



Legislative Testimony

Critical Issues for Designing a New K-12 Funding Formula for Nevada

May 21, 2014

Testimony before the K-12 Public Education Funding Technical Advisory Committee Critical Issues for Designing a New K-12 Funding Formula for Nevada

Prepared Statement of Victoria Carreón, Kenny Guinn Center for Policy Priorities

Before making decisions on how to construct a weighted student funding formula, the Task Force on K-12 Public Education Funding Technical Advisory Committee should take a critical look at the current formula used to calculate the basic support per pupil. To ensure that new weights for populations such as at-risk students or English Language Learners have a comparable impact across school districts, the Committee should consider the following:

- Move to a base formula that is built upon the cost to adequately educate students instead of the historic cost to educate students.
- Move certain “outside” tax revenues into the funding formula.

Base Funding Formula on Cost to Adequately Educate Pupils

The current K-12 funding formula for Nevada is based on historical staffing and expenditure data and does not reflect the amount of funding necessary to provide an adequate education that enables students to meet state and federal academic standards. To determine what the base funding amount should be for each school district, the Committee should consider updating the adequacy study conducted for the Nevada Legislature in 2006 by Augenblick, Palaich, and Associates, Inc. (APA).¹

The APA study used the “Successful Schools” approach to examine actual spending of schools that successfully meet state and federal performance expectations. This approach was used to develop a base cost, which excluded expenditures for special populations, such as special education students, English Language Learners, at-risk students, and Career and Technical Education students. The APA study then used the “Professional Judgment” approach to determine necessary adjustments for school district size and special populations to meet future standards. The Professional Judgment approach used panels of experienced educators informed by educational research.

The Committee should consider the following approach to developing the funding formula once the adequacy study has been updated:

- Calculate a uniform base funding amount per pupil based on the adequacy study.
- Make per pupil adjustments for factors that vary across districts such as district size and transportation.
- Make per pupil adjustments for costs that vary across grade spans, such as class size reduction for grades K-3 and higher costs for high school programs.
- After these adjustments have been made, add in weights for special populations such as English Language Learners, at-risk students, and special education.

Move Outside Tax Revenue into the Funding Formula

Another key issue that the Committee should consider is fully taking into account tax revenue that is both inside and outside the current funding formula. The basic support guarantee is the primary source of unrestricted general fund revenue for Nevada's school districts, but there is a substantial amount of local tax funding received outside the funding formula. The basic support guarantee is funded by a combination of local taxes and state funding. The remaining funding outside the basic support guarantee includes other local taxes, local revenue, and unrestricted federal funds. The local taxes received outside the formula can be quite substantial for a number of individual school districts.

Table 1 shows the actual basic support revenue received by each school district in 2012-13, broken down by local revenue versus state revenue.² Statewide, local funding represented 55 percent of basic support revenue in 2012-13. The portion funded by local funds varied from 19 percent in Pershing County to 100 percent in Eureka, Lander, and Storey counties. Thus, three counties received no state basic support funding. The actual revenue per pupil varied from \$5,136 in the Clark County School District to \$30,837 in the Eureka County School District.

Table 1: 2012-13 Actual Basic Support Revenue Inside Funding Formula

| School District | Local Basic Support Revenue | State Basic Support Revenue | Total Basic Support Revenue | Weighted Enrollment | Actual Basic Support per Pupil |
|------------------|-----------------------------|-----------------------------|-----------------------------|---------------------|--------------------------------|
| Carson City | \$20,656,856 | \$23,815,433 | \$44,472,289 | 7,362 | \$6,041 |
| Churchill | 7,011,707 | 15,785,326 | 22,797,033 | 3,582 | 6,364 |
| Clark | 924,577,683 | 616,704,815 | 1,541,282,498 | 300,082 | 5,136 |
| Douglas | 19,590,441 | 12,128,706 | 31,719,147 | 5,900 | 5,376 |
| Elko County | 51,342,230 | 8,619,192 | 59,961,422 | 9,469 | 6,332 |
| Esmeralda | 315,414 | 736,341 | 1,051,755 | 59 | 17,706 |
| Eureka | 7,283,644 | - | 7,283,644 | 236 | 30,837 |
| Humboldt | 15,368,106 | 3,095,931 | 18,464,037 | 3,367 | 5,484 |
| Lander | 7,455,107 | (290,111) | 7,164,996 | 1,043 | 6,868 |
| Lincoln | 799,770 | 8,624,744 | 9,424,514 | 945 | 9,975 |
| Lyon | 10,680,715 | 42,721,210 | 53,401,925 | 7,778 | 6,866 |
| Mineral | 779,959 | 3,354,508 | 4,134,467 | 477 | 8,671 |
| Nye | 11,724,441 | 23,752,430 | 35,476,871 | 5,071 | 6,996 |
| Pershing | 1,141,212 | 4,863,325 | 6,004,537 | 681 | 8,815 |
| Storey | 2,795,951 | - | 2,795,951 | 399 | 7,000 |
| Washoe | 173,064,340 | 141,413,298 | 314,477,638 | 60,147 | 5,229 |
| White Pine | 4,600,079 | 4,731,881 | 9,331,960 | 1,382 | 6,754 |
| Statewide | \$1,259,187,655 | \$1,049,798,736 | \$2,308,986,391 | 429,360 | \$5,378 |

Source: Nevada Department of Education

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Table 2 provides detail on the actual local tax revenue received outside the funding formula in 2012-13, which includes Property Taxes and the Governmental Services Tax. The funding received per pupil averaged \$1,104 per pupil statewide. This ranged from \$925 per pupil in Lyon County to \$45,118 per pupil in Eureka County.

These revenues are not part of the basic support guarantee, so if actual revenue is less than projected, the state does not backfill the difference. Conversely, if revenues are higher than projected, the school district benefits from the additional revenue.

Table 2: 2012-13 Actual Tax Revenue Outside Funding Formula

| School District | Property Tax Outside Formula | Governmental Services Tax | Total Taxes Outside Formula | Weighted Enrollment | Outside Taxes per Pupil |
|------------------|------------------------------|---------------------------|-----------------------------|---------------------|-------------------------|
| Carson City | \$6,764,215 | \$1,452,644 | \$8,216,860 | 7,362 | \$1,116 |
| Churchill | 3,263,835 | 804,105 | 4,067,940 | 3,582 | 1,136 |
| Clark | 265,117,795 | 46,052,970 | 311,170,765 | 300,082 | 1,037 |
| Douglas | 12,295,174 | 2,180,799 | 14,475,973 | 5,900 | 2,454 |
| Elko | 6,156,762 | 3,939,093 | 10,095,855 | 9,469 | 1,066 |
| Esmeralda | 407,404 | 158,468 | 565,872 | 59 | 9,526 |
| Eureka | 10,410,628 | 246,212 | 10,656,840 | 236 | 45,118 |
| Humboldt | 8,300,494 | 1,135,507 | 9,436,001 | 3,367 | 2,803 |
| Lander | 10,608,787 | 425,391 | 11,034,178 | 1,043 | 10,577 |
| Lincoln | 900,527 | 258,591 | 1,159,118 | 945 | 1,227 |
| Lyon | 5,947,002 | 1,249,615 | 7,196,617 | 7,778 | 925 |
| Mineral | 538,965 | 161,835 | 700,800 | 477 | 1,470 |
| Nye | 4,392,696 | 1,356,726 | 5,749,423 | 5,071 | 1,134 |
| Pershing | 1,749,335 | 443,877 | 2,193,212 | 681 | 3,220 |
| Storey | 2,346,454 | 127,410 | 2,473,864 | 399 | 6,194 |
| Washoe | 60,985,150 | 11,468,837 | 72,453,987 | 60,147 | 1,205 |
| White Pine | 1,893,642 | 528,157 | 2,421,799 | 1,382 | 1,753 |
| Statewide | \$402,078,866 | \$71,990,238 | \$474,069,104 | 429,360 | \$1,104 |

Source: Nevada Department of Education

Table 3 combines the funding received per pupil from the basic support guarantee and local taxes that are outside the basic support guarantee. The statewide total is \$6,482 but the amounts range from \$6,173 in Clark County to \$75,595 in Eureka County.

Table 3: Combined Funding per Pupil 2012-13

| School District | Actual Basic Support per Pupil | Outside Taxes per Pupil | Total |
|------------------|--------------------------------|-------------------------|----------------|
| Carson City | \$6,041 | \$1,116 | \$7,157 |
| Churchill | 6,364 | 1,136 | 7,500 |
| Clark | 5,136 | 1,037 | 6,173 |
| Douglas | 5,376 | 2,454 | 7,830 |
| Elko | 6,332 | 1,066 | 7,398 |
| Esmeralda | 17,706 | 9,526 | 27,233 |
| Eureka | 30,837 | 45,118 | 75,955 |
| Humboldt | 5,484 | 2,803 | 8,287 |
| Lander | 6,868 | 10,577 | 17,446 |
| Lincoln | 9,975 | 1,227 | 11,202 |
| Lyon | 6,866 | 925 | 7,791 |
| Mineral | 8,671 | 1,470 | 10,141 |
| Nye | 6,996 | 1,134 | 8,129 |
| Pershing | 8,815 | 3,220 | 12,034 |
| Storey | 7,000 | 6,194 | 13,194 |
| Washoe | 5,229 | 1,205 | 6,433 |
| White Pine | 6,754 | 1,753 | 8,507 |
| Statewide | \$5,378 | \$1,104 | \$6,482 |

Source: Nevada Department of Education

The current basic support guarantee formula includes a wealth adjustment based on each school district's ability to generate funds outside of the formula. However, it does not take into account the full amount of tax revenue outside the formula.

Table 4 is an excerpt from the Simplified Distributive School Account (DSA) Model spreadsheet created by a member of the Committee.³ The column numbers reflect those in the Simplified DSA Model. As the table shows, the wealth factor combines the tax revenue and federal revenue outside the formula for each school district (Column 105) and divides it by the district's basic support ratio (Column 106) to obtain the Normalized Outside Revenue Calculation (Column 107). This reduces the amount of outside revenue for every district except for Clark County. The Normalized Outside Revenue Calculation is then converted into a per pupil amount (Column 108).

The wealth adjustment for each school district is then calculated in Column 109 as the difference from the statewide average in Column 108 of \$1,024. For example, the wealth adjustment for Clark County is \$80, which is the difference between the statewide average of \$1,024 and Clark County's per pupil amount of \$944. The wealth adjustment in Column 109 ranges from \$297 in Lyon County to -\$14,597 in Eureka County (Column 109).

Table 4: Current Wealth Factor Calculation for 2013-14

| School District | 105 Wealth Factor Revenue | 106 Basic Support Ratio | 107 Normalized Outside Revenue Calc | 108 Normalized Outside Revenue Calc per Pupil | 109 Wealth Factor Calc |
|------------------|------------------------------|----------------------------|--|--|---------------------------|
| Carson City | \$7,574,348 | 1.1622 | \$6,517,492 | \$831 | \$193 |
| Churchill | 5,056,304 | 1.1847 | 4,267,837 | 1,112 | -89 |
| Clark | 300,385,174 | 1.0000 | 300,385,174 | 944 | 80 |
| Douglas | 14,017,147 | 1.2070 | 11,613,384 | 1,953 | -929 |
| Elko County | 12,675,522 | 1.2030 | 10,536,877 | 1,056 | -32 |
| Esmeralda | 568,717 | 2.7115 | 209,739 | 3,084 | -2,061 |
| Eureka | 9,863,958 | 2.4194 | 4,077,069 | 15,621 | -14,597 |
| Humboldt | 9,485,138 | 1.1793 | 8,042,916 | 2,284 | -1,260 |
| Lander | 10,570,376 | 1.3731 | 7,698,285 | 7,439 | -6,416 |
| Lincoln | 1,302,486 | 1.8505 | 703,842 | 745 | 279 |
| Lyon | 7,040,052 | 1.1998 | 5,867,786 | 726 | 297 |
| Mineral | 1,200,172 | 1.8146 | 661,389 | 1,435 | -411 |
| Nye | 8,162,922 | 1.2663 | 6,446,503 | 1,184 | -161 |
| Pershing | 2,014,674 | 1.6410 | 1,227,746 | 1,794 | -771 |
| Storey | 2,469,693 | 1.8786 | 1,314,641 | 3,295 | -2,271 |
| Washoe | 71,435,998 | 1.0043 | 71,126,757 | 1,108 | -84 |
| White Pine | 2,577,040 | 1.3209 | 1,950,910 | 1,399 | -375 |
| Statewide | \$466,399,721 | 1.0000 | \$442,648,346 | \$1,024 | \$0 |

Source: K-12 Public Education Funding Technical Advisory Committee, Simplified DSA Model

The important point for the committee to consider is that the final wealth adjustment shown in Column 109 understates the full impact of local taxes that are outside the formula. As an alternative, the Committee should consider a new approach that takes these taxes fully into account. The state could increase the basic support per pupil by a uniform amount across the state and then subtract all local tax revenue to determine state funding. As with the current funding formula, some school districts would have local taxes that exceed the guarantee and would retain this funding to educate students.

Moving the outside property taxes and governmental services tax into the funding formula has two key advantages. It would reflect the full amount of local tax revenue received outside the formula and would improve transparency in the amount of unrestricted funding available to school districts.

Implementation of a New Funding Formula

As the Committee works on an implementation plan, it is important to ensure that any district that would lose funding under the new formula would continue to receive the same funding per



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pupil as in a specified base year. This is known as a hold-harmless funding level. A target funding level could be established and an implementation plan could be developed to phase in the new formula over several years as funding becomes available. As the formula is implemented each year, the state would evaluate whether a district would receive more funding per pupil under the new formula versus the hold harmless funding level and would provide the greater funding amount. This hold-harmless provision could continue each year as the formula is implemented.

¹ Augenblick, Palaich and Associates, Inc. *Estimating the Cost of An Adequate Education in Nevada* (August 2006). Available:

<http://www.leg.state.nv.us/Division/Research/Publications/InterimReports/2007/Bulletin07-07.pdf>

² Nevada Department of Education. FY 2013-NRS 387-303 Report, Available:

http://www.doe.nv.gov/Business_Support_Svc_Reports/

³ Simplified DSA Model Example. Available:

<http://www.leg.state.nv.us/interim/77th2013/Committee/Studies/K12FundingTAC/Other/21-April-2014/MeetingPage.cfm?ID=77&d=21-April-2014>



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Contact Information

Kenny C. Guinn Center for Policy Priorities
c/o InNEVation Center
6795 Edmond Street
Suite 300/Box 10
Las Vegas, NV 89118

Phone: (702) 522-2178
Email: info@guinncenter.org
www.guinncenter.org

Contacts

Nancy E. Brune, Ph.D.
Executive Director
nbrune@guinncenter.org, (702) 522-2178

Victoria Carreón
Director of Research & Policy
vcarreon@guinncenter.org, (702) 522-2178