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**Preliminary List of Fact Sheets for the Pupil Centered Funding Plan**

**Drafted as of April 15, 2020**

- Pupil Centered Funding Plan (overview)
- State Education Fund
- Statewide Base Per Pupil Funding and Adjusted Base Per Pupil Funding
- Hold Harmless Provision
- Education Stabilization Account
- New Reporting Requirements in SB 543
- Commission on School Funding

**In progress as of April 15, 2020**

- Cost Adjustments to the Statewide Base Per Pupil Funding Amount
- Pupil Centered Funding Plan Tier Levels
  - Tier A
  - Tier B
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  - Tier D
  - Tier E
- Accounting Requirements for School Districts and Schools
- Nevada Plan vs. Pupil Centered Funding Plan

## DRAFT

### Pupil Centered Funding Plan

#### What is the Pupil Centered Funding Plan?

Senate Bill 543 (2019 Session) replaces the Nevada Plan funding formula for K-12 education in the state of Nevada with the Pupil Centered Funding Plan (PCFP) beginning in the 2021-2023 biennium.

The PCFP combines specific local and state revenues to provide a basic level of financial support for each pupil to receive a reasonably equal education opportunity, regardless of which county they live in. The PCFP includes county specific adjustments that account for the variation in costs associated with educational services, such as the cost of living and the cost of labor in each county. The PCFP also includes weighted funding for identified groups of students.

Funding for the PCFP for K-12 education correlates to the future economic growth within the state; as the state's economy grows, funding for K-12 education is anticipated to grow, as well. Conversely, if the state's economy declines, funding for K-12 education will be reduced by an amount not greater than the rate of decrease anticipated for the state.

In SB 543, 2019 Legislature committed to its intent to ensure that the statewide base per pupil funding amount for a fiscal year will not be less than the amount for the prior fiscal year adjusted by inflation and enrollment, to the extent practicable. Additionally, SB 543 requires each Legislature to determine the statewide base per pupil funding amount, which is the amount determined to be sufficient to operate and provide general education to all pupils in the state.

The plan includes:

- Creation of the State Education Fund that includes all state and local revenue currently identified in SB 543 for K-12 education in Nevada
- Distribution of funding across five tier levels:
  - a) Nevada Department of Education and the State Board of Education
  - b) Auxiliary Services, such as transportation and food services
  - c) School Districts
  - d) Charter Schools and University Schools for Profoundly Gifted Pupils
  - e) School Districts, Charter Schools, and University Schools for Profoundly Gifted Students for specific categories of pupils eligible for additional weighted funding
- Creation of the Education Stabilization Account, which can be used to augment the State Education Fund if revenues are 97 percent or less than the authorized expenditures
- A hold harmless provision that protects school districts from a reduction in funding as the State transitions from the Nevada Plan to the PCFP

## DRAFT

### State Education Fund

#### What is the State Education Fund?

Senate Bill (SB) 543 (2019 Session) created the State Education Fund, which is a special revenue fund that combines specific local revenues and state revenues to support the operation of public schools in Nevada. The State Education Fund retains interest and income earned on the revenue in the funds, less any applicable charges.

Additionally, unexpended funds in the State Education Fund do not revert to the General Fund at the end of each fiscal year. Instead, unexpended funds in the State Education Fund balance forward to the next fiscal year.

#### What revenues are included in the State Education Fund?

According to SB 543, there are twenty sources of revenue included in the State Education Fund to support the Pupil Centered Funding Plan, including:

- Interest earned on the State Permanent School Fund (NRS 387.030)
- Room Tax (NRS 244.33561)
- Public School Operating Tax (PSOPT) (NRS387.195)
- Lease of Federal Lands (NRS 328.450(1) and NRS 328.460(1))
- Sales and Use Tax (NRS 360.850(2) and NRS 360.855(2))
- Net proceeds of Minerals and Geothermal Resources (NRS 362.170(4))
- Marijuana Tax Revenues
  - 10% of Retail Sales (NRS 372A.290(2))
  - 15% of Wholesale (NRS 372A.290(3))
  - Medical Marijuana (NRS 453A.344(3))
  - Marijuana taxes, fees, and penalties (NRS 453D.510)
- Local School Support Tax (LSST) (NRS 374.785)
- Slot Tax (NRS 463.385(1))
- Governmental Service Tax (482.181(3))
- Proceeds of certain taxes, fees, and penalties, including:
  - Law Enforcement Forfeiture Accounts (NRS179.1187(1))
  - Franchise Fees (NRS 709.110, NRS 709.230, NRS 709.270)
- General Fund appropriation

#### How are other revenues accounted in the State Education Fund?

SB 543 authorizes the Superintendent of Public Instruction to create other accounts within the State Education Fund to support the administration of funds received from the federal government, as well as State funds required to meet match or maintenance of effort (MOE) requirements required by the federal government. These funds are not included in the Pupil Centered Funding Plan (PCFP); therefore, the funds are not included in the statewide base per pupil funding amount.

The list below summarizes the funds that may be placed in a separate account within the State Education Fund and are excluded from the PCFP.

- Federal funds
- General Fund appropriation used at match or MOE for federal funds
- Funding for non-K-12 activities, including early childhood education and adult education
- Contingency Funds

#### **What is funded by the State Education Fund?**

- State Board of Education, Office of the Superintendent of Public Instruction, and Nevada Department of Education
- Auxiliary Services, such as transportation and food service, provided by school districts
- K-12 educational opportunities provided by school districts, charter schools and university schools for profoundly gifted students
- Weighted funding for specific categories of students served by school districts, charter schools and university schools for profoundly gifted students

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### Statewide Base Per Pupil Funding and Adjusted Base Per Pupil Funding

#### What is Statewide Base Per Pupil Funding?

The statewide base per pupil funding amount is a per pupil amount, determined by the legislature, that is deemed to be sufficient to fund the costs of all public schools in Nevada to operate and provide general education to all students. This amount does not include funding for the Nevada Department of Education, Ancillary Services, or weighted funding for specific student groups.

The statewide base per pupil amount for each year of an upcoming biennium is determined by the State Legislature based on the funding in the State Education Funding, including the General Fund revenue appropriation by the Legislature.

To the extent possible, it is the intent of the Legislature that the statewide base per pupil amount for a fiscal year will not be less than the amount for the previous fiscal year, adjusted by inflation and enrollment, unless the total revenue in the State Education Fund (excluding the Education Stabilization Account) decreases from the previous fiscal year.

#### What is the Adjusted Base Per Pupil Funding Amount?

The statewide base per pupil funding amount represents the average amount of funding available per pupil, estimated to be enrolled in a public school in Nevada. This average, however, does not reflect the variables that impact the costs incurred in each county associated with providing educational opportunities. Examples of these variables include costs of living and costs of labor, as well as economies of scale (it can be less expensive to serve a larger number of students in a more densely populated area). The adjusted base per pupil funding amount revises the per pupil amount based on these types' variables.

#### How is the Adjusted Base Per Pupil Funding Amount determined?

The Pupil Centered Funding Plan includes two adjusted base per pupil funding amounts – one for school districts and one for charter schools and university schools for profoundly gifted students.

The adjusted base per pupil funding amount for school districts is determined by applying the following adjustments to the statewide base per pupil funding amount:

1. Cost Adjustment Factor
2. Necessarily Small Schools Adjustment

### 3. Small School District Equity Adjustment

The cost adjustment factor accounts for variations between counties in the cost of living and the cost of labor.

The necessarily small schools adjustment accounts for the increased costs incurred by school districts when operating a public school for a small number of pupils.

The small school district equity adjustment accounts for the increased costs per pupil to operate a school district with relatively fewer pupils enrolled.

The adjusted base per pupil funding amount for charter schools and university schools for profoundly gifted students is determined by applying the Cost Adjustment Factor to the statewide base per pupil funding amount.

#### **How are these per pupil funding amounts used in the Pupil Centered Funding Plan?**

The Pupil Centered Funding Plan allocates funding as follows:

School districts receive the adjusted base per pupil funding for each pupil estimated to be enrolled in the school district during the applicable fiscal year.

Each charter school and university school for profoundly gifted students receive the statewide base per pupil funding amount for each pupil estimated to be enrolled full-time in a distance education program and adjusted base budget funding for each pupil estimated to be enrolled in the school during the applicable fiscal year.

Additionally, the multipliers established for the students eligible for weighted funding will be applied to the statewide base per pupil funding amount.

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### **Hold Harmless Provision**

#### **What is the intent of hold harmless?**

The 2019 Legislature established a hold harmless provision to protect school districts from an unexpected loss in revenues as the State transitions from the Nevada Plan to the Pupil Centered Funding Plan (PCFP). If a school district will receive less funding under the PCFP than it received in FY 2020, then the funding for the school district will be reset to the FY 2020 amount. If a school district receives funding under the hold harmless provision, the school district will also be granted flexibility to reapportion funding between its adjusted base per pupil funding and weighted funding, more closely mirroring the school district's FY 2020 budget.

If a school district receives less funding under the PCFP due to a decline in enrollment over two or more years, the Legislature is responsible for determining how to mitigate the financial impact. The decline in enrollment will be tracked beginning in FY 2022, when the PCFP is implemented.

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**Education Stabilization Account**

**What is the Education Stabilization Account?**

The Education Stabilization Account allows the State to set aside surplus revenue designed for K-12 education. These funds may be utilized if the State experiences declining revenues or budget deficits during a fiscal year. If the revenue collected in the State Education Fund is 97 percent or less than the amount authorized by the Legislature for that fiscal year, the Interim Finance Committee of the Legislature may authorize a transfer from the Education Stabilization Account to the State Education Fund, ensuring the Fund remains appropriately funded.

As the Education Stabilization Account grows, over time, excess revenue in the account may be transferred to the State Education Fund. For instance, if the balance in the Education Stabilization Account at the end of a fiscal year exceeds 15 percent of the revenue in the State Education Fund for the prior fiscal year, then the amount greater than 15 percent will be transferred to the State Education Fund.

**How is the Education Stabilization Account funded?**

The Education Stabilization Account is funded through transfers from local school districts and the State Education Fund. At the end of each fiscal year, each school district will transfer the amount of its ending fund balance that exceeds 16.6 percent of its total (actual) expenditures for the fiscal year. Additionally, any balance remaining in the State Education Fund at the end of a fiscal year will be transferred to the Education Stabilization Account. The Education Stabilization Account may earn interest and income, both of which will remain in the account.

These transfers begin in FY 2022, when the Pupil Centered Funding Plan is implemented.

**What if a school district's ending fund balance already exceeds 16.6 percent?**

At the end of FY 2020, if a school district has an ending fund balance greater than 16.6 percent of the total budgeted expenditures for FY 2020, the school district may maintain all of its ending fund balance until such time as the balance decreases below 16.6 percent. For example:

FY 20 Ending Fund Balance = 20% of total budgeted expenditures → school district may retain ending fund balance; does NOT transfer to Education Stabilization Account

FY 21 Ending Fund Balance = 20% → continue to retain ending fund balance  
or

FY 21 Ending Fund Balance = 22% → 2% transfers to the Education Stabilization Account



If a school district has an ending fund balance greater than 16.6 percent of total expenditures as of June 30, 2020, that becomes the new threshold for the ending fund balance in the subsequent fiscal year.

The ending fund balance in each subsequent fiscal year may not exceed the ending fund balance for the immediately preceding fiscal year. Any amount over the preceding fiscal year's ending fund balance percentage must be transferred to the Education Stabilization Account.

For example:

FY 20 Ending Fund Balance = 20% of total budgeted expenditures → resets the baseline to 20% for the succeeding FY

FY 21 Ending Fund Balance = 22% → 2% transfers to Stabilization Account

FY 22 Ending Fund Balance = 22% → 0 transfers to the Stabilization Account

For a school district with an ending fund balance greater than 16.6 percent as of June 30, 2020, once a school district has reduced its ending fund balance to below 16.6 percent, then any amount over 16.6 percent will transfer to the Education Stabilization Account at the end of each fiscal year.

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### **PCFP New Reporting Requirements**

#### **Are there new reporting requirements for the Pupil Centered Funding Plan?**

Although Senate Bill (SB) 543 (2019 Session) added some additional reporting requirements due to the implementation of the Pupil Centered Funding Plan (PCFP), many of the existing reporting requirements currently in statute remain in place.

The Pupil Centered Funding Plan adds reporting requirements for the Nevada Department of Education (NDE), school districts, and all public schools. These reporting requirements are in alignment with Every Student Succeeds Act (ESSA), which went into effect in 2020.

#### **What are the new reporting requirements for the Nevada Department of Education?**

By February 1 of each odd-number year, the Department will prepare and submit a report to the Commission on School Funding (Commission) that includes a description of personnel and services it reasonably believes an average elementary, middle, and high school could employ based on the Governor’s recommended budget. This report is referred to as the “Average Schools Report.”

The Department will submit a revised Average Schools Report, which includes the recommendations of the Commission, to the Director of the Legislative Counsel Bureau, who will then share the report with the members of the Legislature. This report must also be posted on the Department’s website on or before March 1 of each odd-numbered year.

Following the end of the legislative session the Department will update the Average Schools Report to reflect the legislatively approved budget for the first fiscal year of the biennium. This report must be submitted to the Commission on or before July 1 of each odd-numbered year.

The Department will then submit the Average Schools Report based on the legislatively approved budget for that fiscal year to the Commission. The revised report, which incorporates the recommendations of the Commission, will be submitted to the Director of the Legislative Counsel Bureau, who will then share the report with the members of the Legislature. This report must also be posted on the Department’s website August 1 of each odd-numbered year.

This process is repeated for the even-numbered fiscal year, updating the Average Schools Report based on the legislatively approved budget for the second fiscal year of the biennium.

#### **What are the new reporting requirements for school districts?**

By October 1 of each year, in a format prescribed by NDE, each school district will create a report that includes a description of personnel and services provided by the school district during the immediately preceding school year. The school district's report must also include any anticipated changes it will be making to the personnel and services during the current school year. The report must be posted on a website maintained by the school district.

### **What are the new reporting requirements for public schools?**

Similar to the reporting requirement for school districts, each public school will create a report that includes a description of personnel and services provided by the school during the immediately preceding school year. The school will also include any anticipated changes it will be making to the personnel and services during the current school year in the report. This report is due on or before October 1 of each year, in a format prescribed by NDE.

Additionally, SB 543 requires that each school provide a written copy of the report to the parent or guardian of each student that attends the school and must post a copy of the school's report on its website, if the school has a website.

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### **Commission on School Funding**

#### **What is the Commission on School Funding?**

Senate Bill (SB) 543 created the 11-member Commission on School Funding to guide the implementation of the Pupil Centered Funding Plan, which will replace Nevada's current K-12 education funding plan that was established more than 50 years ago.

#### **Who Serves on the Commission for School Funding?**

The Commission on School Funding consists of eleven appointed members, who may not be Legislators. The members are appointed as follows:

- One member appointed by the Governor, who serves as the Chair
- Four members appointed by the Governor, who were nominated by the Nevada Association of School Superintendents, two of whom are the chief financial officer of a school district in the State with more than 40,000 pupils and two of whom are the chief financial officer of a school district in the State with less than 40,000 pupils.
- Two members are appointed by the Majority Leader of the Senate
- Two members appointed by the Speaker of the Assembly
- One member is appointed by the Minority Leader of the Senate
- One member is appointed by the Minority Leader of the Assembly

#### **What are the qualifications for those serving on the Commission for School Funding?**

Each member of the Commission must have relevant experience in public education; fiscal policy, school finance or related financial activities; education, experience and skills necessary to execute the duties and responsibilities of the Commission; and have demonstrated ability in the field of economics, taxation or other discipline related to school finance. Additionally, each member must be a resident of Nevada and must not been registered as a lobbyist for at least two years prior to being appointed to serve on the Commission.

#### **What is the term for members of the Commission on School Funding?**

Each member serves a three-year term. Members may be reappointed for additional terms.

## What are the duties of the Commission on School Funding?

The Commission's duties are outlined in SB 543 and include the following:

- Provide guidance to school districts and the Department on the implementation of the PCFP
  - Review laws and regulations relating to education and make recommendations for revisions needed to improve the efficiency or effectiveness of public education to the Legislative Committee on Education and notify each school district of such recommendations
  - Review the statewide base per pupil funding amount, the adjusted base per pupil funding for each district, and the multiplier for weighted funding for each category of pupils and recommend any revisions the Commission determines to be appropriate to create an optimal level of funding for the public schools in this State, including:
    - potentially recommending the creation or elimination of one or more categories of pupils receiving weighted funding
  - Review and recommend to the Department revisions of the cost adjustment factors for each county, the method for determining the adjustment for each necessarily small school, and the method for calculating the small district equity adjustment
- Project the distribution of public-school funding for the 2019-21 biennium as if the provisions of SB 543 were in effect and compare the projection to the projected distribution of funding under existing law (the Nevada Plan) for the 2019-2021 biennium
- Monitor the implementation of the Pupil-Centered Funding Plan and make recommendations to the Legislative Committee on Education (LCE) that the Commission determines would, within the limits of appropriated funding, improve the implementation of the PCFP or correct any deficiencies of the Department or any school district or public school in carrying out the PCFP
- Review the Department's report (due to the Commission on or before February 1 of each odd-numbered year and transmitted to the LCB and posted on a Department website no later than March 1 of each odd-numbered year) that includes a description of the personnel and services that the Department reasonably believes an average elementary, middle, and high school in the State could employ and provide using the amount of money for public education contained in the proposed executive budget when combined with all other money expected to be available for public education.
- Review the Department's report (due to the Commission on July 1 of each year and transmitted to the LCB and posted on a Department website no later than August 1 of each year) on the description of the personnel and services the Department reasonably believes an average elementary, middle, and high school could employ using the amount of money for public education appropriated by the Legislature when combined with all other money expected to be available for public education
- If the Commission makes a recommendation that would require more money to implement than what was appropriated from the State Education Fund in the immediately preceding biennium, the Commission shall also identify a method to fully fund the recommendation within 10 years after the date of the recommendation

**How often does the Commission on School Funding meet?**

The Commission currently meets monthly; however, the frequency of the meetings is not established in statute.