

NEVADA K-12 EDUCATION FINANCE

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EXECUTIVE SUMMARY

Nevada's system for funding K-12 education is complex and has not been substantially revised since it was created in 1967. It has been criticized for not providing sufficient funding to adequately educate students and for not fully recognizing the additional investment needed to educate special populations such as low-income students, English Language Learners, and special education students. The primary funding mechanism for K-12 education is called the Nevada Plan, which includes State and local revenue.

This policy report explains the Nevada Plan and identifies several issues the Nevada State Legislature should consider in the 2019 Legislative Session as they seek to revise the current funding structure.

1. Modernization of the Nevada Plan: Should Nevada move from a school financing system built on historical expenditures to a funding formula based on the actual cost to educate students ("adequacy")?
2. Implementation of a weighted funding formula to address the needs of different populations: Should the State implement a new funding formula that includes weights to account for the extra costs required to educate populations such as English Language Learners, low-income students, and special education students? If so, how should it be phased in over time, and should districts be held harmless? Regarding categorical funds, should the State fold existing categorical programs into the main funding formula?
3. Outside Tax Revenue: Should any tax revenues outside the Nevada Plan be incorporated into the funding guarantee? Should outside revenues be considered when calculating weights for special needs?
4. Revenue: Should legislators increase revenue for K-12 education? What are the potential sources of increased revenues? What mechanisms exist to ensure that specific revenue streams supplement rather than supplant existing K-12 funds?

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OBJECTIVE

This Fact Sheet describes how Nevada's K-12 public schools are funded currently and identifies several issues the Nevada State Legislature should consider in the 2019 Legislative Session as they seek to revise the current funding structure.¹



1. WHAT IS THE NEVADA PLAN?

The Silver State's primary funding mechanism for K-12 education is called the Nevada Plan, which was created by the Legislature in 1967 [Nevada Revised Statutes (NRS 387.121)]. 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" (NRS 387.121).

The Nevada Plan establishes a basic support guarantee for each school district.² 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. When local revenues exceed projections and the basic support guarantee, school districts can retain the additional funds outside the Plan and state aid is reduced subsequently.

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. Appendix A illustrates all the funding sources received by school districts.

2. HOW IS THE BASIC SUPPORT GUARANTEE CALCULATED?

Under the Nevada Plan, each school district has its own basic support guarantee per pupil, which varies substantially throughout the State. The average statewide rate approved by the Legislature in 2017 was \$5,897 in Fiscal Year (FY) 2018 and \$5,967 in FY 2019.³ The proposed rate is \$6,052 in FY 2020 and \$6,116 in FY 2021.

The methodology for calculating the basic support guarantee is complex, and it is not delineated in statute, reflecting a lack of transparency.⁴ It is based on historical expenditures; as one district official noted, the current formula does not incentivize efforts to save money.

The basic support guarantee is the sum of three separate calculations: basic support, the wealth factor, and the transportation factor:⁵

- **Basic Support:** To calculate basic support, the formula groups districts together by size and density to calculate weighted per-pupil averages of historical staff and operational costs. This data is used to calculate a basic support ratio for each district that is multiplied by the legislatively determined statewide basic support per pupil.
- **Wealth Factor:** The wealth factor considers other General Fund revenue received outside of the formula (taxes and unrestricted Federal revenue). It calculates a statewide average of this outside revenue and then adds or subtracts revenue based on each district's difference from the statewide average.
- **Transportation Factor:** The transportation factor is calculated based on 85 percent of a four-year average of transportation costs in each school district.

Basic Support Guarantee = Basic Support (basic support ratio x statewide basic support per pupil) + Wealth Factor + Transportation Factor

To calculate the actual funding provided to each school district, the basic support guarantee per pupil is multiplied by actual weighted enrollment (NRS 387.1233). Enrollment is determined by averaging the average daily enrollment (ADE), which is reported quarterly (NRS 387.1223). As of 2018, pre-kindergarten and part-time kindergarten students receive a weight of 0.6, while all other students in grades K through 12 receive a weight of 1.0.⁶

As of 2015, the Nevada Plan includes an Equity Allocation calculation (NRS 387.121 and NRS 387.122), meaning that the basic support guarantee for each district is then run through an Equity Allocation Model that considers:

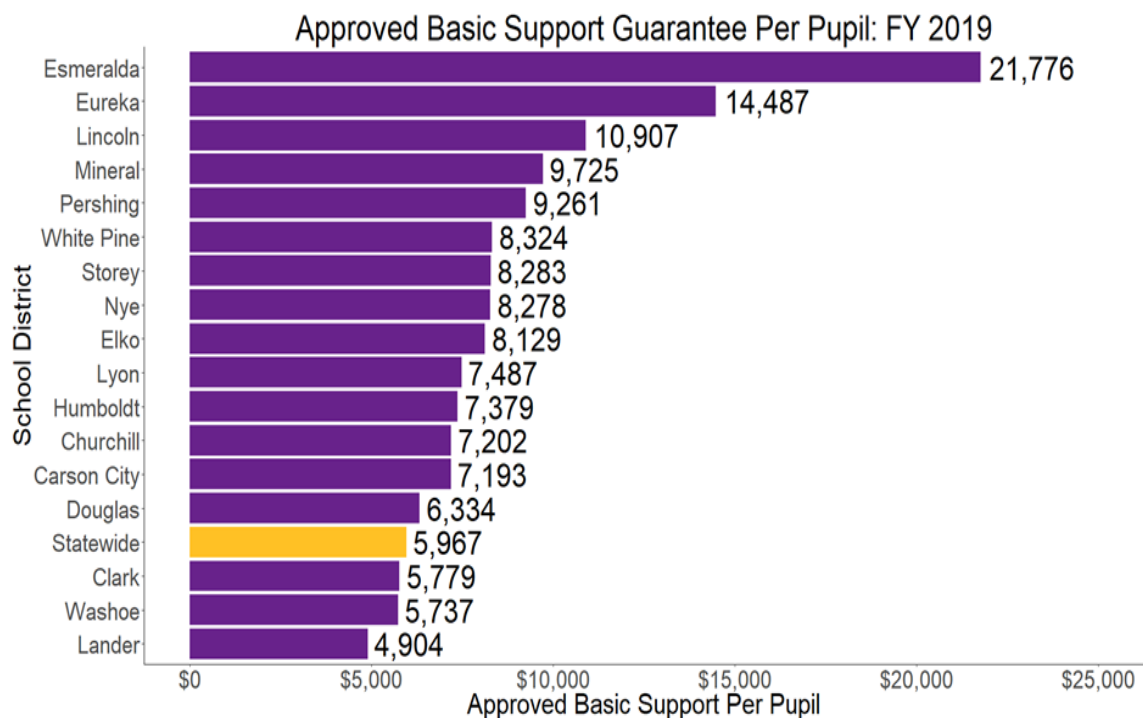
- Demographic characteristics of each district
- Weighted average costs of operations, salaries, and benefits
- 85 percent of average transportation costs over a four-year period, adjusted for inflation using the Consumer Price Index (CPI)

- Licensed teacher, administrative, and support services staffing requirements based on a school district's urban or rural characteristics through the concept of attendance areas, and
- Ability of a district to generate revenues ("outside revenues") in addition to the guaranteed funding (a district's wealth).⁷

The FY 2019 basic support guarantee approved by the Nevada Legislature for each school district is shown in Figure 1. In FY 2019, the statewide basic support guarantee was \$5,967, an increase from \$5,590 in FY 2014. The districts with the largest basic support guarantee are small, rural school districts. In contrast, the largest districts, Clark and Washoe, have basic support guarantees below the statewide average of \$5,967 per pupil. Lander County School District has the lowest basic support guarantee due to the wealth factor calculation, which reduces the guarantee based on revenues received outside the formula. In practice, Lander County School District receives more revenue than the basic support guarantee provides because actual local revenues exceed the basic support guarantee.



Figure 1: Approved Basic Support Guarantee per Pupil: FY 2019



Source: Nevada Legislative Appropriations Report, 2017

3. WHAT SOURCES OF FUNDING DO DISTRICTS RECEIVE INSIDE THE NEVADA PLAN?

The Nevada Plan includes both State and local revenue. Revenues inside the Nevada Plan are guaranteed while revenues outside of the Nevada Plan are not guaranteed, meaning that the State does not make up for any shortfalls in projected revenues. On a statewide basis, revenues inside the Nevada Plan provided 76 percent of school district General Fund resources in FY 2018. Table 1 provides detail on the State and local funding sources included inside the Nevada Plan in the current biennial budget approved by the Nevada Legislature in 2017. Total basic support provided inside the Nevada Plan was \$2.8 billion in FY 2018 and \$2.9 billion in FY 2019, of which 43 percent was State funding and 57 percent was local funding. As a point of comparison, in FY 2014, total basic support provided inside the Nevada Plan was \$2.4 billion, of which 46 percent was state funding and 54 percent was local funding. **This suggests that the State is providing a lower share of the basic support guarantee today than in previous years.**

State funding is allocated to schools through the Distributive School Account (DSA). As shown on Table 1, Line A, the State General Fund is the primary funding source of the DSA, representing 75 percent of funding (in FY 2014, the State General Fund represented 80 percent of the DSA). The DSA is also funded by a share of the recreational and medical marijuana excise tax (Line B); a share of the annual slot machine tax (Line C); investment income from the Permanent School Fund (Line D); Federal mineral land lease receipts (Line E); out-of-state sales tax revenue received through the Local School Support Tax (LSST) (Line F); and the 3 percent Initiative Petition 1 room tax (Line G).

Table 1: State & Local Funding Inside the Nevada Plan: 2017-2019 Biennium

State Funding (Distributive School Account)	FY 2018	FY 2019	Percent
A. General Fund	1,192,420,159	1,181,785,421	
B. Recreational & Medical Marijuana	18,935,194	22,687,543	
C. Annual Slot Machine Tax	27,932,000	27,773,000	
D. Permanent School Fund	3,000,000	3,000,000	
E. Federal Mineral Lease Revenue	4,000,000	4,000,000	
F. Out of State Local School Support Tax - 2.6%	148,988,300	156,703,200	
G. Initiative Petition 1 Room Tax Revenue	185,056,000	191,092,000	
H. Balance Forward from/to Next Fiscal Year	3,000,000	-	
I. Subtotal	1,583,331,653	1,587,041,164	
J. Less: Categorical Funding	(334,833,802)	(352,679,730)	
K. State Funding For Basic Support	1,248,497,851	1,234,361,434	43%
Local Funding	FY 2018	FY 2019	Percent
L. Local School Support Tax - 2.6%	1,340,894,700	1,410,328,800	
M. 1/3 of 75 cent ad valorem tax (Property & Net Proceeds of Mineral Taxes)	219,666,832	233,165,900	
N. Total	1,560,561,532	1,643,494,700	57%
Total Basic Support	2,809,059,383	2,877,856,134	

Total revenue sources for the DSA are shown on Table 1, Line I. The funds in the DSA are allocated to both the Nevada Plan and certain categorical programs, such as Class Size Reduction. These categorical funds are subtracted out on Table 1, Line J, because they are not part of the Nevada Plan. Here we note that categorical funds have increased over time: from \$297.7 million in FY 2015 to \$334.8 million in FY 2018. State funds provided for basic support through the Nevada Plan totaled \$1.3 billion in FY 2018 and \$1.2 in FY 2019 (Line K). This represents a slight increase from \$1.1 billion in FY 2015.

Local funding inside the Nevada Plan includes the LSST (Table 1, Line L) and proceeds from 1/3 of 75-cent ad valorem tax (Line M). The ad valorem tax includes taxes collected from the Property Tax and the Net Proceeds of Minerals Tax. Funds inside the Nevada Plan totaled \$1.6 billion in FY 2018 and \$1.6 billion in FY 2019 (Line N). This reflects a slight increase from \$1.4 billion in FY 2015.

Table 2 provides detail on actual funding distributed to school districts inside the Nevada Plan in FY 2018. As previously indicated, statewide, this represented 76 percent of district General Fund revenue. (Note: The figures in Table 2 differ from the budget because they reflect actual enrollment and revenues.) Actual state and local revenue received inside the Nevada Plan in FY 2018 totaled \$2.83 billion (Table 2, Column E), which is higher than the \$2.81 billion budgeted (Table 1, Total Basic Support).

Table 2, Column A shows that actual DSA revenue totaled \$1.29 billion, which represents 46 percent of funding received inside the Nevada Plan. Columns B and C of Table 2 show the amount of local revenue received from ad valorem taxes and the LSST. The LSST was the largest local funding source inside the Nevada Plan at \$1.31 billion, which represents 46 percent of revenue. In contrast, ad valorem taxes totaled only \$224 million, which represents 8 percent of revenue inside the Nevada Plan. Together, the two local funding sources totaled \$1.54 billion, representing 54 percent of revenue inside the Nevada Plan.⁸ The two urban school districts, Clark and Washoe, had per pupil amounts that were lower than the state average per pupil.

Table 2: Actual Revenue Received Inside the Nevada Plan FY 2018

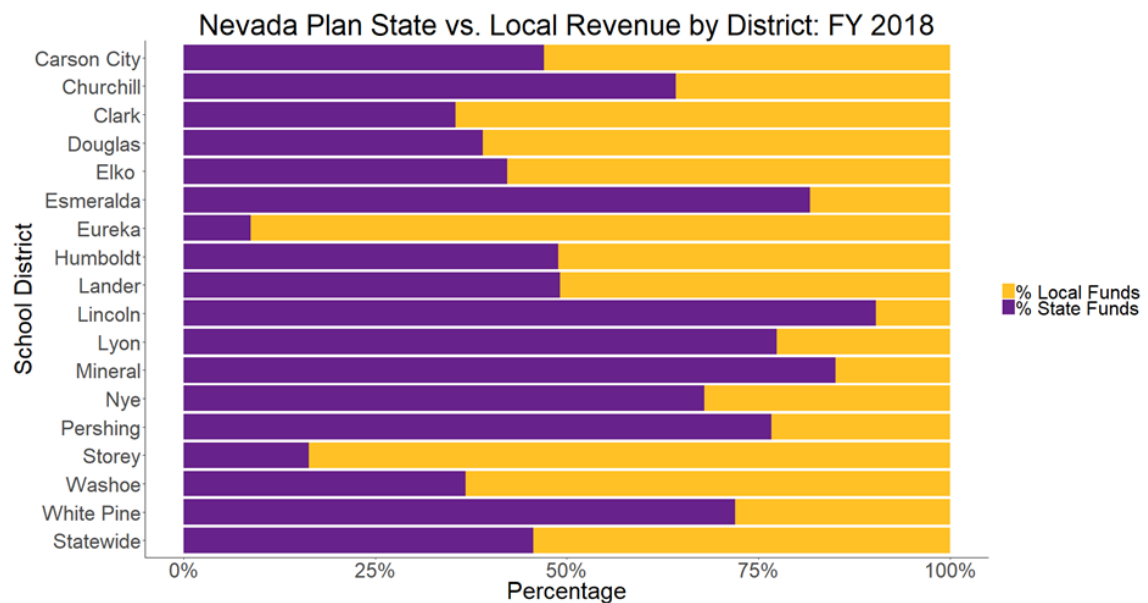
District	State Funds A State DSA Revenue	Local Funds B 1/3 of 75 cent ad valorem tax	C Local School Support Tax	D Sum of Local Funds Inside Nevada Plan B+C	Total E Total State and Local A+D	Total F Total Revenue Per Pupil
Carson City	25,474,900	3,349,223	25,194,894	28,544,117	54,019,017	7,065
Churchill	14,114,039	1,705,696	6,165,422	7,871,118	21,985,157	6,865
Clark	634,565,228	155,313,927	998,300,029	1,153,613,956	1,788,179,184	5,600
Douglas	13,949,912	6,638,855	15,133,002	21,771,857	35,721,769	6,240
Elko	32,946,039	4,761,903	40,259,180	45,021,083	77,967,122	8,094
Esmeralda	1,299,601	207,507	82,779	290,286	1,589,887	22,817
Eureka	330,983	2,843,989	586,859	3,430,848	3,761,831	14,018
Humboldt	12,384,480	2,798,107	10,167,895	12,966,002	25,350,482	7,396
Lander	3,202,612	2,030,462	1,286,889	3,317,351	6,519,963	6,599
Lincoln	9,347,619	547,591	454,173	1,001,764	10,349,383	10,773
Lyon	48,695,601	3,185,677	11,081,822	14,267,499	62,963,100	7,372
Mineral	4,378,484	296,054	474,347	770,401	5,148,885	9,569
Nye	28,719,271	3,150,148	10,436,024	13,586,172	42,305,443	8,213
Pershing	4,807,624	595,208	867,877	1,463,085	6,270,709	9,383
Storey	568,340	1,443,415	1,469,191	2,912,606	3,480,946	8,102
Washoe	130,502,725	34,963,418	189,132,166	224,095,584	354,598,309	5,585
White Pine	9,620,037	882,216	2,864,134	3,746,350	13,366,387	7,157
Charter Schools	317,101,739	-	-	-	317,101,739	6,909
Statewide	1,292,009,233	224,713,396	1,313,956,683	1,538,670,079	2,830,679,312	5,924
Percent of Total	46%	8%	46%	54%	100%	

Source: FY 2018 NRS 387-303 Report⁹

There is significant variation in the percentage of State vs. local revenue received by each school district inside the Nevada Plan (see Figure 2). As noted previously, state aid is the difference between the basic support guarantee and local funds. When local revenues exceed projections and the basic support guarantee, school districts can retain the additional funds and state aid is reduced subsequently. The Nevada Plan has helped minimize significant disparities in K-12 funding across districts; as such, the Nevada Plan has enabled the state to maintain horizontal equity. This occurs because some school districts have high Net Proceeds of Minerals Taxes, which causes local funding to exceed the basic support guarantee.

As shown in Figure 2, Eureka received 91 percent of the basic support guarantee from local funding in FY 2018. (Here we note that in FY 2014, three districts (Eureka, Humboldt and Lander) received no State aid.) In contrast, Esmeralda, Lincoln, and Mineral received more than 80 percent of their basic support funding from the State. In 2018, Clark County School District received 65 percent of the basic support guarantee from local sources, an increase from 58 percent in 2011. In contrast, in 2018, White Pine County School District received 28 percent of the basic support guarantee from local sources, a decrease from 43 percent in 2011.¹⁰

Figure 2: Nevada Plan State vs. Local Revenue by District: FY 2018



Source: FY 2018 NRS 387-303 Report¹¹

4. WHAT SOURCES OF GENERAL FUND REVENUE DO SCHOOL DISTRICTS RECEIVE OUTSIDE THE NEVADA PLAN?

Statewide, 24 percent of district General Fund resources come from outside the Nevada Plan. Unlike the revenues inside the Nevada Plan, these outside revenues are not guaranteed, meaning that the State does not make up for any shortfalls in projected revenues. The primary General Fund revenues outside the Nevada Plan include:

- 2/3 of the 75-cent ad valorem tax (includes Property Tax and Net Proceeds of Minerals Tax)
- Governmental Services Tax (GST)
- Franchise Taxes
- Unrestricted Federal funds such as Impact Aid and Forest Reserve revenue
- Interest, tuition, other local revenue, and
- Beginning fund balance

School districts also receive funding outside of the General Fund. As shown in Appendix A, major funds include special education, governmental funds, State grants, and Federal grants.

5. HOW DOES ACTUAL GENERAL FUND REVENUE INSIDE AND OUTSIDE THE NEVADA PLAN VARY BY DISTRICT?

There is substantial variation in per pupil funding between school districts. To provide a complete picture of each district's General Fund, Table 3 shows actual FY 2018 funding inside and outside the Nevada Plan. Statewide, total revenue per pupil was \$7,218, but seven districts received over \$10,000 per pupil (Table 3, Column H). This table reveals that Eureka County had the highest General Fund per pupil revenue in Nevada at \$37,662, followed by Esmeralda County at \$34,660. Eureka's high funding rate is due to Net Proceeds of Minerals taxes, while Esmeralda's funding rate is due to its small enrollment. The districts with the lowest General Fund per pupil revenue were Clark County at \$6,893 and Washoe County at \$7,090. Total per pupil revenues statewide have increased 6 percent over the period FY 2014 and FY 2018, 7 percent among rural school districts, and 5 percent in urban school districts.

Table 3: Actual School District General Fund Revenue FY 2018

A District	B Enrollment	Inside Nevada Plan			Outside Nevada Plan		H Total Revenue Per Pupil E+F+G	vs. FY 2014 Total Revenue Per Pupil
		C Local Funds Per Pupil	D State Funds Per Pupil	E Total Basic Support Per Pupil C+D	F Outside Taxes Per Pupil	G Outside Other Revenue Per Pupil		
Carson City	7,646	3,733	3,318	7,051	1,185	305	8,542	7,990
Churchill	3,202	2,458	4,407	6,865	1,456	507	8,828	7,979
Clark	319,311	3,613	1,987	5,600	1,201	92	6,893	6,549
Douglas	5,724	3,803	2,437	6,240	2,933	86	9,260	8,397
Elko	9,632	4,674	3,420	8,094	1,644	111	9,849	8,029
Esmeralda	70	4,166	18,651	22,817	10,736	1,107	34,660	29,833
Eureka	268	12,785	1,233	14,018	23,039	605	37,662	39,170
Humboldt	3,428	3,783	3,613	7,396	2,666	86	10,148	7,154
Lander	988	3,358	3,241	6,599	2,601	161	9,362	9,811
Lincoln	961	1,043	9,731	10,773	2,085	503	13,362	12,056
Lyon	8,541	1,671	5,702	7,372	1,010	24	8,406	8,003
Mineral	538	1,432	8,137	9,569	1,546	1,141	12,255	13,832
Nye	5,151	2,637	5,575	8,213	1,527	247	9,987	8,358
Pershing	668	2,189	7,194	9,383	3,158	385	12,926	10,958
Storey	430	6,779	1,323	8,102	7,146	52	15,301	14,990
Washoe	63,495	3,529	2,055	5,585	1,398	107	7,090	6,761
White Pine	1,868	2,006	5,151	7,157	1,313	277	8,746	9,765
Statewide	477,818	3,220	2,704	5,925	1,181	113	7,218	6,831

Source: FY 2018 NRS 387-303 Report

For districts with substantial amounts of Net Proceeds of Minerals Taxes, total General Fund revenue can be quite volatile from year to year. This Net Proceeds of Minerals taxes allocated to local governments and school districts statewide peaked in 2013 and subsequently fell by approximately 40 percent as of 2017.¹² As a result, from FY 2013 to FY 2017, total General Fund revenue decreased by 41 percent in Eureka, 58 percent in Lander, and almost 20 percent in Humboldt.

6. WHAT OTHER STATE AND FEDERAL GRANTS DO SCHOOL DISTRICTS RECEIVE?

School districts receive a variety of State and Federal grants to fund specific programs or to meet special student needs. These are commonly called categorical programs. The largest State categorical programs are class size reduction, full day kindergarten, funds for English Language Learners, at-risk students, the least proficient students, adult education, and Career and Technical Education (CTE).¹³ The largest Federal programs include Title I of the Elementary and Secondary Education Act for at-risk students, Individuals with Disabilities Education Act for special education, and Perkins funds for CTE.

Table 4 provides detail on total State and Federal grants per pupil for each district in FY 2018. Statewide, school districts received \$816 per pupil in State grants (an increase from \$668 in FY 2014) (Column D), and \$554 per pupil in Federal grants (down from \$613 in FY 2014) (Column F) for a total of \$1,370 per pupil (Column G). The districts with the highest per pupil funding for all categorical grants were Mineral and Pershing, while the districts with the lowest per pupil amounts were Douglas and Lander. Categorical funds per pupil have increased 6 percent statewide over the period FY 2014-2018.

Table 4: State and Federal Grant Funds for School Districts FY 2018

A District	B Enrollment	C Total State Categorical Funds	D Total State Per Pupil C/B	E Total Federal Categorical Funds	F Total Federal Per Pupil E/B	G Grand Total Categorical Per Pupil D+F	vs. FY 2014 Total Categorical Per Pupil
Carson City	7,646	10,095,523	1,320	5,474,546	716	2,036	1,911
Churchill	3,202	2,665,584	832	3,123,717	975	1,808	1,130
Clark	319,311	281,500,518	882	169,302,365	530	1,412	1,236
Douglas	5,724	3,767,854	658	2,179,449	381	1,039	1,107
Elko	9,632	9,368,698	973	5,591,989	581	1,553	1,363
Esmeralda	70	136,939	1,965	67,180	964	2,929	3,007
Eureka	268	127,811	476	422,993	1,576	2,053	1,506
Humboldt	3,428	4,197,420	1,225	3,503,955	1,022	2,247	1,114
Lander	988	766,393	776	386,277	391	1,167	912
Lincoln	961	784,351	816	469,366	489	1,305	1,320
Lyon	8,541	5,965,358	698	5,989,928	701	1,400	1,365
Mineral	538	945,373	1,757	834,043	1,550	3,307	2,969
Nye	5,151	4,453,788	865	5,394,555	1,047	1,912	1,434
Pershing	668	1,943,109	2,908	1,107,384	1,657	4,565	3,515
Storey	430	542,510	1,263	320,900	747	2,010	1,730
Washoe	63,495	47,689,892	751	42,759,526	673	1,425	1,377
White Pine	1,868	2,877,292	1,541	1,799,911	964	2,504	1,987
Statewide	477,818	389,900,744	816	264,902,802	554	1,370	1,281

Source: FY 2018 NRS 387-303 Report

7. HOW ARE CHARTER SCHOOLS FUNDED?

Charter schools also receive funding through the Nevada Plan. Because charter schools do not have access to local tax revenue, the entire basic support guarantee is funded by the State. The allocation is based on the per pupil funding rate of revenues inside the Nevada Plan and taxes outside the Nevada Plan in the county where each pupil resides, minus a charter school sponsorship fee (NRS 387.124). For some charter schools, all pupils reside in one county and there is a single funding rate per pupil. For other charter schools, students reside in multiple counties and generate multiple funding rates. Table 5 displays the per pupil funding provided under the Nevada Plan in FY 2018. This table reveals that charter school funding rates are comparable to the total revenue per pupil for districts shown in Table 3.



Charter School Per Pupil Funding Calculation for Each County Where Pupils Reside

Revenues inside Nevada Plan + Taxes Outside Nevada Plan

Total Charter and District Enrollment in County

For categorical and special education funding, the intention is for charter schools to receive funding comparable to school districts. Under NRS 386.570, “A charter school is entitled to receive its proportionate share of any other money available from Federal, State or local sources that the school or the pupils who are enrolled in the school are eligible to receive.” In practice, charter schools have experienced limited accessibility to categorical and special education funds compared to school districts.

For State and Federal categorical funds, charter schools sometimes opt not to participate due to the small size of potential grants and/or compliance requirements. In other cases, charter schools are not eligible for funding. For example, charter schools are not eligible for class size reduction, which is the largest State categorical program (NRS 388.700[8]). Some charter schools are also not eligible for Federal Title I funds, which are only allocated to schools with a high percentage of low-income students. Average statewide categorical funding in FY 2018 for charter schools was \$263 per pupil for State funding (an increase from \$13 in FY 2014) and \$352 per pupil for Federal funding (an increase from \$223 in FY 2014), for a total of \$615 per pupil (see Table 6). As a point of comparison, the per pupil categorical funding in FY 2014 was \$236. The amount of \$615 is almost half of the school district average of \$1,370 per pupil (see Table 4, Column G). In FY 2014, categorical funding per pupil at charter schools was less than one-fifth or 20 percent of that received by traditional public schools.

Table 5: FY 2018 Charter School Funding Through the Nevada Plan

A Charter School	B Authorizer	C Enrollment	D Nevada Plan Funding Per Pupil
100 Academy of Excellence	CCSD	498	6,763
Academy for Career Education	WCSD	178	6,982
Alpine Academy	SPCSA	130	6,996
American Leadership Academy	SPCSA	966	6,763
Argent Academy	SPCSA	130	9,170
Bailey Charter Elementary School	WCSD	266	6,980
Beacon Academy of Nevada	SPCSA	374	7,452
Carson Montessori School	Carson City	259	8,464
Coral Academy of Science-Las Vegas	SPCSA	2,852	6,703
Coral Academy of Science-Reno	WCSD	1,288	7,007
Davidson Academy of Nevada (University)	University	150	7,159
Delta Academy	CCSD	486	6,754
Democracy Prep Academy	ASD	1,027	6,763
Discovery Charter School	SPCSA	380	7,569
Doral Academy of Nevada (LV)	SPCSA	5,142	6,762
Doral Academy of No. Nevada	SPCSA	162	6,975
Elko Institute for Academic Achievement	SPCSA	181	9,471
enCompass Academy	WCSD	86	7,062
Equipo Academy	SPCSA	681	6,741
Explore Knowledge Academy	CCSD	766	6,763
Founders Academy	SPCSA	617	6,727
Futuro Academy	ASD	113	6,774
High Desert Montessori School	WCSD	346	7,360
Honors Academy of Literature	SPCSA	212	6,963
I Can Do Anything Charter High School	WCSD	182	7,439
Imagine School at Mt. View	SPCSA	672	6,763
Innovations International	SPCSA	880	7,275
Leadership Academy of Nevada	SPCSA	267	7,225
Learning Bridge Charter School	SPCSA	179	10,007
Legacy Traditional School	SPCSA	1,208	6,763
Mariposa Academy of Language and Learning	WCSD	175	7,057
Mater Academy of No. Nevada	SPCSA	178	6,975
Nevada Connections Academy	SPCSA	3,114	7,141
Nevada State High School	SPCSA	494	6,828
Nevada Virtual Academy	SPCSA	2,074	7,037
Oasis Academy	SPCSA	576	8,298
Odyssey Charter Schools	CCSD	2,193	6,776
Pinecrest Academy	SPCSA	4,093	6,762
Quest Academy Preparatory	SPCSA	719	6,570
Rainbow Dreams Academy	CCSD	348	7,651
Sierra Nevada Academy Charter	WCSD	369	6,968
Silver Sands Montessori Charter School	SPCSA	314	6,763
Somerset Academy of Las Vegas	SPCSA	6,657	6,762
Sports Leadership and Management	SPCSA	735	6,761

Source: FY 2018 NRS 387-303 Report

Table 6: State and Federal Grant Funds for Charters FY 2018

A Charter School	B Enrollment	C Total State Categorical Funds	D Total State Per Pupil C/B	E Total Federal Categorical Funds	F Total Federal Per Pupil E/B	G Grand Total Categorical Per Pupil D+F	vs. FY 2014 Total Categorical Per Pupil
100 Academy of Excellence	498	377,017	758	158,439	318	1,076	352
Academy for Career Education	178	110,541	621	27,848	156	778	724
Alpine Academy	130	849	7	66,950	517	523	317
American Prep Academy	1,512	6,287	4	70,243	46	51	-
American Leadership Academy	966	1,381	1	474,702	491	493	-
Argent Academy	130	94,847	730	73,879	568	1,298	-
Bailey Charter Elementary School	266	315,421	1,188	167,230	630	1,817	648
Beacon Academy of Nevada	374	4,349	12	586,064	1,568	1,580	162
Carson Montessori School	259	2,183	8	2,591	10	18	-
Coral Academy of Science-Las Vegas	2,852	868,844	305	1,750,926	614	919	55
Coral Academy of Science-Reno	1,288	273,270	212	53,890	42	254	-
Davidson Academy of Nevada (University)	150	-	-	-	-	-	-
Delta Academy	486	219,121	451	506,595	1,042	1,493	213
Democracy Prep Academy	1,027	402,807	392	1,628,250	1,586	1,979	213
Discovery Charter School	380	71,071	187	60,546	159	347	107
Doral Academy of Nevada (LV)	5,142	1,217,292	237	655,077	127	364	66
Doral Academy of No. Nevada	162	341	2	175,861	1,088	1,090	-
Elko Institute for Academic Achievement	181	183,367	1,013	130,168	719	1,732	1,127
enCompass Academy	86	12,371	144	173,025	2,009	2,152	358
Equipo Academy	681	98,709	145	313,620	461	606	-
Explore Knowledge Academy	766	174,232	227	96,820	126	354	117
Founders Academy	617	17,322	28	53,106	86	114	-
Futuro Academy	113	724	6	435,019	3,855	3,862	-
High Desert Montessori School	346	75,007	217	200,206	578	795	305
Honors Academy of Literature	212	319,374	1,506	48,420	228	1,735	292
I Can Do Anything Charter High School	182	-	-	45,909	252	252	6
Imagine School at Mt. View	672	133,045	198	64,991	97	295	509
Innovations International	880	733,785	833	666,200	757	1,590	221
Leadership Academy of Nevada	267	2,062	8	23,502	88	96	-
Learning Bridge Charter School	179	38,990	218	38,025	212	430	525
Legacy Traditional School	1,208	2,565	2	456,318	378	380	-
Mariposa Academy of Language and Learning	175	195,973	1,122	376,834	2,158	3,280	763
Mater Academy of NV	1,672	1,064,909	637	2,184,114	1,307	1,944	-
Mater Academy of No. Nevada	178	73,667	415	346,999	1,955	2,370	-
Nevada Connections Academy	3,114	591,087	190	275,411	88	278	290
Nevada State High School	494	237,114	480	90,824	184	664	18
Nevada Virtual Academy	2,074	223,210	108	759,821	366	474	482
Oasis Academy	576	290,311	504	76,680	133	637	239
Odyssey Charter Schools	2,193	18,319	8	687,333	313	322	241
Pinecrest Academy	4,093	1,917,988	469	518,185	127	595	115
Quest Academy Preparatory	719	23,306	32	111,899	156	188	149
Rainbow Dreams Academy	348	85,049	244	134,661	387	631	139
Sierra Nevada Academy Charter	369	25,108	68	161,982	439	507	-
Silver Sands Montessori Charter School	314	49,968	159	26,024	83	242	121
Somerset Academy of Las Vegas	6,657	1,513,114	227	820,050	123	351	103
Sports Leadership and Management	735	6,035	8	399,482	544	552	-
Total	45,898	12,072,332	263	16,174,718	352	615	236

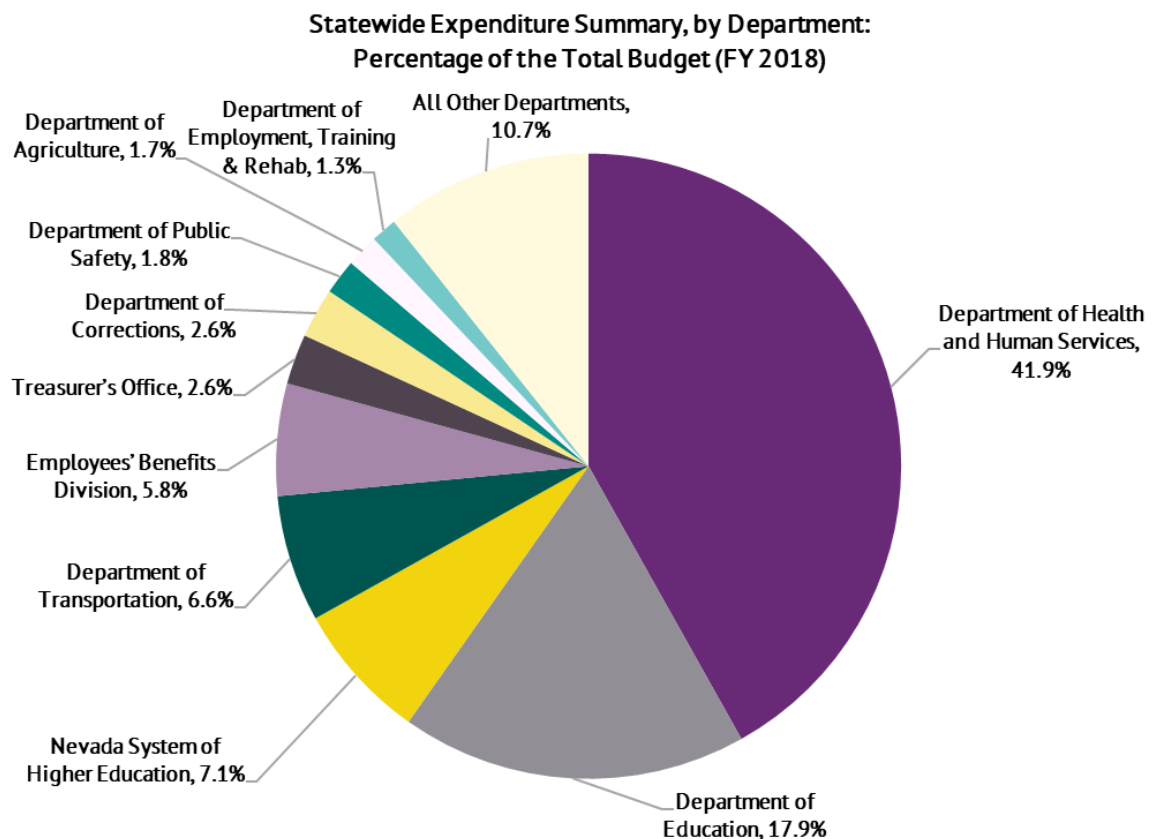
Source: FY 2018 NRS 387-303 Report

8. WHAT PERCENTAGE OF NEVADA'S BUDGET IS ALLOCATED TO K-12 EDUCATION?

K-12 funding is not limited to the Nevada Plan and the State's allocation to schools through the Distributive School Account (DSA). The Nevada Department of Education (NDE) administers the DSA, but its budget includes support for several other programs and organizational entities related to elementary and secondary education in the State. Amongst others, these include: assessments and accountability, educator effectiveness, career and technical education, teachers' school supplies, literacy programs, bullying prevention, and the State Board of Education.

Funding for NDE in FY 2018 totaled \$2.3 billion.¹⁴ Its level of funding was the second-highest in the State, after the Department of Health and Human Services (DHHS), which received \$5.5 billion.¹⁵ Figure 3 displays the legislatively approved departmental budgets as a percentage of the total legislatively approved State budget for FY 2018.¹⁶ NDE's share of the total State budget was 17.9 percent, compared to 41.9 percent for DHHS.

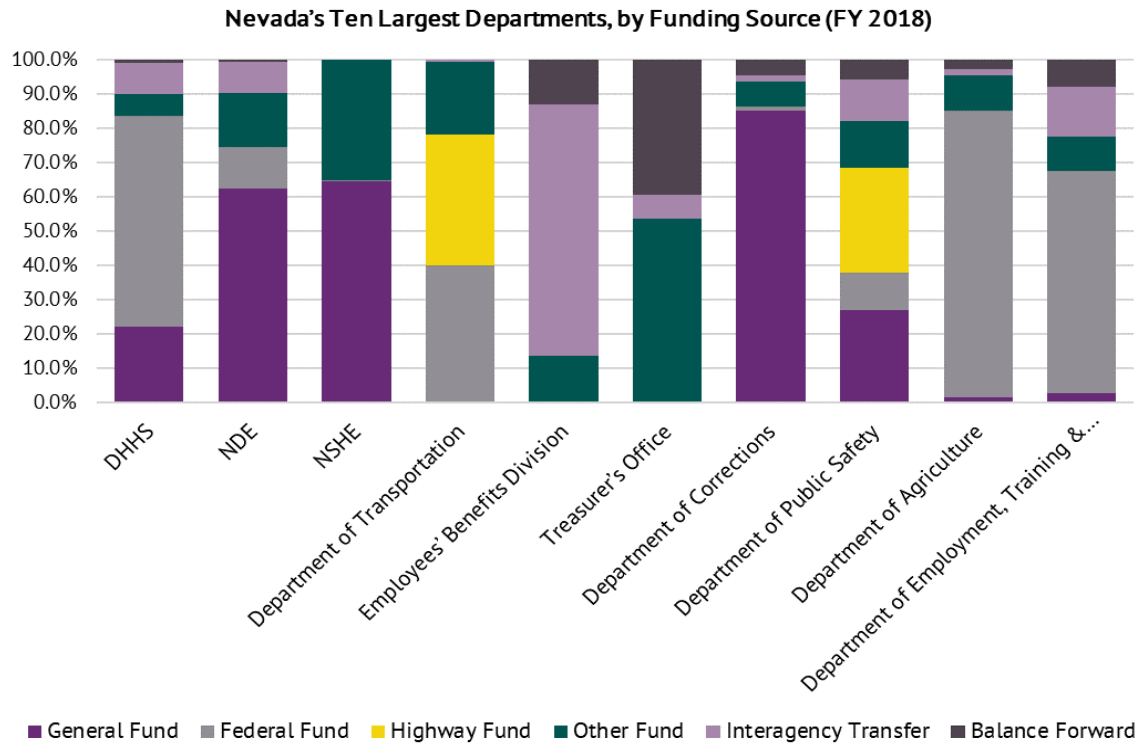
Figure 3: Statewide Expenditure Summary, by Department: Percentage of Total Budget



Source: FY 2018 NRS 387-303 Report

NDE received only 12.2 percent of its revenue from the Federal funds but 62.5 percent from the General Fund.¹⁷ Figure 4 shows the distribution of revenue sources for the 10 largest departments in FY 2018.¹⁸

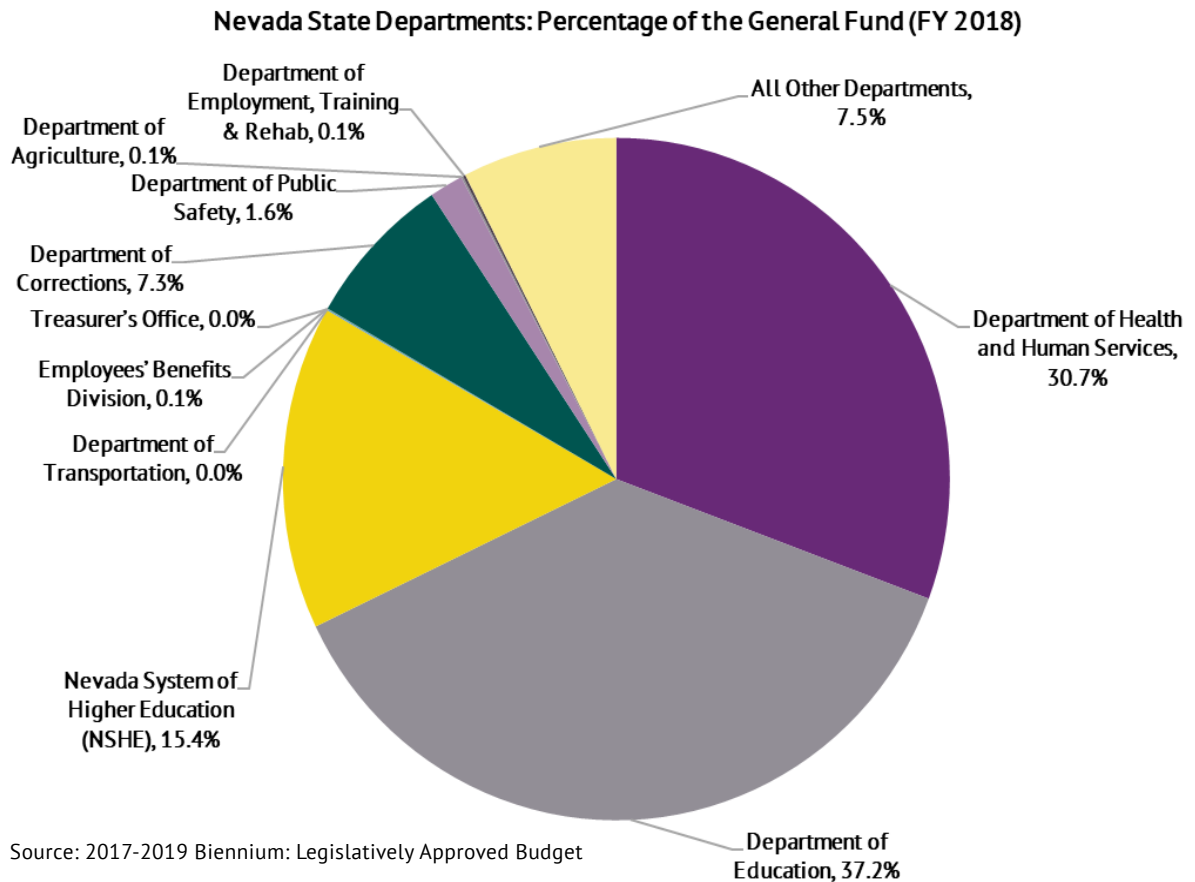
Figure 4: Nevada's Ten Largest Departments, by Funding Source (FY 2018)



Source: 2017-2019 Biennium: Legislatively Approved Budget

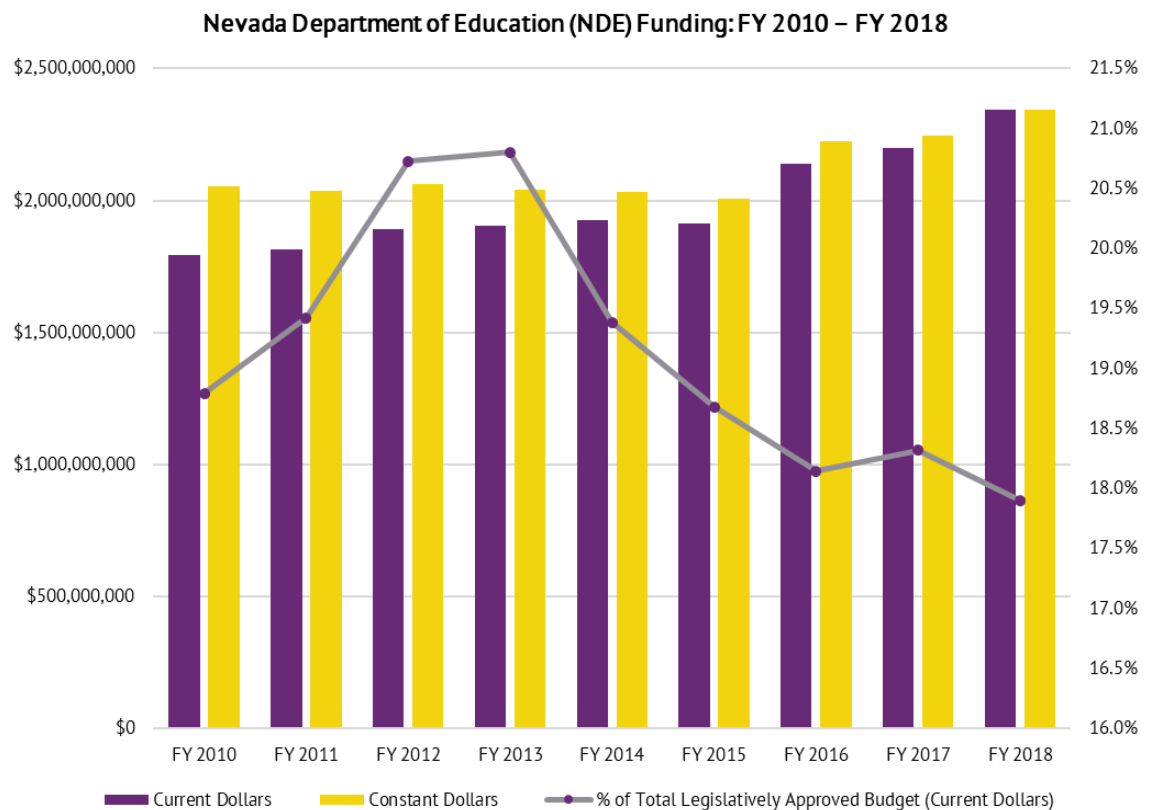
Deposits in the General Fund include taxes (e.g., sales tax), licenses/fees, et cetera, received in Nevada. In FY 2018, **37.2 percent of the General Fund was distributed to NDE**, as shown in Figure 5.¹⁹ It is the largest share received by any department and suggests that State dollars largely are dedicated to elementary and secondary education in Nevada.

Figure 5: Nevada State Departments: Percentage of the General Fund (FY 2018)



NDE's funding has increased over the last nine years while remaining at around one-fifth of the total legislatively approved State budget. Figure 6 displays funding for NDE between FY 2010 and FY 2018.²⁰ In current dollars, NDE's budget increased by 30.6 percent from FY 2010 to FY 2018. The inflation-adjusted (i.e., constant dollars) increase between FY 2010 and FY 2018 is 14.1 percent. This indicates that NDE funding increased in real terms. The budgetary uptick in FY 2016 over FY 2015 is the result of increases in appropriations for several NDE programs, including educator effectiveness, the School Remediation Trust Fund, and other state education programs (e.g., Nevada Ready 21st Century Technology Grants, adult education, Read by Grade 3, etc.).²¹

Figure 6: Nevada Department of Education Funding: FY 2010-FY 2018



Source: 2017-2019 Biennium: Legislatively Approved Budget

9. WHAT KEY ISSUES SHOULD THE LEGISLATURE CONSIDER IN 2019?

Several studies and Legislative committees have identified the following key challenges and issues in the Nevada K-12 funding formula which might be considered during the 2019 Legislative Session.²²

- Modernization of the Nevada Plan:** Should Nevada move from a school financing system built on historical expenditures to a funding formula based on the actual cost to educate students (“adequacy”)? Currently, only two states (Nevada and Nebraska) use historical expenditures to build their K-12 education budgets. Some experts argue that using historical expenditures perpetuates a cycle of low funding levels given that educational costs have outpaced inflation and does not establish a goal for funding education based on the actual cost of educating students. This system in Nevada also creates a perverse incentive for school districts to spend all (or nearly all)

their funds or risk a lower funding level in the following year's budget (i.e. if a school district does not spend money, the following year the budget will be based upon the lower expenditure amount). In addition, small districts with traditionally high fixed costs have the largest funding rates, while large districts receive the lowest funding per pupil. While partly these smaller districts will not have the student population to disburse many fixed costs, the current method of funding provides money to school districts based on where a student is located, not based upon an individual student's need. Using past expenditure data also makes it difficult for districts with historically low costs to change the status quo and increase per pupil funding relative to other districts.



- **Issue of Adequacy:** Education finance consulting firm Augenblick, Palaich and Associates (APA) conducted two studies that assessed the “adequate cost” of educating students in Nevada. The 2018 study recommends a base funding rate of \$9,238 per pupil, plus adjustments for the size of a district's student population.²³ The cost of implementing this higher base funding rate (inside the Nevada Plan) is approximately \$1.7 billion more than actual State, local, and Federal expenditures in FY 2018.²⁴ Given the large price tag of a higher base funding rate, the Legislature may want to set a goal for per-pupil funding and develop a multi-year implementation plan.
- **Implementation of a full weighted funding formula to address the needs of different populations:** Given limited availability of state revenues, how should the State implement a new funding formula that includes weights to account for the extra costs required to educate populations such as English Language Learners, low-income students, and special education students? Should it be phased in over time, and should districts be held harmless? Many school districts and policy makers across the United States recognize that some student populations require additional resources to move students to proficiency.²⁵ Accordingly, these districts are distributing dollars based on the needs of specific student populations (e.g., weighted student funding or student based budgeting) rather than applying a uniform amount per pupil. School districts (schools) may receive additional resources if students are classified as coming from a low-income household, English Language Learners, special education, and/or gifted and talented. Nevada is only one of a few states that does not provide full weighted funding and studies have shown that using weights increases equity.²⁶ By this account, the Nevada Plan fails to address vertical equity of students. While political and education leaders have acknowledged the additional needs of some student groups (through categorical programs) and expressed a

commitment to transitioning to a fully weighted funding formula, they have not presented enabling legislation outlining a new funding formula.*

In 2018, APA recommended a base amount per pupil, plus weights of 0.30 for at-risk students, 0.50 for English Language Learners, 1.1 for special education students, and 0.05 for gifted and talented students.²⁷ In FY 2017, Nevada appropriated a \$25 million increase in special education funding to start the transition toward a weight of 2.0 as recommended by the 2013-2014 Interim Task Force on K-12 Public Education Funding.²⁸

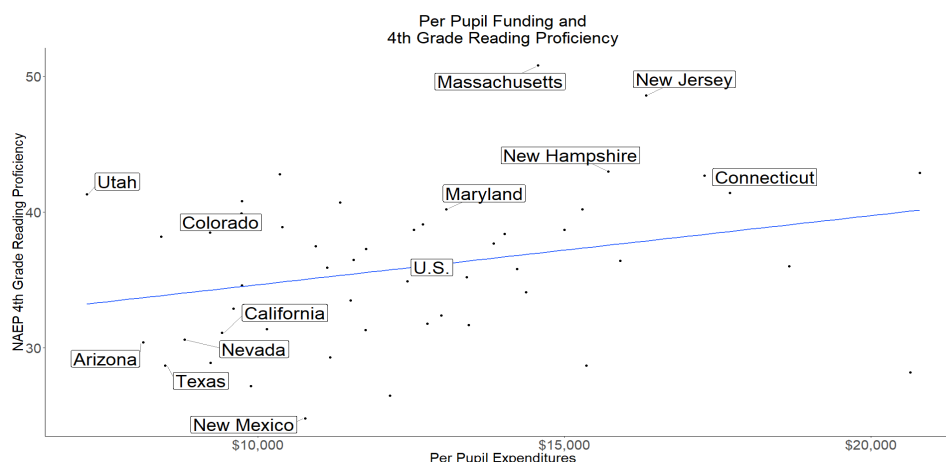
- **Categorical Funds:** State funds for special populations and programs are currently allocated outside the basic support guarantee, such as special education, funding for English Language Learners, class size reduction, and full day kindergarten. In FY 2019, the state funded \$353.7 million in categorical programs, which accounted for just over one-fifth (22 percent) of the entire DSA budget. Some argue that funding these programs outside the funding formula limits school district flexibility and places emphasis on compliance instead of outcomes. Others support categorical programs because those funds are insulated from collective bargaining agreements.²⁹ Recent independent analyses found that some of these categorical programs are associated with better academic outcomes at the schools where the programs are operational. Another remaining question is whether the proposed weights should be funded as categorical programs or should they be folded into the main funding formula? The Task Force on K-12 Public Education Funding recommended that the proposed weights be funded as categorical programs and then be transitioned into the funding formula at some future date. The implementation of Zoom and Victory Schools programs were presented as the first step in allocating additional resources to students with greater needs, thus marking the beginning of the transition to a full weighted funding formula.

* The Guinn Center analyzed the potential fiscal impact of transitioning to a weighted funding formula without additional K-12 education money in the 2019-2021 biennium. Our research team found that if Nevada moved to a new system of funding education based on student need, without regard for school district size, most of Nevada's rural districts would experience significant funding cuts (see Appendix B).

- Outside Tax Revenue:** Should any tax revenues outside the Nevada Plan be incorporated into the funding guarantee? Tax revenues outside the Nevada Plan are significant, so incorporating them into the formula would increase transparency and provide a more accurate picture of the amount of funding schools receive. If the State increases the base funding guarantee, these revenues could be counted towards a new higher guarantee, thereby reducing the amount of new revenue the State would need to contribute. Moving outside taxes into the formula would also shift some risk associated with the volatility of local taxes from school districts to the State. In so doing, this action would increase stability and predictability of revenue for districts. During the 2019 Nevada Legislative session, some analysts have discussed a potential model that estimates base funding by incorporating outside tax revenues. Previously, the Task Force for K-12 Public Education recommended that the base for applying weights include all State and local funding but exclude all Federal and State categorical funds.
- Revenue:** Should legislators increase revenue for K-12 education? What are the potential sources of increased revenues? Are funds intended for education being deposited into the Distributive School Account? Research suggests that there is a positive correlation between spending and educational achievement. Figure 7 illustrates the relationship between per pupil spending and 4th grade reading proficiency using data from the Education Week's 2018 Quality Counts national education rankings. Figure 8 also reveals that while current per pupil spending in Nevada has kept pace with inflation, it is significantly lower than what per pupil spending might be had the state funded the legislatively mandated 'roll-up' costs of 2.0 percent each year to cover merit increases for personnel for attaining additional education and for additional years of service.³⁰

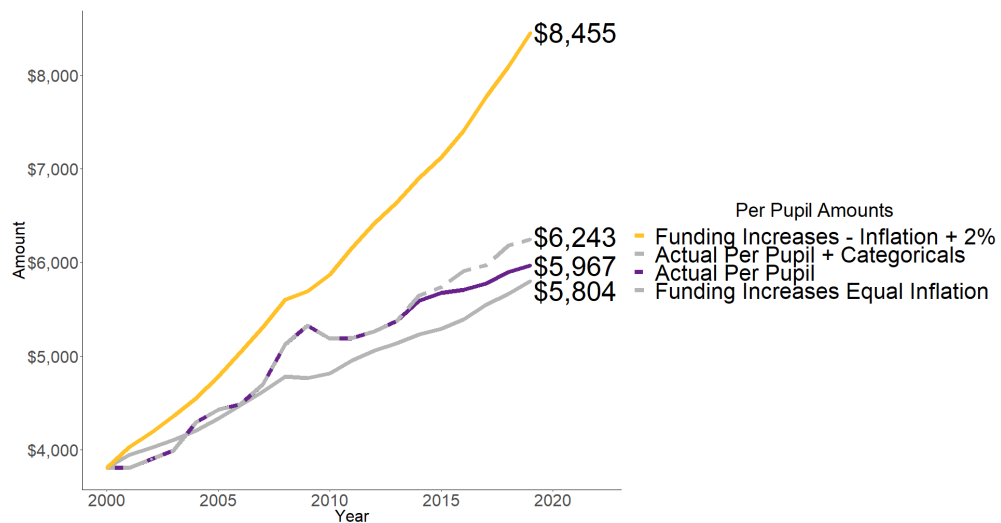


Figure 7. Relationship between Per Pupil Funding and 4th Grade Reading Proficiency



Source: 2018 Quality Counts Data from Education Week

Figure 8. Education Funding and Inflation, 2000-2019



Source: 2018 Quality Counts Data from Education Week

In recent years, the Nevada Legislature and Governor have dedicated several revenue sources to fund education. Among these are the Commerce Tax, an excise tax on the sale of recreational marijuana, and Initiative Petition 1 (IP-1) room tax revenues. Briefly, the Commerce Tax was implemented in the 78th (2015) Session and is forecasted to supply approximately \$444.9 million to the General Fund in the upcoming biennium. General Fund revenues are disbursed across several of Nevada's departments, including, but not limited to, the Department of Education, Department of Health and Human Services, Nevada System of Higher Education, and Department of Corrections.³¹ While the Commerce Tax was implemented to fund Governor Sandoval's education reforms, it was never intended to fund K-12 education exclusively.³² Briefly, in FY 2018, Commerce Tax revenues amounted to \$201.9 million, accounting for 4.9 percent of total General Fund revenues.³³

Nevada voters approved the legalization of recreational marijuana in 2016. Recreational marijuana is taxed in two ways: a 15 percent wholesale tax and a 10 percent retail excise tax. The 15 percent wholesale tax funds the State administrative apparatus and enforcement as it relates to marijuana operations throughout the State. Any remaining funds are then directed to the DSA. The 10 percent retail excise tax was recommended by Governor Sandoval to be directed towards the DSA. However, in 2017, the Legislature directed those funds to the Account to Stabilize the Operation of State Government ("Rainy Day Fund") for the 2017-2019 biennium. The Governor's Executive Budget recommends that, as of the FY 2019-2021 biennium,

these funds will be directed to the DSA to fund the school safety initiatives that emerged from the Governor's Statewide School Safety Task Force.³⁴

IP 1 is a 3 percent room tax that was originally designed to provide dedicated, supplemental revenue to education beginning on July 1, 2011, but has instead been used as a funding source to the DSA (NRS 387.191). Table 7 indicates that IP 1 revenues accounted for \$191.0 million in FY 2019. Education advocates argue that the IP 1 tax revenues have not been used to supplement K-12 education funding but, rather, have been used to supplant General Fund revenues. Table 7 reveals that while IP 1 revenues have been distributed into the DSA, the contribution of General Fund revenues to the DSA have decreased. Over the period FY 2010-FY 2019 the General Fund contribution to the DSA has decreased from 88.3 percent to 74.5 percent, while revenues from other sources (e.g., IP 1, etc.) have increased from 11.7 percent to 25.5 percent. The overall DSA funding has increased 17 percent.

Table 7. Distributive School Account Funding Over Time

State Funding (Distributive School Account)	FY 2010	FY 2012	FY 2019
General Fund	1,201,169,591	1,088,280,727	1,181,785,421
Recreational & Medical Marijuana		-	22,687,543
Annual Slot Machine Tax	35,888,197	33,542,238	27,773,000
Permanent School Fund	13,100,000	6,600,000	3,000,000
Federal Mineral Lease Revenue	10,706,000	8,000,000	4,000,000
Out of State Local School Support Tax - 2.6%	98,037,864	93,138,606	156,703,200
Initiative Petition 1 Room Tax Revenue	-	111,336,000	191,092,000
Real Property Transfer Tax	1,000,000	-	-
Estate Tax	100	-	-
Subtotal	1,359,901,752	1,340,897,571	1,587,041,164
General Fund	88.3%	81.2%	74.5%
All Else	11.7%	18.8%	25.5%

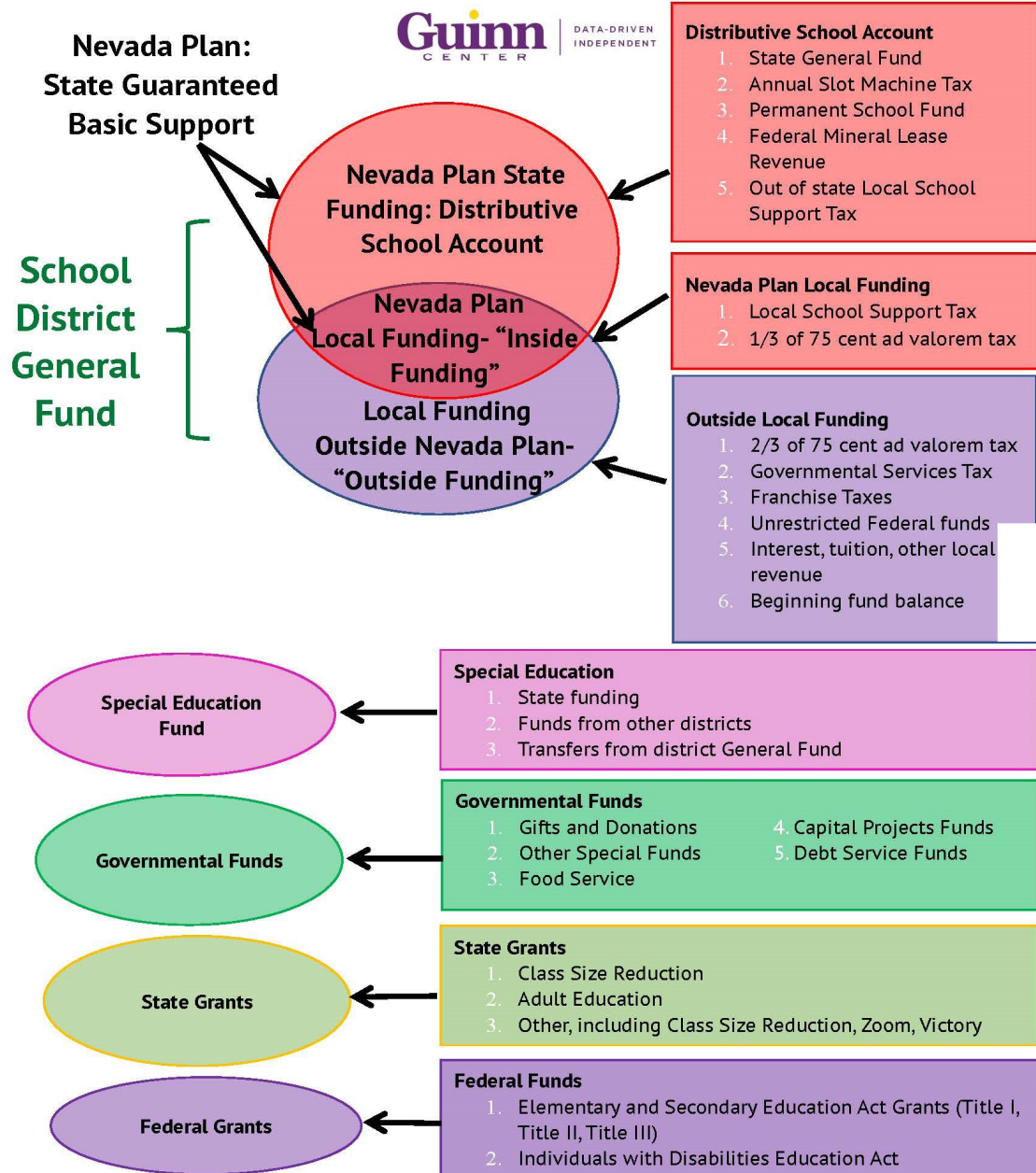
Source: Annual Nevada Legislative Appropriations Reports

CONCLUSION

This fact sheet illustrates the complexity of the K-12 public school financing system. While the Nevada Plan is the primary source of funding for operations, schools also receive revenue from a variety of local, State, and Federal sources. There is significant variation in funding between school districts. As the Legislature continues its deliberations throughout the 2019 Legislative Session, it should draw on the recommendations made by several Legislative committees and experts to improve the K-12 finance system. Issues include whether the State should move to a formula based on the cost to adequately educate pupils, how we transition to a weighted funding formula, and how we identify sources of revenue to fund the actual costs of educating students.

APPENDIX A

Funding of K-12 Public Schools in Nevada



APPENDIX B

Data from State's 2018 Equity Allocation Model File Fiscal Year 2018-19				Special Populations Enrollment Based on Percentage Enrollment from Nevada Report Card				Difference Between Actual Allocation and Weighted Funding Formula			
District	A Projected Enrollment	B Total Final Basic Support	C Final Per Pupil Basic Support	D Total Student Enrollment (See A)	E Estimated IEP Enrollment	F Estimated LEP Enrollment	G Estimated FRL Eligible Enrollment	H Revised Total Basic Support With Weighted Funding	I Difference	J Percentage Difference	
Carson City	8,143	\$ 58,573,828	\$ 7,193	8,143	1,128	1,260	3,411	\$ 47,255,021.85	(11,318,806)	-19.3%	
Churchill	3,783	27,245,707	7,202	3,783	532	237	1,652	21,331,572.18	(5,914,135)	-21.7%	
Clark	360,296	2,081,972,107	5,779	360,296	42,421	65,806	229,079	2,177,495,274.15	95,523,167	4.6%	
Douglas	5,992	37,954,897	6,334	5,992	830	304	1,605	32,275,867.95	(5,679,029)	-15.0%	
Elko	10,138	82,410,977	8,129	10,138	1,267	965	3,617	56,084,271.02	(26,326,706)	-31.9%	
Esmeralda	76	1,646,298	21,776	76	-	14	38	404,170.85	(1,242,127)	-75.4%	
Eureka	260	3,768,044	14,487	260	29	6	52	1,329,396.70	(2,438,647)	-64.7%	
Humboldt	3,461	25,534,732	7,379	3,461	511	374	1,525	19,984,193.31	(5,550,539)	-21.7%	
Lander	1,005	4,930,091	4,904	1,005	129	66	255	5,379,239.97	449,149	9.1%	
Lincoln	1,043	11,372,773	10,907	1,043	165	3	481	5,866,899.50	(5,505,874)	-48.4%	
Lyon	8,487	63,539,633	7,487	8,487	1,132	370	4,748	48,558,729.72	(14,980,903)	-23.6%	
Mineral	524	5,092,974	9,725	524	72	47	258	3,014,583.62	(2,078,390)	-40.8%	
Nye	5,163	42,737,103	8,278	5,163	742	333	3,784	31,172,961.06	(11,564,142)	-27.1%	
Pershing	637	5,896,654	9,261	637	102	35	326	3,701,331.54	(2,195,322)	-37.2%	
Storey	432	3,577,569	8,283	432	69	-	128	2,338,967.52	(1,238,601)	-34.6%	
Washoe	71,446	409,880,125	5,737	71,446	9,812	11,249	29,701	414,335,059.41	4,454,934	1.1%	
White Pine	1,408	11,722,621	8,324	1,408	190	9	325	7,359,848.38	(4,362,773)	-37.2%	
Statewide	482,292	\$ 2,877,856,134	\$ 5,967	482,292	59,129	81,073	280,983	\$ 2,877,856,134.00	-	-	

Per Pupil Based on Weighted Funding Formula			
Base Funding	IEP Weight	LEP Weight	FRL Weight
4,281.47	4,709.62	2,140.74	1,284.44

Legislative Appropriation	\$2,877,856,134.00
Estimated # of Students	482,292
State Basic Support	\$ 5,967

The weights for each student population were taken from Augenblick et al (2018): IEP students (1.1), ELL (0.50), and Free and Reduced-Price Lunch (0.30).

Our analysis suggests:

- 14 of the 17 Nevada school districts would lose funding by moving to a weighted funding formula in the absence of any additional monies. The total amount redistributed to the 3 school districts (Clark, Lander, and Washoe) is approximately \$100 million.
- In terms of the percentage change of funding, Lander County School District would receive the largest proportional increase: 9.1 percent. However, the Esmeralda County School District would lose approximately 75.4 percent of their total state funding.
- The percentage of funding lost for all 14 school districts range from 15.0 percent (Douglas County School District) to 75.4 percent (Esmeralda County School District).

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The Kenny C. Guinn Center for Policy Priorities is a 501(c)(3) nonprofit, bipartisan, independent research center 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.



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