

Property Taxes and K-12 Financing in Nevada

Executive Summary

Property tax is one of the most significant sources of K-12 education financing within states. With resource adequacy a question before Nevada lawmakers in the 80th (2019) Legislative Session, this policy brief evaluates the relationship between property taxes and K-12 financing in the State.

In Nevada, property taxes supply budgetary support for local governments, such as school districts. While local jurisdictions have some discretion in setting property tax rates, provided that they conform to certain statutory and constitutional requirements, there are legal constraints on rate setting for school districts. In particular, Nevada law requires that 75 cents per \$100 of assessed valuation of the combined property tax rate must be levied for school operating costs. This rate cannot vary by school district.

The Silver State's primary funding mechanism for K-12 education is called the Nevada Plan, which establishes a basic support guarantee for each school district. Property tax revenues collected from one-third of the school tax operating rate are guaranteed by the State by virtue of being inside the Nevada Plan. Revenues realized from the two-thirds are retained by the school district as they are not part of the guarantee.

The Local School Support Tax (LSST), which is the portion of the State sales tax dedicated to the support of schools, typically supplies the largest share of total operating revenues, while property taxes are the second-largest contributor. In FY 2018, the LSST contributed about \$1.3 billion (37.2 percent) to total statewide school operating resources, while property taxes amounted to roughly \$677.8 million (19.2 percent).

For FY 2018, school districts' total resources—amounts realized from both the school operating tax and the school debt service tax—equaled \$6.9 billion when aggregated statewide. Property taxes contributed about \$1.1 billion (16.4 percent) to total resources. However, while schools are not very reliant on property tax revenue, most property tax collections are apportioned to school districts. Schools were the largest beneficiary of property tax dollars in FY 2018; forty (40.0) percent all property tax money collected statewide in FY 2018 was distributed to school districts.

Nevada is one of the least dependent states on property taxes as a source of local school revenue, though it is one of the most dependent of all states for local revenues to finance elementary and secondary school education. This may be attributed, in part, to the design of the Nevada Plan, and also to a series of legislative changes in the early 1980s that combined to reduce local governments' reliance on property tax in favor of the more variable sales tax.

As legislators consider proposals that seek to raise revenues for schools (e.g., property tax), legal and constitutional parameters may constrain their policy choices. These include, amongst others, caps on the combined property tax rate, the manner in which the school tax operating rate functions as part of the Nevada Plan formula, and potential inequities that could arise out of adjustments to the system.

Property Taxes and K-12 Financing in Nevada

Introduction

Around the country, property tax is one of the most significant sources of K-12 education financing within states. However, variations between local tax bases often leads to an uneven distribution of revenue across school districts.^{a, 1} Local wealth, as embodied in home ownership or business patterns in a given school district, can exert a considerable impact on available resources.² Unequal allocation of funding can engender systemic distortions, whereby schools located in poorer geographic areas (e.g., counties, low-income neighborhoods, etc.) lack the ability to raise sufficient money for operational costs, as a result of low tax bases per capita.³ And research suggests that student and school poverty correlate with the achievement gap.⁴

Several studies released over the last decade have suggested that there is insufficient funding to meet the needs of elementary and secondary school pupils in Nevada.⁵ With resource adequacy an open question for Nevada lawmakers, this policy brief evaluates the relationship between property taxes and K-12 financing in the State. It proceeds as follows: first, we examine the establishment of property tax rates in the context of school districts; second, we discuss the function of property taxes in the State's school funding formula, the Nevada Plan, along with the implications for the State; third, we consider the association between property taxes and K-12 financing in national comparative perspective; and lastly, we outline the legal and constitutional parameters that are salient to the current policy discussion.

Property Tax Rates and School Districts

Property tax is defined generally as, “[a] compulsory charge levied by a governmental unit against the property of a person, natural or corporate.”⁶ The Nevada Department of Taxation supplies an operational definition for the State that attaches a purpose to the tax, which is budgetary support for local governments, such as school districts.⁷

The county is the administrative focal point, or the fiscal agent, for property taxes in Nevada. Counties distribute property tax money directly to local governments situated within its borders—including school districts—which use the revenue to help fund programs, services, and operations. The county also reserves certain amounts for its own budgetary purposes.⁸ County boards of commissioners annually convene all local jurisdictions within their counties' boundaries to establish property tax rates for tax districts.^{b, 9}

The property tax rate is defined by the State as, “[t]he rate necessary to support the budgets as determined by the elected governing boards.”¹⁰ Put simply, it is the amount levied on the property's value. Constitutional and statutory requirements place certain limits on the establishment of

^a This policy brief centers on public K-12 education, unless otherwise noted.

^b “A tax district is an area defined within a county for taxing purposes.” (*Source*: Clark County Treasurer. “Clark County Tax Rates.” Available: <http://treasurer.co.clark.nv.us/TaxRate-District/>.)

property tax rates in Nevada. While local jurisdictions have some discretion in setting these rates—provided that they align with the parameters outlined below—school districts’ authority over rates is relatively circumscribed.

- The Nevada Constitution places a rate cap of five cents on one dollar of assessed valuation (i.e., \$5.00 per \$100 of assessed valuation).^c ¹¹ A constitutional amendment would be necessary to raise that cap above \$5.00 per \$100 of assessed valuation.
- There is a statutory cap of \$3.64 per \$100 of assessed valuation.¹² This does not include an amount of two cents allowed “outside the cap,” first authorized under Senate Bill (SB) 507 during the 72nd (2003) Legislative Session—and reauthorized biennially since—for capital projects and the conservation of natural resources, resulting in an effective cap of \$3.66 per \$100 of assessed valuation.¹³ Legislation would be required (with a two-thirds majority vote) to raise the statutory cap above \$3.64 per \$100 of assessed valuation.
- Property tax revenues may increase by a maximum of six percent over the prior fiscal year, but the combined property tax rate itself cannot be lower than that imposed in the previous fiscal year.^d ¹⁴
- Certain components are mandated for inclusion in the property tax rate: the school operating rate (75 cents per \$100 of assessed valuation, as discussed below); general or special improvement districts; legislatively approved overrides; voter approved overrides; and the state debt rate of 17 cents per \$100 of assessed valuation.¹⁵ With respect to the school operating rate and the state debt rate, all jurisdictions in the State are required, by statute, to levy these exact tax amounts as part of their total property tax rates. The other elements may vary, but the property tax rate must include a portion for the State, the county, and the school district; may include a portion for one or more special districts; and typically—but not always—will include a portion designated for the jurisdiction in which the property is located.¹⁶

A combined property tax rate that conforms to the statutory requirements and incorporates the required elements thus is established for each tax district; this combined rate often includes money earmarked for certain funds within a given local jurisdiction.^e ¹⁷ An example is the 1.5 cents per \$100 of assessed valuation for the Indigent Accident Fund that forms part of each county property tax rate that was implemented via legislatively approved override.¹⁸

Each tax district’s combined property tax rate includes two funds for local schools: the school operating tax rate and the school debt service tax rate.

The School Operating Tax Rate

Pursuant to Nevada Revised Statutes (NRS) 387.195, 75 cents per \$100 of assessed valuation of the combined property tax rate must be levied for school operating costs.¹⁹ School operating costs

^c Assessed valuation is the value of a property for tax purposes.

^d This is a “hold harmless” provision that is codified at: Nevada Revised Statutes. § 354.59811. Available: <https://www.leg.state.nv.us/NRS/NRS-354.html#NRS354Sec59811>.

^e Funds are specific line items for services in a given jurisdiction to which property tax rates attach.

include salaries, benefits, professional/technical services, property services, and supplies.²⁰ The dedicated amount for the support of local public schools in the combined property tax rate is unvarying across tax districts, and, concomitantly, counties, which are coterminous with school districts. In other words, the school operating rate of 75 cents per \$100 of assessed valuation is the same for every school district in Nevada.

The codification in State law means that no school district in Nevada may levy property taxes in such manner as to have an unequal operating rate relative to another school district. As one Nevada-based school finance expert explained, outside of enactment of new legislation, or potentially, an initiative petition to amend State law, the school operating rate cannot be modified or enhanced—say, for example, at the local level through a ballot initiative—as that could create “inequities if some counties were able to increase their operating rates and it would create inequities in the distribution of the funding through the per pupil basic support guarantee.”²¹ (The latter pertains to the Nevada Plan, which we address in the next section.)

The School Debt Service Tax Rate

Levies of new property taxes for school capital projects require approval by voters in the county in which the school district is based.²² The most recent example is the Elko County School District. In November 2010, the county’s voters approved a ballot measure permitting a 75-cent override to fund capital projects over a 10-year period.²³ Once the tax is imposed, it must be deposited in the school district’s fund for capital projects, and the board of trustees of a county school district can issue general obligation bonds.²⁴ As required in statute, “[t]he money in the fund for capital projects may be transferred to the debt service fund to pay the cost of the school district’s debt service.”²⁵

The school debt service tax rate thus supports a debt service fund that is used to repay principal and interest on general obligation (GO) bonds used by school districts to finance capital projects (i.e., school construction).²⁶ The amount of debt differs across school districts, which means that the school debt service tax rate varies in kind. Some school districts may have no debt, and in such cases, the school debt service tax rate equals zero.

The law is somewhat ambiguous with regard to school districts’ authority to increase the school debt service tax rate, as “[d]ebt rates for local governments and schools are set based on debt service requirements.”²⁷

However, decreases to the school debt service tax rate seemingly do not require voter approval and can be executed when establishing the combined property tax rate for the year. A Guinn Center review of property tax rates over the past five fiscal years (i.e., fiscal year [FY] 2014 – FY 2018) indicates that only Mineral County’s school debt service tax rate did not remain constant over this period.²⁸ But the periodic changes were reductions, rather than increases. Mineral County’s school debt service tax rate was 35 cents per \$100 of assessed valuation in FY 2014, 28 cents per \$100 of assessed valuation in FY 2015 and FY 2016, and 25 cents per \$100 of assessed valuation in FY 2017 and FY 2018.²⁹

Table 1 shows school tax rates, by school district, for FY 2018.³⁰ The total school tax rate is the sum of the operating rate and the debt service rate. All rates are expressed as \$x.xxxx per \$100 of assessed valuation.

Table 1. School Tax Rates, by School District (FY 2018)

School Tax Rates, by School District (FY 2018)			
School District	School Operating Tax Rate	School Debt Service Tax Rate	Total School Tax Rate
Carson City	0.7500	0.4300	1.1800
Churchill	0.7500	0.5500	1.3000
Clark	0.7500	0.5534	1.3034
Douglas	0.7500	0.1000	0.8500
Elko	0.7500	0.7500	1.5000
Esmeralda	0.7500	0.0000	0.7500
Eureka	0.7500	0.0000	0.7500
Humboldt	0.7500	0.1350	0.8850
Lander	0.7500	0.0000	0.7500
Lincoln	0.7500	0.2231	0.9731
Lyon	0.7500	0.5867	1.3367
Mineral	0.7500	0.2500	1.0000
Nye	0.7500	0.5850	1.3350
Pershing	0.7500	0.4000	1.1500
Storey	0.7500	0.1447	0.8947
Washoe	0.7500	0.3885	1.1385
White Pine	0.7500	0.2490	0.9990

When counties apportion money to school districts, countywide revenue realized from the total school tax rate is the amount that districts receive.

Property Taxes, the Nevada Plan, and the State

The Nevada Plan: An Overview

The Silver State’s primary funding mechanism for K-12 education is called the Nevada Plan, which was created by the Legislature in 1967.³¹ Given wide local variations in wealth and costs per pupil, the Nevada Plan creates a mechanism to provide State aid to supplement local funding “to ensure each Nevada child a reasonably equal educational opportunity.”³²

The Nevada Plan establishes a basic support guarantee for each school district.³³ State aid is the difference between the basic support guarantee and local funds. If local revenues are higher or lower than projected, State aid is adjusted to cover the total guaranteed support. Districts with local revenue exceeding the basic support guarantee retain the additional funds.

While the Nevada Plan is the primary source of operational funding for school districts, it is only one component of total school district revenue. Funds from the Nevada Plan and local revenues outside the Nevada Plan are deposited in the school district general fund, which is the primary fund for school district operations. Revenues are also deposited in the following funds: special education fund, governmental funds, State categorical grant funds, and federal categorical grant funds.

The funding components of the Nevada Plan and the additional K-12 funding sources that are not included in the Plan are detailed in Appendix A. Note that “inside” local funding refers to revenues guaranteed by the State, while “outside” local funding is not part of the State guarantee.

As noted previously, the school tax operating rate is 75 cents per \$100 of assessed valuation. One-third, or 25 cents per \$100 of assessed valuation is inside the Nevada Plan, while 50 cents per \$100 of assessed valuation (two-thirds) is outside. Only revenues collected from the one-third portion of the school tax operating rate are guaranteed by the State by virtue of being inside the Nevada Plan.³⁴ The two-thirds portion, or revenues realized from the 50 cents per \$100 of assessed valuation, is retained by the school district as it is not part of the guarantee.

Property Taxes and Operational Funding for School Districts

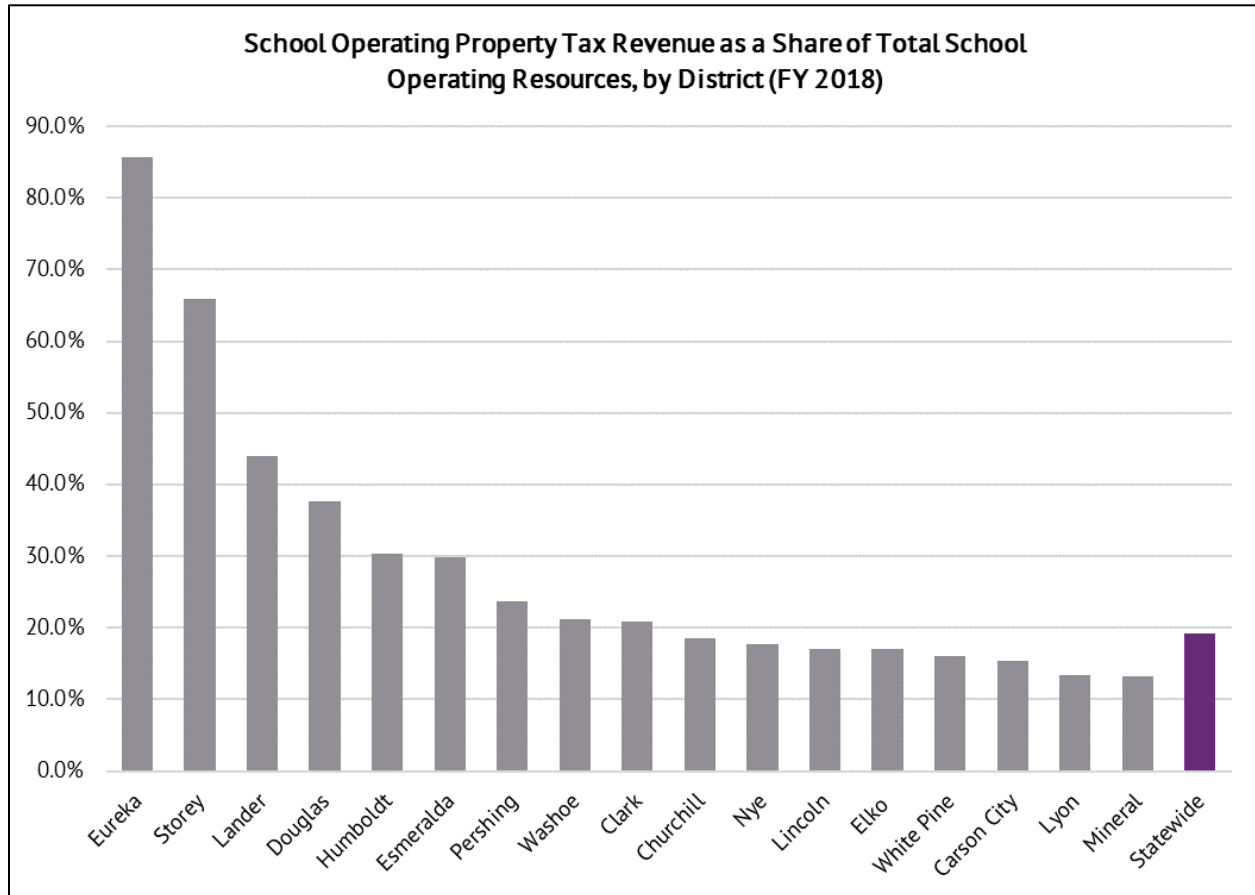
Local sources of statewide school operating revenue include property taxes and sales taxes, along with franchise fees, the Governmental Services Tax, tuition, transportation fees, amongst others.³⁵ The Local School Support Tax (LSST), which is the portion of the State sales tax dedicated to the support of schools, typically supplies the the largest share of total operating revenues, while property taxes are the second-largest contributor.^f They collectively comprised a majority (56.4 percent) of total statewide school operating resources, which equaled roughly \$3.5 billion in FY 2018.³⁶ The LSST contributed about \$1.3 billion (37.2 percent) to total statewide school operating resources, while property taxes amounted to roughly \$677.8 million, for a share of 19.2 percent.³⁷

This suggests that there is a greater dependence on sales taxes, relative to property taxes, for K-12 financing in the State.

Property tax revenue as a share of total school operating resources is also comparatively low at the school district level, as shown in Figure 1, though there are some exceptions.³⁸ As displayed in the purple-shaded column, property taxes contributed 19.2 percent to total statewide school operating resources (roughly \$677.8 million of the \$3.5 billion total). Eureka County School District and Storey County School District are the only school districts in the State in which property taxes contribute the majority (50 percent or more) of revenue to school operating resources.

^f In FY 2018, the federal share of total statewide school operating revenue was 0.1 percent, the State share was 36.6 percent, and the local share was 61.0 percent, with other sources contributing an additional 2.3 percent. Note, too, that, in FY 2018, 92.5 percent of all local sources of statewide school operating revenue in FY 2018 could be attributed to property taxes and sales taxes. Of local sources of statewide school operating revenue in FY 2018, the LSST share was 61.0 percent, while the property tax share was 31.5 percent. (Source: Nevada Department of Education. 2019. “NRS 387.303 Report, for the Fiscal Year Ended June 30, 2018.” Available: http://www.doe.nv.gov/uploadedFiles/nde.doe.nv.gov/content/Business_Support_Services/Reports/NRS_387303_ReportFY18.xlsx.)

Figure 1. School Operating Property Tax Revenue as a Share of Total School Operating Resources, by District (FY 2018)



Here we note that Esmeralda (1,102), Eureka (1,728), Storey (3,891), and Lander (5,887) were some of the least populated counties in Nevada, ranked first, second, third, and sixth, respectively in 2017.³⁹ Low-population counties tend to have fairly small sales tax bases while still maintaining stable, broader property tax bases.⁴⁰ Also, Nevada assesses the valuation of net proceeds of minerals, which is considered a property tax.⁴¹ Counties with economies that are heavily concentrated in mining may have relatively high assessed values on which the school operating property tax is levied. In 2017, as a percentage of the total net proceeds of minerals, Lander contributed 45.1 percent (ranked first), Humboldt contributed 14.3 percent (ranked second), and Eureka contributed 10.0 percent (ranked fourth).⁴²

Table 2 presents data on sources of revenue for selected school districts in FY 2018 to provide a sense of the variation across districts.⁴³

⁹ Note that data in this paragraph and the following one was obtained for 2017 (i.e., part of FY 2018), which was the most recent year available for the metrics in question.

Table 2. Sources of Operational Revenue: Selected School Districts (FY 2018)

Sources of Operational Revenue: Selected School Districts (FY 2018)						
	Clark	% of Total	Elko	% of Total	Lander	% of Total
Property Taxes	\$465,877,789	20.9%	\$16,171,758	17.0%	\$4,068,650	43.9%
Sales and Use Taxes (LSST)	\$998,300,029	44.8%	\$40,259,180	42.4%	\$1,286,889	13.9%
Governmental Services Tax	\$67,296,796	3.0%	\$4,397,563	4.7%	\$531,744	5.7%
Other Local Revenue	\$34,921,758	1.6%	\$1,066,500	1.1%	\$19,711	0.2%
State Revenue	\$634,565,228	28.5%	\$32,946,039	34.7%	\$3,202,612	34.6%
Federal Revenue	\$147,915	0.0%	\$28,487	0.0%	\$139,683	1.5%
Other Sources	\$29,215,015	1.2%	\$57,307	0.1%	\$15,645	0.2%
Reserves	\$0	0.0%	\$0	0.0%	\$0	0.0%
Total Revenue*	\$2,230,324,531	100.0%	\$94,926,834	100.0%	\$9,264,934	100.0%
	Storey	% of Total	Washoe	% of Total	White Pine	% of Total
Property Taxes	\$4,331,763	65.9%	\$105,531,582	21.2%	\$2,652,218	16.0%
Sales and Use Taxes (LSST)	\$1,469,191	22.3%	\$189,132,166	38.1%	\$2,864,134	17.3%
Governmental Services Tax	\$181,808	2.8%	\$17,921,072	3.6%	\$681,460	4.1%
Other Local Revenue	\$7,393	0.1%	\$6,489,243	1.3%	\$190,318	1.2%
State Revenue	\$568,340	8.6%	\$130,502,725	26.3%	\$9,620,037	58.2%
Federal Revenue	\$15,126	0.3%	\$615,980	0.2%	\$326,771	2.0%
Other Sources	\$0	0.0%	\$3,155,923	0.6%	\$0	0.0%
Reserves	\$0	0.0%	\$43,304,156	8.7%	\$203,544	1.2%
Total Revenue*	\$6,573,621	100.0%	\$496,652,846	100.0%	\$16,538,481	100.0%

*Exclusive of Opening Fund Balance

Total School Property Taxes: Implications for the State

For FY 2018, school districts’ total resources—amounts realized from both the school operating tax and the school debt service tax—equaled \$6.9 billion when aggregated statewide.⁴⁴ And, \$1.1 billion or 16.4 percent, was realized from property taxes, meaning that 83.6 percent of school district funds in the State were composed of non-property tax resources.⁴⁵

Figure 2 shows that 40.0 percent all property tax money collected statewide in FY 2018 was distributed to school districts, for a total dollar amount of about \$1.1 billion.⁴⁶ For FY 2018, schools were the largest beneficiary of property tax dollars. The next-highest recipient, counties, received 27.1 percent of property tax revenue (\$746.0 million). Total combined special districts received 13.2 percent (\$361.4 million) of all property tax revenue, cities received 11.8 percent (\$323.8 million), the State received 5.4 percent (\$147.6 million), and towns received 2.5 percent (\$69.7 million).

Thus, while schools are not very reliant on property tax revenue, most property tax collections are apportioned to school districts. Specifically, property taxes contribute 16.4 percent to school districts’ operating and capital outlay/debt service resources, but 40.0 percent of all property tax money collected for jurisdictions in Nevada is allocated to schools.

As shown in Figure 3, six counties distributed property tax revenue to school districts in shares that were approximately equal to or greater than the statewide aggregate of 40.0 percent: Elko, Clark, Churchill, Lyon, Eureka, and Nye.⁴⁷

Figure 2. Property Tax Revenue Distribution (FY 2018)

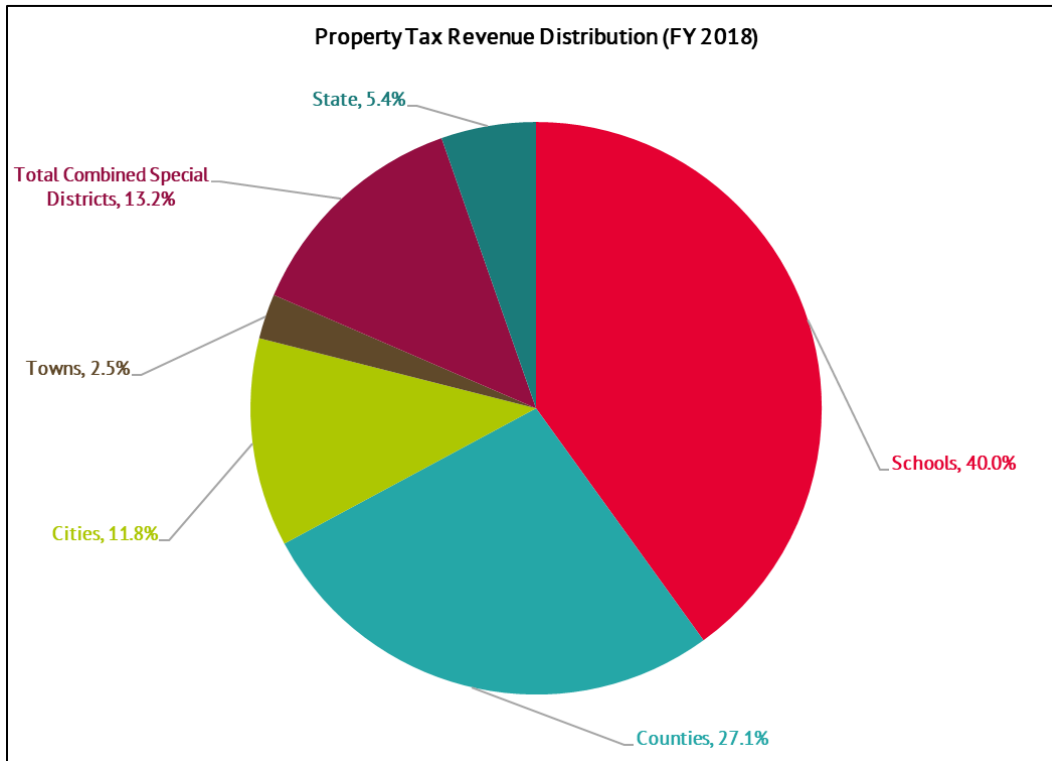
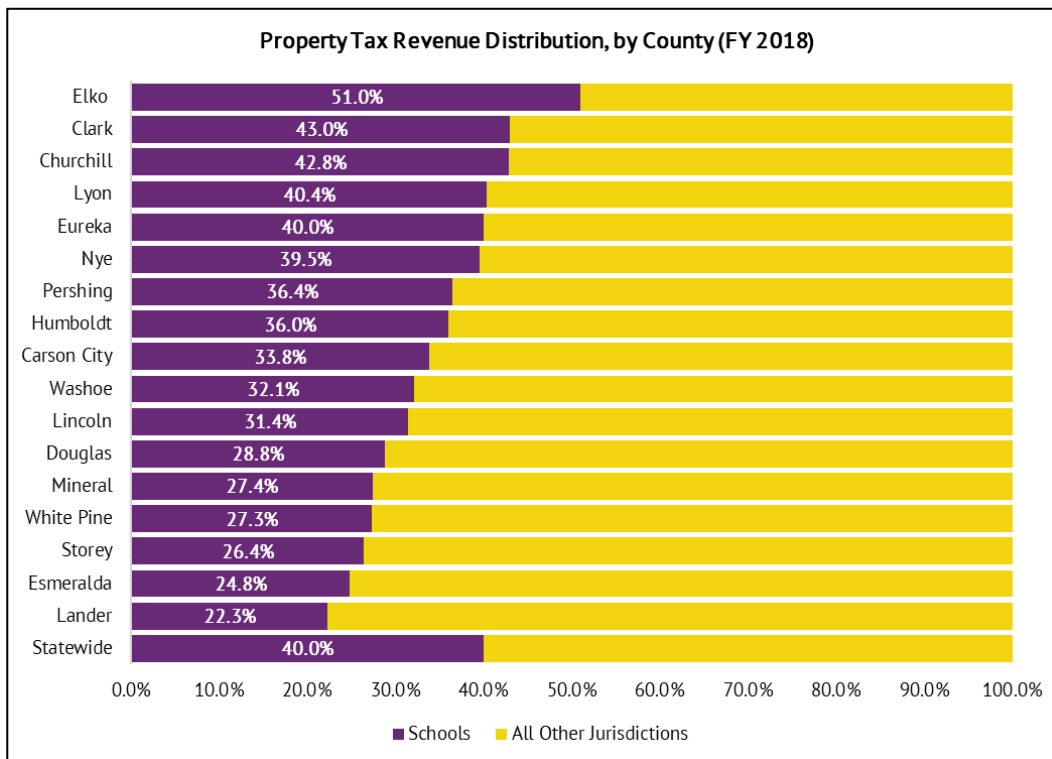


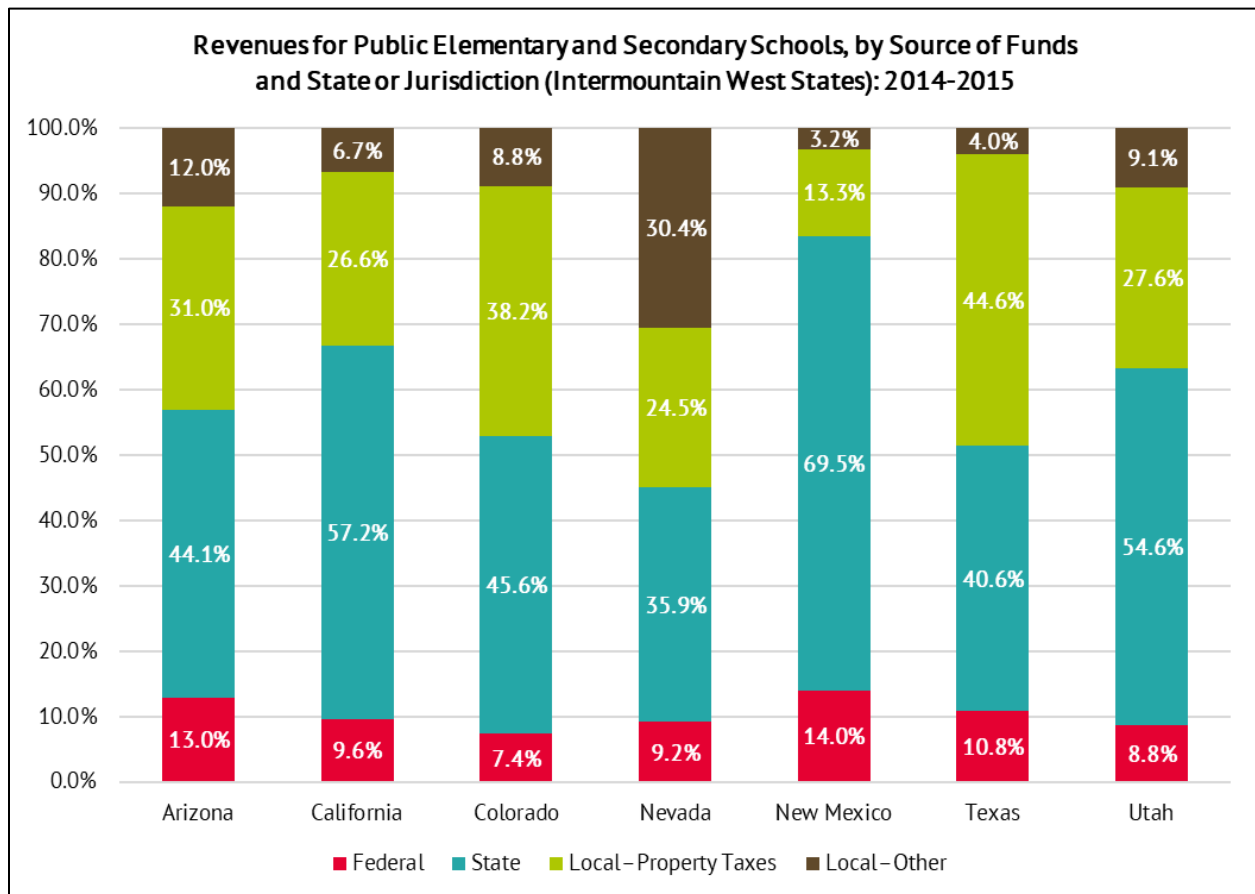
Figure 3. Property Tax Revenue Distribution, by County (FY 2018)



Property Taxes and K-12 Financing in National Comparative Perspective

An examination of Nevada’s use of property taxes for K-12 financing in comparative perspective is useful not merely to illustrate how the Silver State ranks against its counterparts but to evaluate the extent to which its mix of funding sources aligns with those in other states. Figure 4 provides data on public and secondary school revenues by funding source for the Intermountain West states.⁴⁸

Figure 4. Revenues for Public Elementary and Secondary Schools, by Source of Funds and State or Jurisdiction (Intermountain West States): 2014-2015



As Figure 4 indicates, local revenues (\$2.5 billion) in Nevada comprised a majority share of all school revenues in 2014-2015 at 54.9 percent. By way of comparison in the Intermountain West, the next-highest state, Texas (48.6 percent) did not contribute a majority to all revenue from local resources; nor did Colorado (47.0 percent), Arizona (43.0 percent), Utah (36.7 percent), California (33.3 percent), and New Mexico (16.5 percent).

Nationwide, Nevada is one of the least dependent states on property taxes as a source of local revenue. To illustrate, the Guinn Center ranked all states on two metrics, from highest to lowest: (1) local revenue as a share of total public education revenue; and (2) property tax revenue as a share of local revenue for education. With respect to the former, Nevada ranked eighth in the nation,

meaning that the Silver State is one of the most dependent of all states for local revenues to finance elementary and secondary school education. However, in terms of property tax revenue as a share of local revenue, Nevada's share was but 44.6 percent, for a ranking of 47th in the nation. Connecticut, which is ranked first, had a share of 97.5 percent. Taken together, this suggests that there is a disconnect between Nevada's reliance on local revenues to support K-12 education and its dependence on the property tax as a source of that revenue. This is because Nevada relies heavily on the sales tax, a regressive tax.

The roots of this may be traced to the establishment of the Nevada Plan in 1967, which institutionalized sales taxes as the cornerstone of local school revenues. The Legislature in the 54th (1967) Session declared "[t]hat there is no other object of taxation, except retail sales, which is so generally distributed among the several school districts in proportion to their respective population and wealth as to be suitable for the imposition of a tax in each school district for the support of its local schools."⁴⁹ The "Tax Shift of 1981," a series of legislative changes that combined to reduce local governments' reliance on property tax in favor of the more variable sales tax, further embedded the primary means of taxation in law.⁵⁰

Policy choices regarding dependence on particular sources of financing produce trade-offs that can be consequential in the long term. Property taxes are viewed generally as the most stable of the revenue sources used to finance state and local governments, due to the immovable nature of property and the fixed supply of land.⁵¹ Yet the property tax's asymmetrical nature can concentrate wealth and poverty that often translates into resource-rich versus resource-poor schools and districts. The sales tax is more volatile than the property tax, given its tendency to fluctuate with short- and long-term local and national economic conditions.⁵² However, the sales tax, albeit not shielded from economic downturns, may produce more distributionally equitable outcomes, as Nevada legislators observed in 1967.

Our research suggests that the property taxes contribute a relatively small amount to public education revenue in Nevada, both with respect to other funding streams in the State and in comparison to other states. While the share of property tax dollars for schools constitutes the majority of revenues allocated to jurisdictions of any type within the State, total revenue realized from property taxes has somewhat of a marginal impact on operational funding for schools. This is the consequence of the shift from property taxes to sales taxes as the primary source of revenue for local governments in the early 1980s.

Current Policy Discussion

In recent months, education stakeholders have starting mulling possible proposals to consider during the 80th (2019) Legislative Session that seek to raise revenues (e.g., property tax) for the support of local schools within a district. Below we summarize some of the legal and constitutional parameters that decision makers should consider.

- Counties have some authority to establish a combined property tax rate on an annual basis. The rate may increase, but only by a certain percentage, and must conform to constitutional and statutory limits, such as rate caps.
- Certain components are mandated for inclusion in the combined property tax rate, such as the school operating rate of 75 cents per \$100 of assessed valuation. While counties have some discretion over rate setting for most jurisdictions within their boundaries, the rate for school districts is prescribed by law and must be the same for every school district in the State (NRS 387.195).
- Of the 75 cents per \$100 of assessed valuation, one-third, or 25 cents per \$100 of assessed valuation is “inside” the Nevada Plan (NRS 387.163): it is part of the basic support guarantee.
- Property taxes apportioned to school districts thus are understood as part of the formula that forms the basis of the Nevada Plan, the objective of which is a “reasonably equal educational opportunity” for every student in the State (NRS 387.121).
- There are provisions in statute that allow for voter-approved overrides for capital projects (e.g., school construction) and, accordingly, debt servicing (NRS 387.3285; NRS 387.328; etc.). But these are part of the school debt service tax rate and have no relationship to operational funding.
- Nothing in law seemingly would expressly prohibit the Nevada Legislature from passing legislation to raise the property tax rate for school operations.
- But one issue is that property taxes for schools (outside debt/capital) have been treated unequivocally as part of the Nevada Plan, which is why exactly 75 cents per \$100 of assessed valuation is required by each county. Allowing countywide variation in rates and/or earmarking revenues in certain school districts might:
 - Affect the Nevada Plan in such manner as to create distributional consequences across school districts; or
 - Need to remain outside the Nevada Plan (i.e., “outside” local revenues), though this is something legislators likely would be disinclined to do, as it could violate the equity principles of the Nevada Plan in spirit.
- As one Nevada-based school finance expert explained to the Guinn Center, the school operating rate cannot be modified or enhanced by local authority, as that could create “inequities if some counties were able to increase their operating rates and it would create inequities in the distribution of the funding through the per pupil basic support guarantee.”
- A second issue is that some jurisdictions in the State have reached the statutory property tax rate cap of \$3.64 per \$100 of assessed valuation. A statewide (universal) increase to the school operating rate in these jurisdictions would mean a violation of the cap, unless: (1) the Nevada Legislature authorized an increase to the statutory cap; or (2) amounts for other items included in the relevant jurisdictions’ combined property tax rate were decreased to offset the change.

Appendix A. Nevada Plan Funding Components⁵³

Distributive School Account (DSA) Funding^h

- State General Fund appropriationsⁱ
- A share of the annual slot tax
- Investment income from the Permanent School Fund
- Federal mineral land lease receipts
- Out-of-state Local School Support Tax (LSST) revenue that cannot be attributed to a particular county
- Transfers of IP [Initiative Petition] 1 (2009) room tax revenues
- Medical marijuana excise tax (75 percent)
- Beginning in FY 2018, recreational marijuana excise tax and license fees (less the cost of administration)

“Inside” Local Funding

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

“Outside” 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

(Funding Not Included in the Nevada Plan)

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

^h The DSA is a budget account within in the State General Fund. (*Source:* Nevada Revised Statutes, § 387.030. Available: <https://www.leg.state.nv.us/NRS/NRS-387.html#NRS387Sec030>.) It “provides direct state financial aid to school districts and charter schools for K-12 public education in Nevada.” (*Source:* State of Nevada, Transparent Government Website. “Budget Account: 2610 - NDE - DISTRIBUTIVE SCHOOL ACCOUNT.” Available: <http://openbudget.nv.gov/OpenGov/ViewBudgetDetail.aep?budgetVersionId=18&type=Exp&view=BudgetAccount&budgetAccountCode=2610>.)

ⁱ The General Fund is the State’s major operating fund.

Board of Directors

Tom Gallagher

Chair

Stephanie Tyler

Vice Chair

Deane Albright, CPA

Secretary/Treasurer

Marybel Batjer

Kathleen Conaboy

Dr. Michael Daubs

Alex de Castroverde

Jill Derby, Ph.D.

Dan Hamilton, Ph.D.

Pat Hickey

Nicole Lamboley

Ken Ladd

Dana Lee

Erin McMullen

Chris Roman

Donald D. Snyder

David B. Walker

Renée Yackira

About the Guinn Center

The Kenny C. Guinn Center for Policy Priorities is a 501(c)(3) nonprofit, independent policy institute focused on providing fact-based, relevant, and well-reasoned analysis of critical policy issues facing Nevada and the Intermountain West.

The Guinn Center engages policy-makers, experts, and the public with innovative, data-driven research and analysis to advance policy solutions, inform the public debate, and expand public engagement.

© 2019 Kenny C. Guinn Center for Policy Priorities. All rights reserved.

Contact information:

Kenny Guinn Center for Policy Priorities

3281 S. Highland Drive, Suite 810

Las Vegas, Nevada 89109

Phone: (702) 916-0746

Email: info@guinncenter.org

Website: www.guinncenter.org

Nancy E. Brune, Ph.D., Executive Director

Email: nbrune@guinncenter.org

Kenneth J. Retzl, Ph.D., Director of Education Policy

Email: kretzl@guinncenter.org

Meredith A. Levine, M.A., M.Phil., Director of Economic Policy

Email: mlevine@guinncenter.org

Lorena Rodriguez, Chief Organizer & Bilingual Policy Analyst

Email: lrodriguez@guinncenter.org

REFERENCES

- ¹ Cory Turner, Reema Khrais, Tim Lloyd, Alexandra Olgin, Laura Isensee, Becky Vevea, and Dan Carsen. “Why America’s Schools Have A Money Problem.” *NPR*. April 18, 2016. Available: <https://www.npr.org/2016/04/18/474256366/why-america-schools-have-a-money-problem>.
- ² Cory Turner, Reema Khrais, Tim Lloyd, Alexandra Olgin, Laura Isensee, Becky Vevea, and Dan Carsen. “Why America’s Schools Have A Money Problem.” *NPR*. April 18, 2016. Available: <https://www.npr.org/2016/04/18/474256366/why-america-schools-have-a-money-problem>.
- ³ Bruce D. Baker, Danielle Farrie, and David Sciarra. 2018. “Is School Funding Fair? A National Report Card.” 7th ed. Education Law Center, Rutgers University. Available: <https://drive.google.com/file/d/1BTAjZuqOs8pEGWW6oUBotb6omVw1hUJI/view>.
- ⁴ Bruce D. Baker, Danielle Farrie, and David Sciarra. 2018. “Is School Funding Fair? A National Report Card.” 7th ed. Education Law Center, Rutgers University. Available: <https://drive.google.com/file/d/1BTAjZuqOs8pEGWW6oUBotb6omVw1hUJI/view>.
- ⁵ See, for example: Jay Chambers, Jesse Levin, and Antonia Wang (American Institutes for Research); Deborah Versteegen (University of Nevada, Reno), Teresa Jordan (University of Nevada, Las Vegas), and Bruce Baker (Rutgers University). 2012. “Study of a New Method of Funding for Public Schools in Nevada.” American Institutes for Research. Available: https://www.air.org/sites/default/files/downloads/report/AIR_NV_Funding_Study_Sept2012_0.pdf; and Augenblick, Palaich and Associates. 2018. “Nevada School Finance Study.” Education Commission of the States | Picus Odden and Associates. Available: http://www.doe.nv.gov/uploadedFiles/ndedoenvgov/content/Boards_Commissions_Councils/State_Board_of_Education/2018/November/APASchoolFinanceStudyFinalReport.pdf.
- ⁶ Nevada Taxpayers Association. “Understanding Nevada’s Property Tax System: 2015-2016 Edition.” Page 4. Available: <http://nevadataxpayers.org/wp-content/uploads/2016/09/UNPTS-2015-16-for-web.pdf>.
- ⁷ Nevada Department of Taxation, Division of Local Government Services. 2017. “Property Tax Rates for Nevada Local Governments: FY 2017-2018.” Page II. Available: https://tax.nv.gov/LocalGovt/PolicyPub/ArchiveFiles/Redbooks/2017_LGF_Redbook_2017-2018/.
- ⁸ Guinn Center conversation with the Nevada Department of Taxation on March 9, 2017.
- ⁹ Nevada Department of Taxation, Division of Local Government Services. 2018. “Nevada Property Tax: Elements and Application.” Available: https://tax.nv.gov/LocalGovt/PolicyPub/ArchiveFiles/Elements_and_Applications/2018_Property_taxes_elements_final/.
- ¹⁰ Nevada Department of Taxation, Division of Local Government Services. 2017. “Property Tax Rates for Nevada Local Governments: FY 2017-2018.” Page II. Available: https://tax.nv.gov/LocalGovt/PolicyPub/ArchiveFiles/Redbooks/2017_LGF_Redbook_2017-2018/.
- ¹¹ Nev. Const. art. 10 § 2. Available: <https://www.leg.state.nv.us/const/nvconst.html#Art10Sec2>.
- ¹² Nevada Revised Statutes. § 361.453(1). Available: <https://www.leg.state.nv.us/NRS/NRS-361.html#NRS361Sec453>.
- ¹³ Nevada Legislative Counsel Bureau, Fiscal Analysis Division. 2017. “Revenue Reference Manual.” Available: <https://www.leg.state.nv.us/Division/Fiscal/FinalRRM2017.pdf>.
- ¹⁴ Nevada Revised Statutes. § 354.59811(1)(a). Available: <https://www.leg.state.nv.us/NRS/NRS354.html#NRS354Sec59811>; and Nevada Department of Taxation, Division of Local Government Services. 2018. “Nevada Property Tax: Elements and Application.” Available: https://tax.nv.gov/LocalGovt/PolicyPub/ArchiveFiles/Elements_and_Applications/2018_Property_taxes_elements_final/.
- ¹⁵ Nevada Department of Taxation, Division of Local Government Services. 2018. “Nevada Property Tax: Elements and Application.” Available: https://tax.nv.gov/LocalGovt/PolicyPub/ArchiveFiles/Elements_and_Applications/2018_Property_taxes_elements_final/.
- ¹⁶ Nevada Department of Taxation, Division of Local Government Services. 2017. “Property Tax Rates for Nevada Local Governments: FY 2017-2018.” Page II. Available: https://tax.nv.gov/LocalGovt/PolicyPub/ArchiveFiles/Redbooks/2017_LGF_Redbook_2017-2018/.
- ¹⁷ Nevada Department of Taxation, Division of Local Government Services. 2018. “Nevada Property Tax: Elements and Application.” Available: https://tax.nv.gov/LocalGovt/PolicyPub/ArchiveFiles/Elements_and_Applications/2018_Property_taxes_elements_final/.
- ¹⁸ Nevada Department of Taxation, Division of Local Government Services. 2018. “Nevada Property Tax: Elements and Application.” Available: https://tax.nv.gov/LocalGovt/PolicyPub/ArchiveFiles/Elements_and_Applications/2018_Property_taxes_elements_final/.
- ¹⁹ Nevada Revised Statutes. § 387.195(1). Available: <http://www.leg.state.nv.us/nrs/nrs-387.html#NRS387Sec195>.

- ²⁰ Nevada Department of Education. 2019. "NRS 387.303 Report, for the Fiscal Year Ended June 30, 2018." Available: http://www.doe.nv.gov/uploadedFiles/nde.doe.nv.gov/content/Business_Support_Services/Reports/NRS_387303_ReportFY18.xlsx.
- ²¹ Guinn Center conversation with a school finance expert based in Nevada.
- ²² Nevada Revised Statutes. § 387.3285. Available: <https://www.leg.state.nv.us/NRS/NRS-387.html#NRS387Sec3285>.
- ²³ Nevada Department of Taxation, Division of Local Government Services. 2018. "Nevada Property Tax: Elements and Application." Available: https://tax.nv.gov/LocalGovt/PolicyPub/ArchiveFiles/Elements_and_Applications/2018_Property_taxes_elements_final/.
- ²⁴ Nevada Revised Statutes. § 387.3326. Available: <https://www.leg.state.nv.us/NRS/NRS-387.html#NRS387Sec3326>; Nevada Revised Statutes. § 387.3328. Available: <https://www.leg.state.nv.us/NRS/NRS-387.html#NRS387Sec3328>; and Nevada Revised Statutes. § 387.335. Available: <https://www.leg.state.nv.us/NRS/NRS-387.html#NRS387Sec335>.
- ²⁵ Nevada Revised Statutes. § 387.328(1). Available: <https://www.leg.state.nv.us/NRS/NRS-387.html#NRS387Sec328>.
- ²⁶ Nevada Revised Statutes. § 387.328. Available: <https://www.leg.state.nv.us/NRS/NRS-387.html#NRS387Sec328>; see also, for example, Churchill County General Debt Management Commission. "Minutes of the Board of Churchill County Debt Management Commission, August 13, 2013." Available: <http://www.churchillcounty.org/DocumentCenter/View/5022>.
- ²⁷ Nevada Legislative Counsel Bureau, Fiscal Analysis Division. 2017. "Revenue Reference Manual." Page 41. Available: <https://www.leg.state.nv.us/Division/Fiscal/FinalRRM2017.pdf>.
- ²⁸ Nevada Department of Taxation, Division of Local Government Services. Various Years. "Property Tax Rates for Nevada Local Governments (Redbooks): FY 2013-2014 – FY 2017-2018." Available: <https://tax.nv.gov/LocalGovt/PolicyPub/ArchiveFiles/Redbook/>.
- ²⁹ Nevada Department of Taxation, Division of Local Government Services. Various Years. "Property Tax Rates for Nevada Local Governments (Redbooks): FY 2013-2014 – FY 2017-2018." Available: <https://tax.nv.gov/LocalGovt/PolicyPub/ArchiveFiles/Redbook/>.
- ³⁰ Table 1 compiled by the Guinn Center using data obtained from: Nevada Department of Taxation, Division of Local Government Services. 2017. "Property Tax Rates for Nevada Local Governments: FY 2017-2018." Available: https://tax.nv.gov/LocalGovt/PolicyPub/ArchiveFiles/Redbooks/2017_LGF_Redbook_2017-2018/.
- ³¹ Nevada Revised Statutes. § 387.121. Available: <https://www.leg.state.nv.us/NRS/NRS-387.html#NRS387Sec121>.
- ³² Nevada Revised Statutes. § 387.121. Available: <https://www.leg.state.nv.us/NRS/NRS-387.html#NRS387Sec121>.
- ³³ For more information, see Fiscal Analysis Division, Legislative Counsel Bureau. "The Nevada Plan for School Finance: An Overview (January 2015)." http://www.leg.state.nv.us/interim/77th2013/Committee/Interim/LegCommissionBudgetSubcomm/Other/20-January-2015/Nevada_Plan_web_version.pdf and 2013: http://www.leg.state.nv.us/Division/Fiscal/NevadaPlan/Nevada_Plan_2013.pdf.
- ³⁴ Nevada Revised Statutes. § 387.163. Available: <https://www.leg.state.nv.us/NRS/NRS-387.html#NRS387Sec163>.
- ³⁵ Nevada Department of Education. 2019. "NRS 387.303 Report, for the Fiscal Year Ended June 30, 2018." Available: http://www.doe.nv.gov/uploadedFiles/nde.doe.nv.gov/content/Business_Support_Services/Reports/NRS_387303_ReportFY18.xlsx.
- ³⁶ Nevada Department of Education. 2019. "NRS 387.303 Report, for the Fiscal Year Ended June 30, 2018." Available: http://www.doe.nv.gov/uploadedFiles/nde.doe.nv.gov/content/Business_Support_Services/Reports/NRS_387303_ReportFY18.xlsx.
- ³⁷ Nevada Department of Education. 2019. "NRS 387.303 Report, for the Fiscal Year Ended June 30, 2018." Available: http://www.doe.nv.gov/uploadedFiles/nde.doe.nv.gov/content/Business_Support_Services/Reports/NRS_387303_ReportFY18.xlsx.
- ³⁸ Figure 1 constructed by the Guinn Center using data obtained from: Nevada Department of Education. 2019. "NRS 387.303 Report, for the Fiscal Year Ended June 30, 2018." Available: http://www.doe.nv.gov/uploadedFiles/nde.doe.nv.gov/content/Business_Support_Services/Reports/NRS_387303_ReportFY18.xlsx.
- ³⁹ U.S. Department of Commerce, Bureau of the Census. "2013-2017 American Community Survey 5-Year Estimates (Table B01003: Total Population)." Available: https://factfinder.census.gov/bkmk/table/1.0/en/ACS/17_5YR/B01003/0400000US32.05000.
- ⁴⁰ Dale Craymer. "Replacing Property Taxes with Higher Sales Taxes Doesn't Add Up." *Fort Worth Star-Telegram*. February 9, 2018. Available: <https://www.star-telegram.com/opinion/opn-columns-blogs/other-voices/article199396974.html>.
- ⁴¹ Nevada Taxpayers Association. "Understanding Nevada's Net Proceeds of Minerals Tax: 2007-2008 Edition." Available: <https://nevadataxpayers.org/wp-content/uploads/2016/10/minerals-tax-2007-08.pdf>; and Nevada Department of Taxation, Division of Local Government Services. 2017. "Property Tax Rates for Nevada Local Governments: FY 2017-2018." Available: https://tax.nv.gov/LocalGovt/PolicyPub/ArchiveFiles/Redbooks/2017_LGF_Redbook_2017-2018/.

-
- ⁴² Nevada Department of Taxation, Division of Local Government Services. 2018. "2017-2018 Net Proceeds of Minerals Bulletin." Available: https://tax.nv.gov/LocalGovt/PolicyPub/ArchiveFiles/NetProceedsBulletins/2017-18_Net_Proceeds_Bulletin_-_Final/.
- ⁴³ Table 2 constructed by the Guinn Center using data obtained from: Nevada Department of Education. 2019. "NRS 387.303 Report, for the Fiscal Year Ended June 30, 2018." Available: http://www.doe.nv.gov/uploadedFiles/nde.doe.nv.gov/content/Business_Support_Services/Reports/NRS_387303_ReportFY18.xlsx.
- ⁴⁴ Nevada Department of Education. 2019. "NRS 387.303 Report, for the Fiscal Year Ended June 30, 2018." Available: http://www.doe.nv.gov/uploadedFiles/nde.doe.nv.gov/content/Business_Support_Services/Reports/NRS_387303_ReportFY18.xlsx.
- ⁴⁵ Nevada Department of Education. 2019. "NRS 387.303 Report, for the Fiscal Year Ended June 30, 2018." Available: http://www.doe.nv.gov/uploadedFiles/nde.doe.nv.gov/content/Business_Support_Services/Reports/NRS_387303_ReportFY18.xlsx.
- ⁴⁶ Figure 2 constructed by the Guinn Center using data obtained from: Nevada Department of Taxation, Division of Local Government Services. 2017. "Property Tax Rates for Nevada Local Governments: FY 2017-2018." Available: https://tax.nv.gov/LocalGovt/PolicyPub/ArchiveFiles/Redbooks/2017_LGF_Redbook_2017-2018/.
- ⁴⁷ Figure 3 constructed by the Guinn Center using data obtained from: Nevada Department of Taxation, Division of Local Government Services. 2017. "Property Tax Rates for Nevada Local Governments: FY 2017-2018." Available: https://tax.nv.gov/LocalGovt/PolicyPub/ArchiveFiles/Redbooks/2017_LGF_Redbook_2017-2018/.
- ⁴⁸ Figure 4 constructed by the Guinn Center using data obtained from: U.S. Department of Education, National Center for Education Statistics. 2017. "Digest of Education Statistics: Table 235.20. Revenues for Public Elementary and Secondary Schools, by Source of Funds and State or Jurisdiction: 2014-15." Available: https://nces.ed.gov/programs/digest/d17/tables/dt17_235.20.asp.
- ⁴⁹ Nevada Revised Statutes. § 374.015(3). Available: <https://www.leg.state.nv.us/NRS/NRS-374.html#NRS374Sec015>.
- ⁵⁰ Guinn Center. 2017. "Property Taxes in Nevada: An Overview." Available: <https://guinncenter.org/wp-content/uploads/2014/01/Guinn-Center-Property-Taxes-2017.pdf>.
- ⁵¹ Joan Youngman. 2016. "A Good Tax: Legal and Policy Issues for the Property Tax in the United States." Lincoln Institute of Land Policy. Available: https://www.lincolninst.edu/sites/default/files/pubfiles/a-good-tax-full_2.pdf.
- ⁵² Charlie B. Tyer. 1993. "The Property Tax: Why It Persists." *South Carolina Policy Forum Magazine*. Vol. 4, no. 2. Available: <http://www.ipspr.sc.edu/grs/SCCEP/Articles/Proptax.htm>.
- ⁵³ Nevada Legislative Counsel Bureau, Fiscal Analysis Division. 2017 (Legislative Session). "The Nevada Plan for School Finance: An Overview." Pages 10-11. Available: https://www.leg.state.nv.us/Division/Fiscal/NevadaPlan/Nevada_Plan.pdf.