

NEVADA DEPARTMENT of EDUCATION
Administrative and Fiscal Services

The “NEVADA PLAN”
Distributive School Account (DSA)
DSA FACT SHEET

Last Updated: August 10, 2009

Part I – The “Nevada Plan” and School District DSA Payments

[Note: NRS numbers refer to the Nevada Revised Statutes (NRS) chapters and sections. For a complete listing of the education-related tax sources and revenues mentioned herein, see the accompanying funding diagram sheet. See Part II of this document for enrollment definitions.]

(1) The “Nevada Plan” represents the State of Nevada’s guarantee and the State Legislature’s declaration “that the proper objective of state financial aid to public education is to ensure each Nevada child a *reasonably equal educational opportunity*” (emphasis added) [NRS 387.121]. The State guarantee actually consists of two separate guarantees: the first is a basic support per pupil support level unique for each school district; the second consists of a guarantee of special education program units [NRS 387.122)]. These two guarantees together satisfy the Nevada Plan’s State obligation as being “...expressed as a formula partially on a per pupil basis and partially on a per program basis...:[NRS 387.121].

(2) The primary purpose of the Distributive School Account (DSA) in the State’s General Fund is to “supplement local financial ability to whatever extent necessary” and thereby provide the financial mechanism by which the State meets its guarantee to support Nevada’s public schools under the Nevada Plan [NRS 387.121 and NRS 387.122]. The K-12 aid-to-schools DSA provides the primary source of public education funding for Nevada’s 17 school districts and its various charter schools, serving the needs of over 437,000 public school pupils statewide, taking classes in over 600 public schools, staffed by nearly 23,000 full-time equivalent licensed teaching personnel and 4,400 licensed administrative and support staff (FY2009 figures).

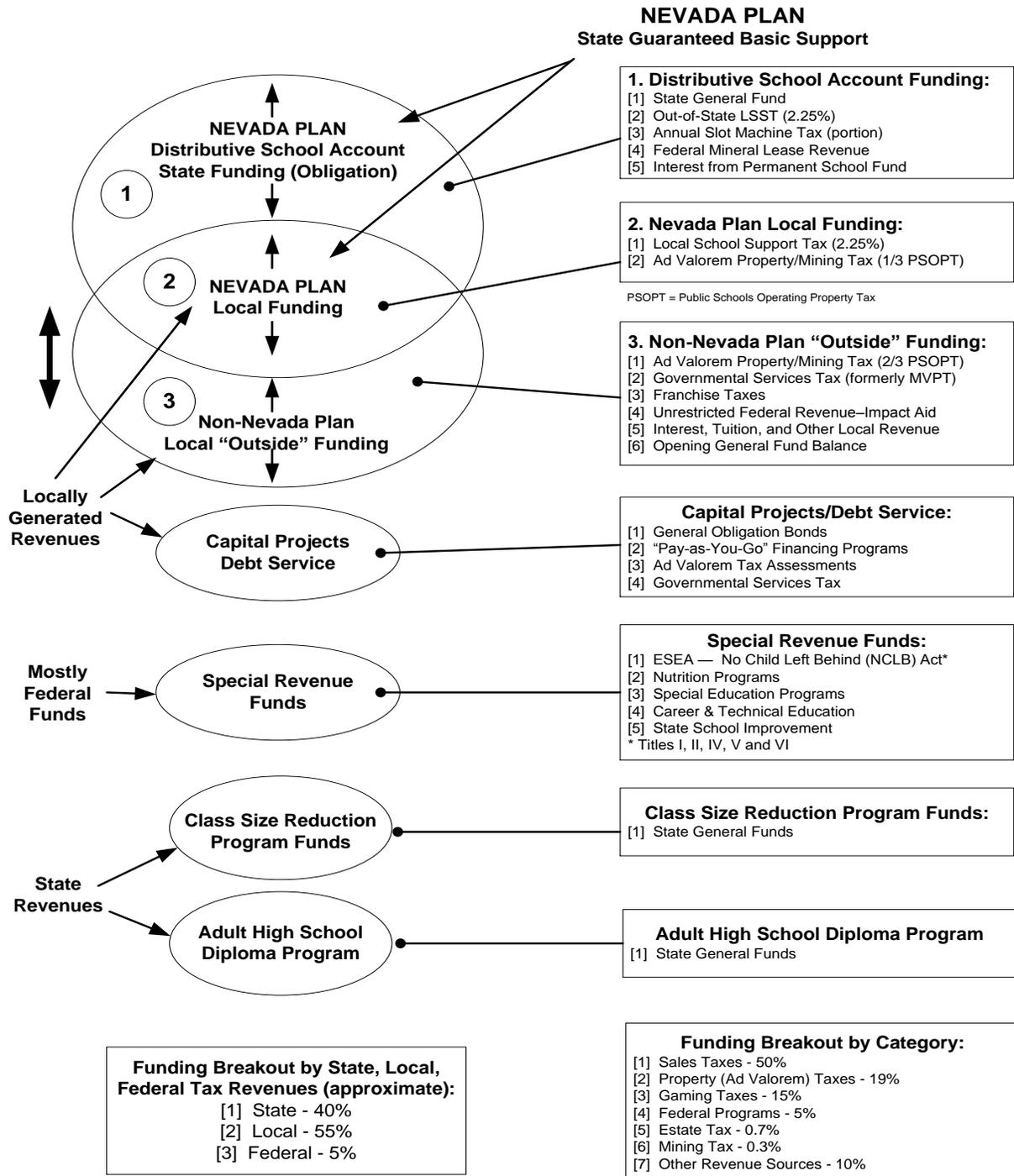
(3) The State Board of Education, through the Superintendent of Public Instruction and the Nevada Department of Education (NDE), is responsible for administering the Nevada Plan and determining an equitable allocation of the Legislatively-approved funds from the DSA to school districts and charter schools by means of an Equity Allocation Model [NRS 385.010, NRS 385.075, and NRS 385.310]. The DSA Equity Allocation Model is intended to recognize “wide local variations in wealth and costs per pupil...[and] supplement local financial ability to whatever extent necessary in each school district to provide programs of instruction...that offer full opportunity for every Nevada child to receive the benefit of the purposes for which public schools are maintained” [NRS 387.121].

(4) The Nevada Plan guaranteed financial support to public schools is composed of a combination of State revenues and two locally-generated, but State-mandated, tax revenue sources. The State revenue sources include, primarily: (a) General Fund revenues (consisting mainly of the State 2% sales taxes, gaming taxes, insurance tax, and an employment tax); (b) an Out-of-State 2.25% Local School Support Tax (OS-LSST) not attributable to any single

county or school district; and (c) a portion of the Annual Slot Machine Tax. (See the accompanying chart on funding of K-12 public schools on the following page for a complete listing of the State's school district funding sources.) The two locally-generated tax revenue sources of the Nevada Plan guarantee include: (a) a county-specific and apportioned 2.25% Local School Support Tax (LSST); and (b) a 1/3 (\$0.25) public schools operating property tax (PSOPT) (incorporating a net proceeds of minerals valuation property tax) [NRS 387.1235].

THE FUNDING OF K-12 PUBLIC SCHOOLS IN NEVADA

The "Nevada Plan" and Distributive School Account (DSA)



(5) Upon establishing a Legislatively-approved basic support funding level and a weighted apportionment enrollment, each school district's guaranteed basic support per pupil is determined uniquely by an equity allocation process (or model) that considers a number of school district-specific factors. These include pupil enrollments, licensed teacher and administrative staffing requirements based on a school district's urban or rural characteristics through the concept of "attendance areas," other classified salaries, operating and equipment cost characteristics, relative transportation costs, and local "wealth" which measures each school district's relative ability to raise local tax revenues from property taxes, vehicle taxes, and local franchise fees. These cost and wealth factors, considered on a per pupil basis, determine the relative level of State revenue support and the proportion of funding derived from locally-generated tax revenues [NRS 387.121, NRS 387.1233, and NRS 387.1235].

(6) On a Statewide basis, the shares of the Nevada Plan's three major components of the overall State guaranteed basic support (the top two right-hand boxes on the above chart) typically shows the following percentages: (a) State funding, approximately 40% of the Nevada Plan's total funding obligation; (b) locally-generated 2.25% LSST, approximately 50% of the total obligation; and (c) 1/3 (\$0.25) PSOPT, approximately 10% of the Nevada Plan's total funding obligation.

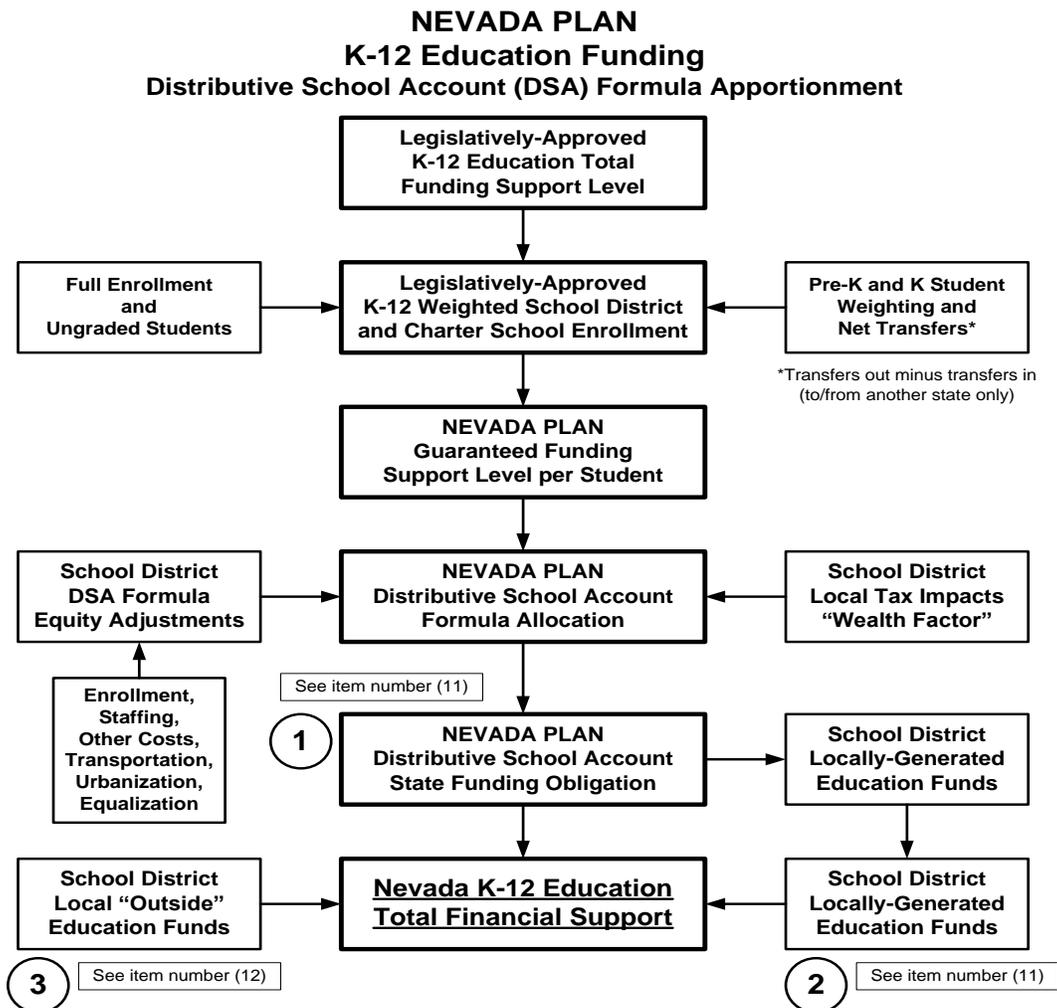
(7) The relative importance of the funding sources of the State's guaranteed basic support per pupil varies greatly from school district to school district. Each school district's ability to generate local sales taxes (LSST) and local property tax revenues (PSOPT) determines the level of State funding to make up any shortfalls to meet the Nevada Plan's basic support level guarantee. For example, the Lincoln County School District typically receives approximately 3.5% of its State-guaranteed funding from the locally-generated LSST and 4.5% from property taxes, with the State making up the remaining 92% of the district's overall basic support guarantee. On the other hand, the Clark County School District typically receives 48% of its State-guaranteed funding from the LSST and nearly 13% from property taxes, with the State making up the remaining 39% of its guaranteed basic support level (FY2008 figures).

(8) A school district's uniquely-determined basic support level under the Nevada Plan State guarantee is determined by multiplying the number of certified count day pupils times the basic support per pupil. The "certified" number of pupils for a given school year is based on a school district's "weighted apportionment enrollment" on its "count day", or the last school day of the first school month (or period). This figure includes the school district's full enrollment, with pre-Kindergarten and Kindergarten weighted at 60%, plus all ungraded pupils, plus net transfers (i.e., transfers out minus transfers in, to and from, respectively, an adjoining state only, and not between Nevada school districts) [NRS 387.1233(1)(a)(1) through (8), and NRS 392.010].

(9) For the actual apportionments made to school districts and charter schools, the official enrollment count used is based on a modification of the "weighted apportionment enrollment" for a "hold harmless" provision [NRS 387.1233(2) and (3)]. Under this concept, depending on a 5% threshold enrollment reduction, a school district's funding is based on the greatest weighted apportionment enrollment for the current school year and either the immediately preceding school year or the immediately preceding two school years, depending on the percentage level of declining enrollment from the preceding year (5% threshold enacted beginning FY2009).

(10) DSA payments to school districts and charter schools are generally made quarterly: August 1, November 1, February 1, and May 1 [NRS 387.124(1)]. Apportionments for funding purposes will initially be based on the school districts' and charter schools' best estimates of its enrollment. Subsequently, the certified "count day" figures will be used to make the remaining

quarterly DSA payments. Finally, after the end of the school year (and not later than August 25), adjustments will be made based on end-of-year audited pupil counts [NRS 387.1243(4)]. These end-of-year adjustments will account for such things as changes to audited enrollments, enrollment growth levels after count day, adjustments to special education unit allocations, non-traditional pupil cost adjustments, incorporation of final LSST and assessed valuation figures, and updates to the net proceeds of minerals for both the current year and prior year (NRS 387.1235). While DSA payments are primarily to be made quarterly, during periods of restricted cash flow in the State's General Fund the State Controller has the option to make such payments to school districts and charter schools on a monthly basis instead of a quarterly basis (i.e., "monthly" installments approximating one-twelfth of the yearly apportionment) [NRS 387.124(8)].



(11) The State's actual financial apportionment to a school district (i.e., the State's "obligation") under the Nevada Plan equals the difference between the Nevada Plan's total support level for that school district (per pupil guarantee and special education unit guarantee) and the school district's two locally-generated fund sources, i.e., the 2.25% LSST and the 1/3 (\$0.25) PSOPT.

In the diagram above, this constitutes the “State Funding Obligation” (circle number “1” in the diagram) and varies with the amount of locally-generated education funds (circle number “2” in the diagram). In this regard, no apportionment may be made by the State to a school district if the amount of the local funds as described above exceeds the amount of its basic support guarantee [NRS 387.124(1)].

(12) In addition to the Nevada Plan’s two basic components of funding – (a) State obligated revenues and (b) the two locally-generated fund sources – there is also a third major funding component for Nevada’s public schools. This third component of public school funding includes specifically-designated local school funding revenue sources which are not part (i.e., “outside”) of the State’s Nevada Plan guarantee. These fund sources consist primarily of a 2/3 (\$0.50) PSOPT, a governmental services tax (GST), franchise fees, unrestricted federal revenues, and interest and other local revenues dedicated to education (circle number “3” in the diagram above). Combined, these locally-generated education fund sources are commonly referred to as the school districts’ “outside” revenues, a term indicating that they constitute a school district’s funding sources outside of the Nevada Plan guarantee and the State’s funding obligation. The State has no obligation to cover any shortages of these fund sources.

PART II – Pupil Enrollment Terminology: As an integral component of enrollment counts, the Nevada Plan per pupil guarantee, the “building” of the Distributive School Account (DSA) budget process, the DSA Equity Allocation Model and per pupil funding guarantees, and the apportionment or payment of DSA funds to the school districts and charter schools, the following enrollment terms are provided.

[Notes: NRS = Nevada Revised Statutes; NAC = Nevada Administrative Codes.]

(1) **Full Enrollment** is the total count of pupils in public schools in all grades to include pre-kindergarten (pre-K), kindergarten (K), and grades 1 through 12, inclusive, as well as ungraded pupils. Ungraded refers to a pupil who is enrolled in a non-graded class in a school for special education or a pupil who cannot be assigned to a particular grade because of the nature of his or her condition (NAC 387.111).

(2) **Weighted Enrollment**, based on NRS 387.1233(1)(a), is the total count of pupils (i.e., the full enrollment determined in (1), above), with pre-K and K pupils weighted, or counted at 60% of their full enrollment count. Weighted enrollment includes ungraded pupils, but excludes net transfers (i.e., pupil transfers out of a school district minus pupil transfers in) as described in (3), below.

(3) **Weighted Apportionment Enrollment** is the weighted enrollment, determined in (2), above, adjusted to include net transfers, that is, weighted pupil transfers out of a school district (which are paid for in terms of DSA funding) minus weighted pupil transfers into the school district (which are not paid for). Pupil transfers are only counted between a school district or charter school and an adjoining state, not between other school districts or charter schools within Nevada. In essence, the State pays for Nevada pupils wherever educated. The weighted apportionment enrollment figure is used to calculate a school district’s or charter school’s total basic support level, or “Nevada Plan” guarantee, for a given school year.

(4) **“Hold Harmless” Weighted Apportionment Enrollment**, based on NRS 387.1233(2) and (3), known as the “hold harmless” provision, is the greatest weighted apportionment enrollment for the current school year and the immediately preceding one or two school

years (i.e., the most recent two or three consecutive school years). In essence, hold harmless applies if the current year's enrollment is less than the enrollment the immediately preceding year. If the decline is equal to or greater than 5% then a two-year hold harmless provision applies, otherwise a one-year provisions applies. This measure of enrollment is used to determine the actual apportionment of funds from the Distributive School Account to school districts and charter schools for a given year. This total apportionment amount is based on a school district's guaranteed basic support level per pupil (which was calculated using the current year's weighted apportionment enrollment from definition (3), above) times the hold harmless weighted apportionment enrollment, as applicable.

(5) **Hold Harmless Enrollment** represents the difference between the hold harmless weighted apportionment enrollment as described in definition (4), above, and the current year's weighted apportionment enrollment described in definition (3), above. The hold harmless enrollment measure provides a means to assess the fiscal effects (i.e., additional funding requirement, if any) to the Distributive School Account based on the hold harmless provision of NRS 387.1233(2) and (3).