funding Under the Nevada Plan Formula Funding as Approved by the 2017 Legislature



It should be noted that the earlier chart titled “Per Pupil Local and State Funding Under the Nevada Plan Formula Funding as Approved by the 2017 Legislature” does not include state categorical funding and federal funding received by school districts and charter schools, which further increases the funding available per pupil. When these legislatively approved amounts are also considered, the average funding approved for each Nevada pupil was \$9,356 in FY 2018 and \$9,465 in FY 2019, as indicated in the following chart.

Per Pupil Local, State, and Federal Funding as Approved by the 2017 Legislature



VI. The Nevada Plan – A School District Example

To better understand how the *Nevada Plan* works, a step-by-step summary is provided below. The bolded number(s) at the end of each step corresponds to step(s) of a numerical example of a hypothetical school district that is presented following the step-by-step summary.

1. Enrollment – The count of pupils for apportionment purposes is the number of children enrolled in grades kindergarten through 12 reflected in regular or special education programs reported to the Nevada Department of Education during the quarterly average daily enrollment. Disabled or gifted and talented children under the age of five are counted (weighted) as six-tenths of one pupil since they attend school for less than a full day. In instances of significant declining enrollment, the hold-harmless provision described in NRS 387.1223 may be applied **(1)**.
2. Guaranteed Regular Basic Support – The weighted enrollment total is multiplied by the legislatively approved per pupil support guarantee for the school district to determine the school district’s guaranteed basic support **(2 and 3)**.
3. Guaranteed Local Resources – Revenue received by the school district from the LSST and one-third of the proceeds from the 75-cent property tax is deducted from the school district’s total guaranteed basic support to determine the amount of state aid the district will receive. If actual realized local revenues from these two sources are less than projected, state aid is increased to cover the total basic support guarantee. On the other hand, if revenues come in higher than projected, state aid is reduced.

The difference between the total guaranteed support and local resources is state aid, which is funded through the DSA **(4 and 5)**.

4. Other State-Funded Programs – An amount for any specific programs funded by the Legislature through the DSA, such as special education funding and the Class-Size Reduction program, is added to the school district’s total state aid to determine the total amount of revenue the school district will receive from the DSA. Pursuant to Senate Bill 508 that was approved by the 2015 Legislature, the proportion of special education funding allocated to a district is largely based on the number of students with a disability **(6 and 7)**.
5. Non-Guaranteed Local and Federal Resources – Sources of local revenue not guaranteed under the funding formula, such as two-thirds of the proceeds from the 75-cent property tax and unrestricted federal funding, are added to the total guaranteed support and the amount provided for other legislatively-approved programs to determine the school district’s total available resources **(8 through 14)**.

The following numerical example illustrates the guaranteed funding process based on the revenue of a hypothetical school district and also shows other revenue that is available beyond the guarantee, making up the total resources included in a school district’s operating budget.

Basic Support Guarantee		
1	Number of Pupils (Weighted Apportionment Enrollment*)	8,000
2	X Basic Support Per Pupil	<u>\$ 5,700</u>
3	= Guaranteed Basic Support	\$ 45,600,000
	- Local Resources	
4	2.60 percent LSST	(\$ 18,800,000)
	1/3 of the proceeds from 75-cent property tax	<u>(\$ 4,600,000)</u>
5	= State Responsibility	\$ 22,200,000
	+ Other State Programs funded through the DSA	
6	Special Education Allocation: \$2,900,000	<u>\$ 2,935,000</u>
	Class-Size Reduction Funding: \$35,000	
7	= Total Revenue from Distributive School Account (DSA)	\$ 25,135,000
Resources in Addition to Basic Support		
8	2/3 of the proceeds from 75-cent property tax	\$ 9,200,000
9	Governmental Services Tax (GST)	\$ 2,000,000
10	Federal Revenues (Unrestricted)	\$ 150,000
11	Miscellaneous Revenues	\$ 10,000
12	Opening Fund Balance	<u>\$ 2,000,000</u>
13	Total Resources in Addition to Basic Support	<u>\$ 13,360,000</u>
14	Total Resources Available (Add lines 3, 6, and 13)	\$ 61,895,000

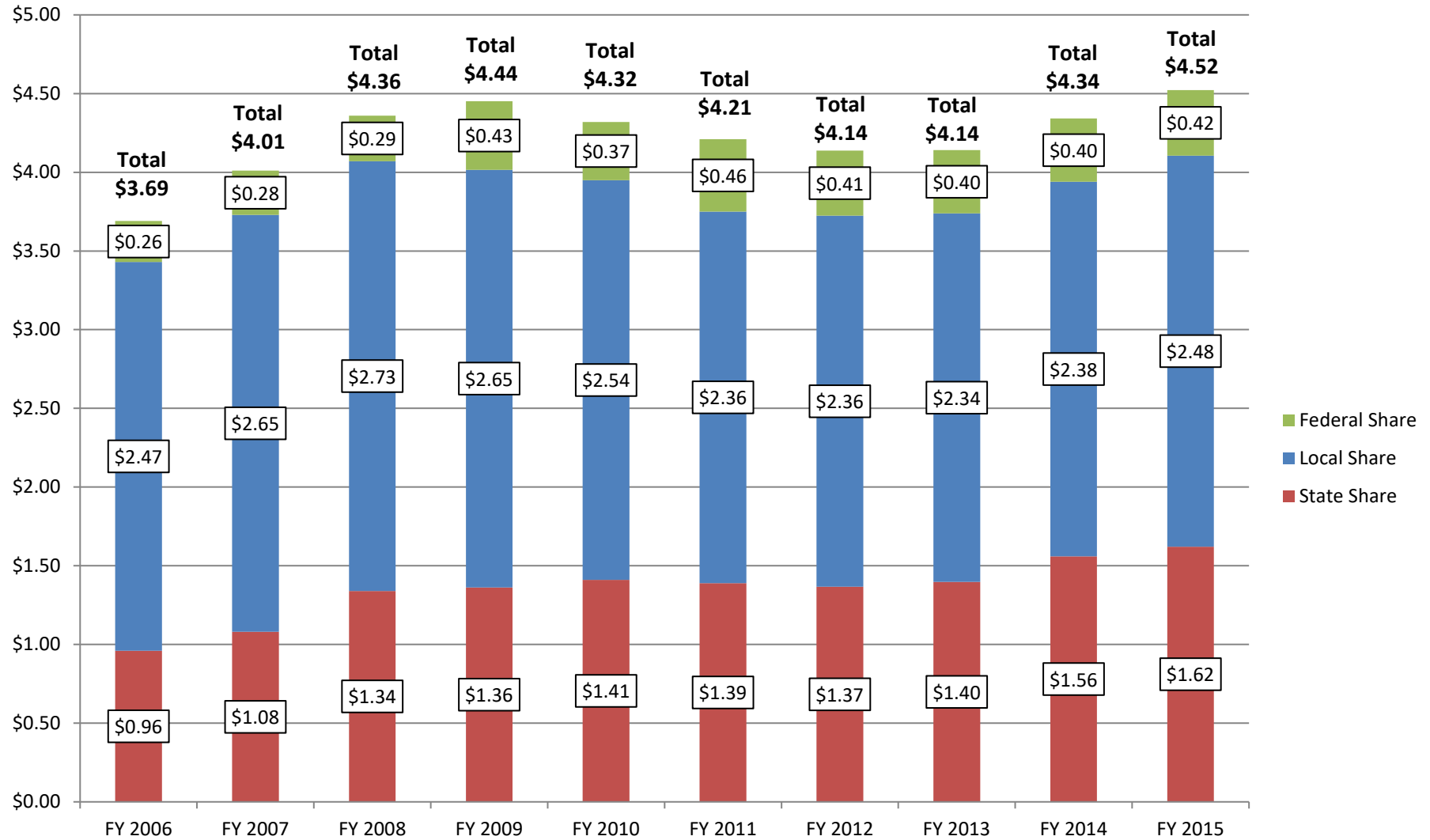
*Beginning in FY 2018, weighted apportionment enrollment includes a full count of all pupils enrolled in grades kindergarten through 12, six-tenths of the count of 3- and 4-year-olds who are receiving special education services, and sixth-tenths of pupils enrolled in half-day kindergarten.

United States Revenues for Public Elementary and Secondary Education (Billions of Dollars, by Source, FY 2006 - FY 2015)



Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD),
"National Public Education Financial Survey (NPEFS)," Fiscal Years 2006-2015

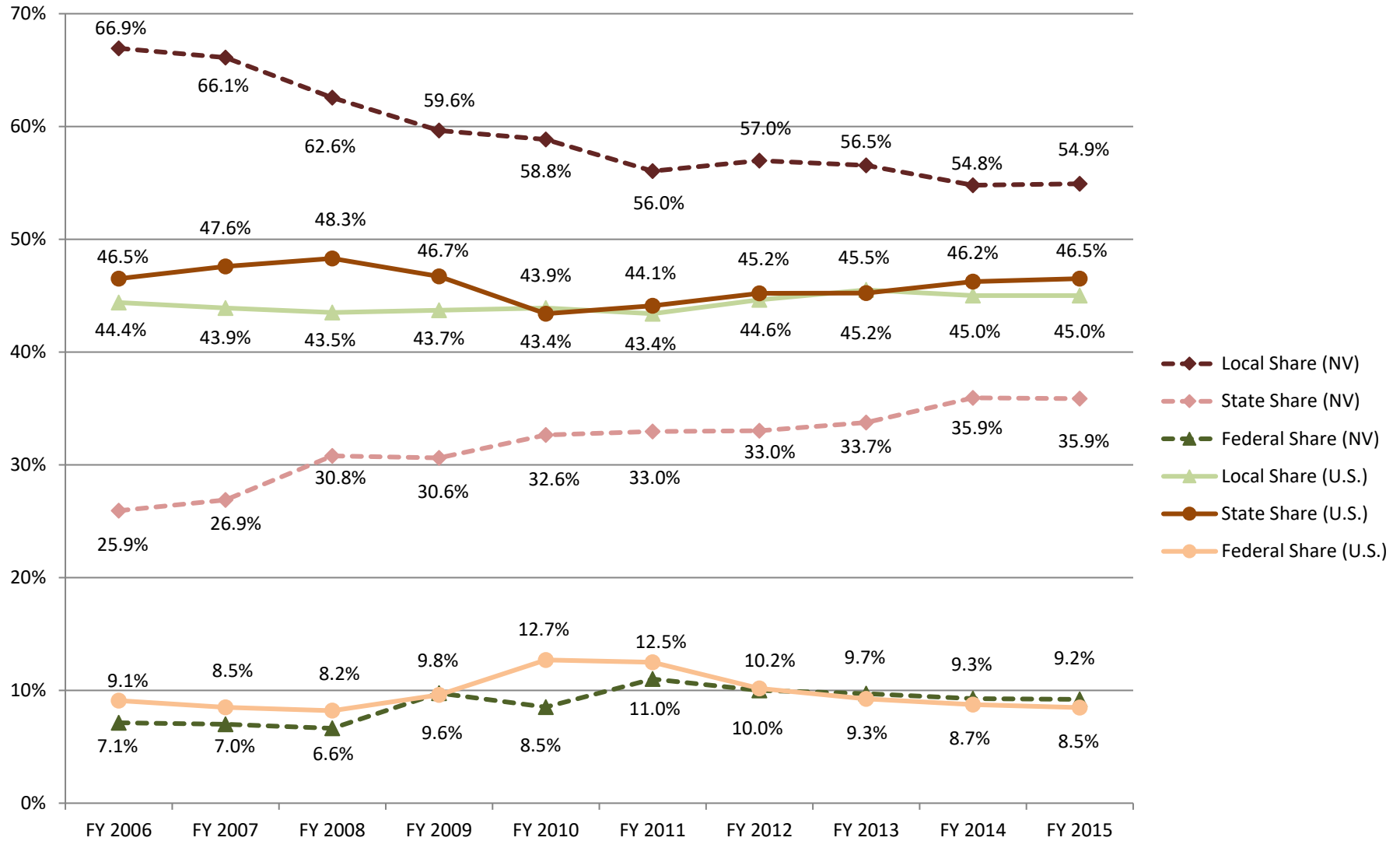
Nevada Revenues for Public Elementary and Secondary Education (Billions of Dollars, by Source, FY 2006 - FY 2015)



Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "National Public Education Financial Survey (NPEFS)," Fiscal Years 2006-2015

APPENDIX C

Percentage Distribution of Revenues for Public Elementary and Secondary Education in the United States and Nevada, FY 2006 - FY 2015



Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "National Public Education Financial Survey (NPEFS)," Fiscal Years 2006-2015