

NEVADA COMMISSION ON SCHOOL FUNDING

March 27, 2026



Regional Cost Adjustment Considerations in Nevada

Q1

Should regional cost adjustments be maintained in the State of Nevada?

YES or NO?

Q2

What are the most appropriate adjustments that should be considered?

WHAT?

Q3

How should regional cost adjustments be implemented?

HOW?

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Regional Cost Adjustments

Overview

- Adjusts school funding to account for geographic cost differences
- Ensures \$1 of education funding has comparable purchasing power in every region
- Promotes funding equity by recognizing that schools in higher-cost areas need more funds to recruit and retain similar-quality staff as lower-cost areas
- Without a cost adjustment, a district in a higher-cost region is effectively funded at a lower real level compared to other districts despite receiving the same amount of per-pupil funding

Regional Cost Adjustments

Overview

- About a dozen states use Regional Cost Adjustments (RCAs) in funding formulas
- Methodologies include:
 - Comparable Wage Index (CWI)
 - Hedonic Wage Index (HWI)
 - Cost of Living Index (COLI)

Cost Adjustment Factor

Nevada Law

- NRS 387.1215 – Establishment of cost adjustment factor for certain public schools in each county
 - To account for variation between the counties of this State in **the cost of living and the cost of labor**, the Department shall establish by regulation cost adjustment factors for the school district located in, and each charter school that provides classroom-based instruction in, each county of this State.

Attendance Area Adjustment

Nevada Law

- NRS 387.1218 – Establishment of attendance area adjustment
 - To account for **the increased cost per pupil to operate public schools in areas with lower population density**, the Department shall establish by regulation an attendance area adjustment for each relevant portion of a school district in which the Department determines additional money is necessary for a pupil enrolled in a public school in the area **to receive a reasonably equal educational opportunity as a pupil enrolled in a public school in an area with a higher population density**.

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Nevada Cost of Education Index

Overview

- The Nevada Cost of Education Index (NCEI) was developed as the cost adjustment factor under the Pupil-Centered Funding Plan
- Designed by APA, the NCEI blends federal data for costs of labor and doing business
 - Cost of Labor – Uses CWI method to measure differences in labor costs
 - Cost of Doing Business – Uses regional price indexes to measure differences in cost of goods
 - Costs of labor and doing business are weighted based on shares of education expenses (about 85 percent labor)

Nevada Cost of Education Index

Evaluation

- Strengths
 - CWI is most common methodology for RCAs
 - Uses federal data that is readily available and regularly updated
 - Less complex and resource intensive than other methods
- Limitations
 - Data lags a year or two
 - Geographic-specific data limited to most-populous areas
 - Does not factor in cost of living

Potential Adjustments

Data Sourcing

- Identify county-level data that is already collected by the state that could be used for NCEI purposes
- Implement a process to collect wage and price data for every county
 - Massachusetts, Maine and others collect wage data for RCA formulas
- Identify alternative wage indexes
 - Comparable Wage Index for Teachers (CWIFT) from NCES
 - Compares regional salaries of college graduates who are not K-12 educators
 - Similar methodology to CWI component of NCEI

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Potential Implementation Strategies

Funding Level Trigger

- NCEI triggered when per-pupil funding reaches a certain level
 - Reaches national average
 - Nevada: \$12,580
 - U.S. average: \$17,470
 - Reaches a percentage of the national average
 - Nevada is currently 72 percent of U.S. average
 - 80 percent of U.S. average: \$13,970
 - 90 percent of U.S. average: \$15,720

KEY BENEFIT

Allows funding levels to potentially increase in the future, providing more flexibility and fewer negative implications

Potential Implementation Strategies

Phase In

- NCEI phased in to funding formula over time
 - NCEI phased in over number of years (5 or 10 years, for example)
 - Can be implemented in conjunction with funding trigger
 - Allows for gradual adjustment to shifts in funding

KEY BENEFIT

Provides an early-warning system if there are unintended consequences or local economics change over time

Potential Implementation Strategies

Floor Provision

- Establishes a minimum floor for NCEI adjustment
 - Used in some states to limit downward funding adjustments
 - Limits potential funding volatility

KEY BENEFIT

Limits funding reductions in specific districts (i.e., funding transfers) while providing predictability for district operators

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