

The background features a dark, textured surface with faint, light-colored chalk-like drawings of various items: a globe, a microscope, a stack of books, a pencil, a ruler, a compass, and a percentage sign. The main title is centered in a white rectangular area.

Summary of Preliminary Recommendations Regarding Optimal Funding

Commission on School Funding
September 17, 2021

Preliminary Recommendations

- Optimal Fund Levels
- Optimal Funding
- Definitions and Time Frames
- Financial Targets
- Funding Scenarios
- Revenue Considerations
- Guiding Principles
- Taxes that Meet Guiding Principles
- Next Steps

Optimal Funding Levels

- Restoration
 - 2019-2021 budgeted dollars including inflation and enrollment
- Adequate
 - Benchmarks (Total for all categories: Base + Weights + Auxiliary)
 - Nevada \approx \$9,249
 - National Average Per Pupil Funding \approx \$12,645
 - APA Professional Judgment (adj. for inflation) \approx \$14,337
- Optimal
 - Conceptual and not specifically defined at this point making it difficult to quantify in terms of educational services, input/outputs and costs

Financial Targets

- Scenario 1a & 1b: Achieve national average over 10 years (1a) or 8 years (1b)
 - \$12,645 per pupil (in FY2020 dollars)
 - \$2.88 billion additional
- Scenario 2a & 2b: Achieve the APA recommended level over 10 years or 8 years
 - \$14,337 per pupil (in FY2020 dollars)
 - \$3.2 billion additional

Scenarios 1a & 1b

Scenario 1a (Table 3)

		National Average Funding Level (10-Year Phase In)				Status Quo Funding Level		Resulting Shortfall	
School Year (ending)		Estimated Enrollment	Phase-In Percentage	Required Per Pupil Funding Level (Inflation Adjusted)	Required Total Funding (Inflation Adjusted)	Pupil Funding Level (Inflation Adjusted)	Total Funding (Inflation Adjusted)	Incremental Shortfall	Aggregate Shortfall
Year 1	1 2022	489,724	10%	\$ 9,977	\$ 4,886,025,580	\$ 9,623	\$ 4,712,548,232	\$ 173,477,348	\$ 173,477,348
Year 2	2 2023	492,172	20%	\$ 10,538	\$ 5,186,496,451	\$ 9,815	\$ 4,830,833,192	\$ 182,185,911	\$ 355,663,259
Year 3	3 2024	494,633	30%	\$ 11,117	\$ 5,498,972,716	\$ 10,012	\$ 4,952,087,106	\$ 191,222,351	\$ 546,885,610
Year 4	4 2025	497,106	40%	\$ 11,716	\$ 5,823,867,744	\$ 10,212	\$ 5,076,384,492	\$ 200,597,642	\$ 747,483,252
Year 5	5 2026	499,592	50%	\$ 12,333	\$ 6,161,608,095	\$ 10,416	\$ 5,203,801,743	\$ 210,323,100	\$ 957,806,352
Year 6	6 2027	502,090	60%	\$ 12,971	\$ 6,512,633,916	\$ 10,624	\$ 5,334,417,166	\$ 220,410,398	\$ 1,178,216,750
Year 7	7 2028	504,600	70%	\$ 13,629	\$ 6,877,399,359	\$ 10,837	\$ 5,468,311,037	\$ 230,871,572	\$ 1,409,088,322
Year 8	8 2029	507,123	80%	\$ 14,309	\$ 7,256,373,003	\$ 11,054	\$ 5,605,565,644	\$ 241,719,037	\$ 1,650,807,358
Year 9	9 2030	509,659	90%	\$ 15,010	\$ 7,650,038,293	\$ 11,275	\$ 5,746,265,342	\$ 252,965,593	\$ 1,903,772,951
Year 10	10 2031	512,207	100%	\$ 15,734	\$ 8,058,893,993	\$ 11,500	\$ 5,890,496,602	\$ 264,624,440	\$ 2,168,397,391

Scenario 1b (Table 4)

		National Average Funding Level (8-Year Phase In)				Status Quo Funding Level		Resulting Shortfall	
School Year (ending)		Estimated Enrollment	Phase-In Percentage	Required Per Pupil Funding Level (Inflation Adjusted)	Required Total Funding (Inflation Adjusted)	Pupil Funding Level (Inflation Adjusted)	Total Funding (Inflation Adjusted)	Incremental Shortfall	Aggregate Shortfall
Year 1	1 2024	494,633	13%	\$ 10,472	\$ 5,179,956,110	\$ 10,012	\$ 4,952,087,106	\$ 227,869,004	\$ 227,869,004
Year 2	2 2025	497,106	25%	\$ 11,152	\$ 5,543,561,524	\$ 10,212	\$ 5,076,384,492	\$ 239,308,028	\$ 467,177,032
Year 3	3 2026	499,592	38%	\$ 11,854	\$ 5,922,156,507	\$ 10,416	\$ 5,203,801,743	\$ 251,177,732	\$ 718,354,764
Year 4	4 2027	502,090	50%	\$ 12,580	\$ 6,316,264,458	\$ 10,624	\$ 5,334,417,166	\$ 263,492,527	\$ 981,847,291
Year 5	5 2028	504,600	63%	\$ 13,330	\$ 6,726,425,610	\$ 10,837	\$ 5,468,311,037	\$ 276,267,282	\$ 1,258,114,573
Year 6	6 2029	507,123	75%	\$ 14,105	\$ 7,153,197,543	\$ 11,054	\$ 5,605,565,644	\$ 289,517,326	\$ 1,547,631,899
Year 7	7 2030	509,659	88%	\$ 14,906	\$ 7,597,155,711	\$ 11,275	\$ 5,746,265,342	\$ 303,258,471	\$ 1,850,890,369
Year 8	8 2031	512,207	100%	\$ 15,734	\$ 8,058,893,993	\$ 11,500	\$ 5,890,496,602	\$ 317,507,022	\$ 2,168,397,391

Scenarios 2a & 2b

Scenario 2a (Table 5)

		Adjusted APA Funding Level (10-Year Phase In)				Status Quo Funding Level		Resulting Shortfall	
School Year (ending)		Estimated Enrollment	Phase-In Percentage	Required Per Pupil Funding Level (Inflation Adjusted)	Required Total Funding (Inflation Adjusted)	Pupil Funding Level (Inflation Adjusted)	Total Funding (Inflation Adjusted)	Incremental Shortfall	Aggregate Shortfall
Year 1	1 2022	489,724	10%	\$ 10,152	\$ 4,971,775,876	\$ 9,623	\$ 4,712,548,232	\$ 259,227,644	\$ 259,227,644
Year 2	2 2023	492,172	20%	\$ 10,895	\$ 5,362,301,708	\$ 9,815	\$ 4,830,833,192	\$ 272,240,872	\$ 531,468,516
Year 3	3 2024	494,633	30%	\$ 11,664	\$ 5,769,299,669	\$ 10,012	\$ 4,952,087,106	\$ 285,744,047	\$ 817,212,563
Year 4	4 2025	497,106	40%	\$ 12,459	\$ 6,193,350,623	\$ 10,212	\$ 5,076,384,492	\$ 299,753,568	\$ 1,116,966,131
Year 5	5 2026	499,592	50%	\$ 13,281	\$ 6,635,054,219	\$ 10,416	\$ 5,203,801,743	\$ 314,286,345	\$ 1,431,252,476
Year 6	6 2027	502,090	60%	\$ 14,131	\$ 7,095,029,462	\$ 10,624	\$ 5,334,417,166	\$ 329,359,820	\$ 1,760,612,296
Year 7	7 2028	504,600	70%	\$ 15,010	\$ 7,573,915,313	\$ 10,837	\$ 5,468,311,037	\$ 344,991,979	\$ 2,105,604,276
Year 8	8 2029	507,123	80%	\$ 15,918	\$ 8,072,371,293	\$ 11,054	\$ 5,605,565,644	\$ 361,201,373	\$ 2,466,805,649
Year 9	9 2030	509,659	90%	\$ 16,857	\$ 8,591,078,122	\$ 11,275	\$ 5,746,265,342	\$ 378,007,131	\$ 2,844,812,780
Year 10	10 2031	512,207	100%	\$ 17,826	\$ 9,130,738,358	\$ 11,500	\$ 5,890,496,602	\$ 395,428,976	\$ 3,240,241,756

Scenario 2b (Table 6)

		Adjusted APA Funding Level (8-Year Phase In)				Status Quo Funding Level		Resulting Shortfall	
School Year (ending)		Estimated Enrollment	Phase-In Percentage	Required Per Pupil Funding Level (Inflation Adjusted)	Required Total Funding (Inflation Adjusted)	Pupil Funding Level (Inflation Adjusted)	Total Funding (Inflation Adjusted)	Incremental Shortfall	Aggregate Shortfall
Year 1	1 2024	494,633	13%	\$ 10,700	\$ 5,292,592,340	\$ 10,012	\$ 4,952,087,106	\$ 340,505,235	\$ 340,505,235
Year 2	2 2025	497,106	25%	\$ 11,616	\$ 5,774,488,324	\$ 10,212	\$ 5,076,384,492	\$ 357,598,597	\$ 698,103,832
Year 3	3 2026	499,592	38%	\$ 12,565	\$ 6,277,241,100	\$ 10,416	\$ 5,203,801,743	\$ 375,335,525	\$ 1,073,439,357
Year 4	4 2027	502,090	50%	\$ 13,547	\$ 6,801,594,080	\$ 10,624	\$ 5,334,417,166	\$ 393,737,556	\$ 1,467,176,913
Year 5	5 2028	504,600	63%	\$ 14,563	\$ 7,348,314,855	\$ 10,837	\$ 5,468,311,037	\$ 412,826,904	\$ 1,880,003,817
Year 6	6 2029	507,123	75%	\$ 15,614	\$ 7,918,195,940	\$ 11,054	\$ 5,605,565,644	\$ 432,626,478	\$ 2,312,630,296
Year 7	7 2030	509,659	88%	\$ 16,701	\$ 8,512,055,544	\$ 11,275	\$ 5,746,265,342	\$ 453,159,906	\$ 2,765,790,202
Year 8	8 2031	512,207	100%	\$ 17,826	\$ 9,130,738,358	\$ 11,500	\$ 5,890,496,602	\$ 474,451,554	\$ 3,240,241,756

Revenue Considerations

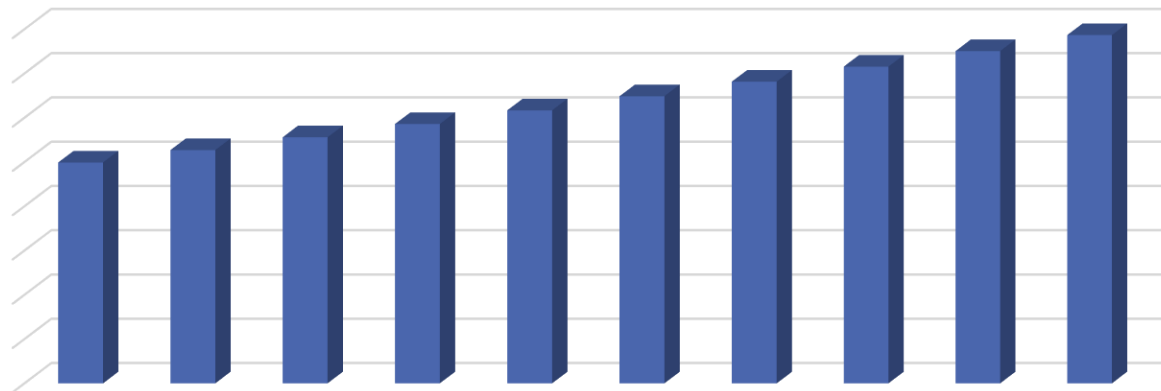
- Examine Nevada's tax system
- Adjust the way existing taxes are collected or managed
- Improve the efficiency of the tax base (property taxes)
- Maximize the economic and social benefits
- Explore other new, or different, revenue sources



Revenue - Guiding Principles

1. **Sufficiency** - The ability of the realized revenue to sufficiently fund targeted expenses.
2. **Stability/Predictability** - The ability of the tax to produce consistent and/or expected revenue in the face of changing economic circumstances over time.
3. **Competitiveness** - Maintaining a reasonable competitive balance with bordering states.
4. **Equity - Horizontal & Vertical** - Individuals with similar wealth should pay about the same amount in taxes and those individuals with the ability to pay more taxes should contribute more.

Sufficiency, Stability, Competitive, Equitable



Preliminary Funding Sources

- Two sources of revenue emerged that met the guiding principles
 - Property Taxes
 - Sales and Use Tax

Property Taxes – (a.k.a. Ad Valorem Taxes)

- Sufficient
- Stable/predictable
- Competitive
- Equitable
- Abatements (preliminary focus)
 - 3% for owner-occupied residential property
 - 8% for nonresidential property
- Depreciation (preliminary focus)
 - 1.5% per year for 50 years to a residual value of 25%
- Tax cap
 - Constitution \$5 per \$100 of assessed valuation
 - NRS \$3.64 per \$100 (plus a 2 cent State rate outside of the cap – Question 1 Bond)
- Replacement cost vs market value

Note: Property tax increases may reduce federal tax obligations

Sales and Use Tax

- Sufficient
 - Stable/predictable
 - Competitive
 - Equitable
- Retail purchase of tangible personal property not otherwise exempt
 - Exemptions (preliminary focus)
 - Services (not tangible and are implicitly exempt)
 - Approximately 2/3 of the overall economy
 - Tangible goods
 - Distinguish between discretionary and nondiscretionary goods and services

Next Steps

- Examine and identify potential changes to property and sales tax
- Quantify the potential impact or increased revenue
- Make recommendations toward optimal funding

- The Commission also recommended that funds be allocated to support work with NDE:
 - NDE process, performance and change management review, and
 - A “costing out” study using the professional judgement approach analysis of actual expenditures to determine the investment to meet Optimal funding