

# **Nevada's New Pupil Centered Funding Plan As Authorized by SB543 (2019)**

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**Washoe County  
School District**

# Purpose of this Presentation

- In 2019, Senate Bill 543 was passed into law. This bill replaces the current “Nevada Plan” and thus changes the way that school districts will be funded in Nevada, effective on 7/1/21 (FY22).
- The new funding plan is called the “Pupil Centered Funding Plan”, or PCFP.
- This presentation will discuss the differences between the current way that school districts are funded, which is called “The Nevada Plan”, and this new plan.
- Be aware: There are some positive aspects of the new plan and, at least for Washoe County School District, some negative aspects of the new plan.

# Summary of the Pupil Centered Funding Plan

- The new plan greatly streamlines how school districts are funded.
- Instead of categorical programs like “Zoom” or “Victory”, the new plan provides permanent funding for four “weighted” categories: Special Education, English Learners, At-Risk, and Gifted & Talented.
- The new plan also consolidates all K-12 funding at the State level and makes a number of important changes to the “plumbing” of how school districts are funded.
- The new plan does **not** increase the inadequate level of funding for school districts in Nevada. Neither the old Nevada Plan or the new plan dictates how much money the state spends on education.



# Capital Funding is not Affected by PCFP

- The new plan only affects operational funding of school districts.
- Districts continue to be responsible for funding capital improvements and capital funding sources will continue to go to Districts.



# Background



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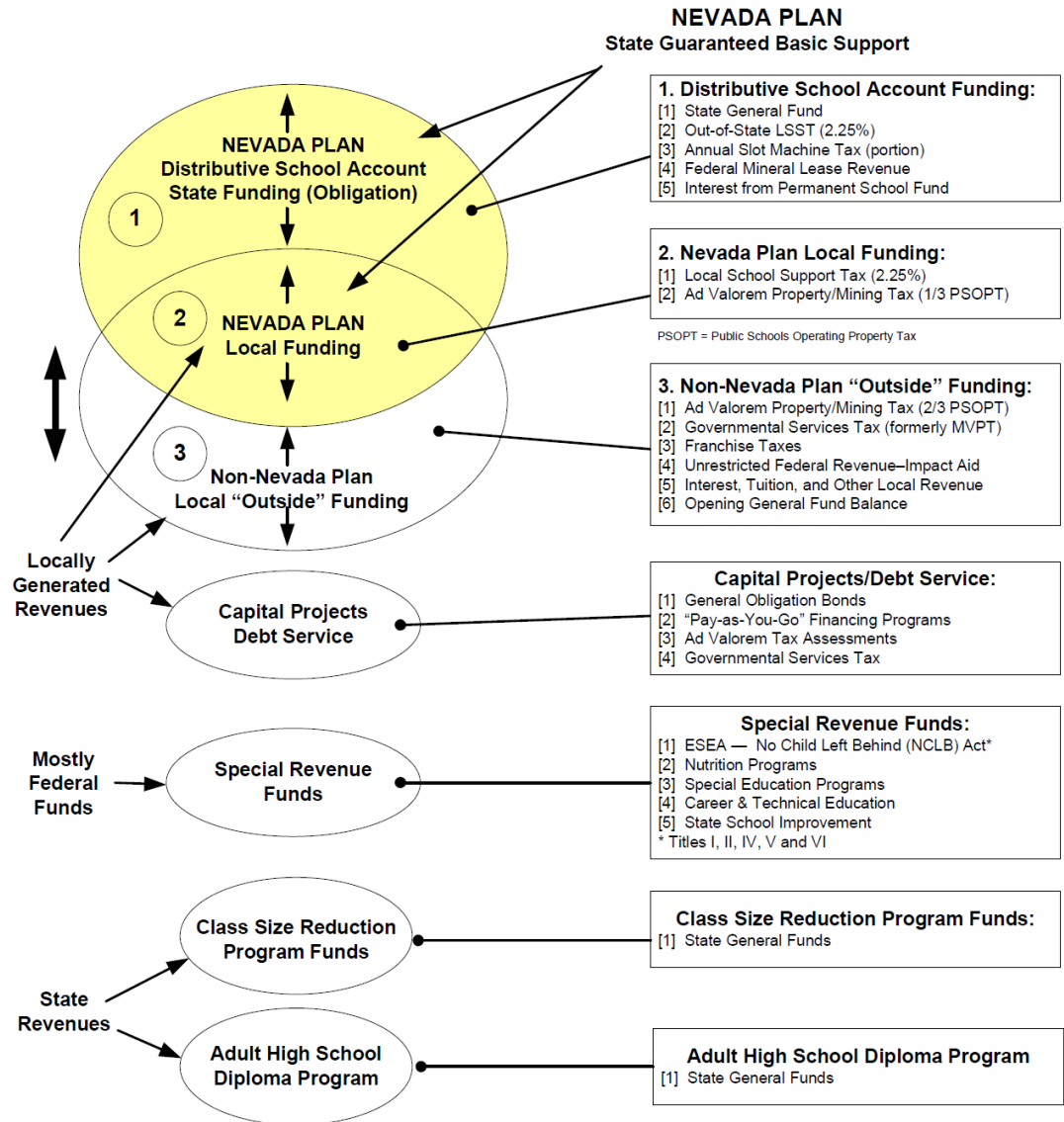
# The “Nevada Plan”

- The previous system for funding schools was called the Nevada Plan for School Finance (the “Nevada Plan”). Originally enacted in 1967, it provided a statewide, formula-based funding mechanism for K-12 public schools.
- Over time, a number of categorical programs (Read by Grade 3, Zoom, Victory, SB178) were created to address specific areas.
- The result is that Nevada’s current system of funding is fragmented, confusing and did not allow policy makers to see how funding was used to improve outcomes.
- The objective of SB543 was to modernize the Nevada Plan to make Nevada’s education expenditures easier to understand, more efficient and more student-centered.



# Diagram of the “Nevada Plan”

## THE FUNDING OF K-12 PUBLIC SCHOOLS IN NEVADA The “Nevada Plan” and Distributive School Account (DSA)



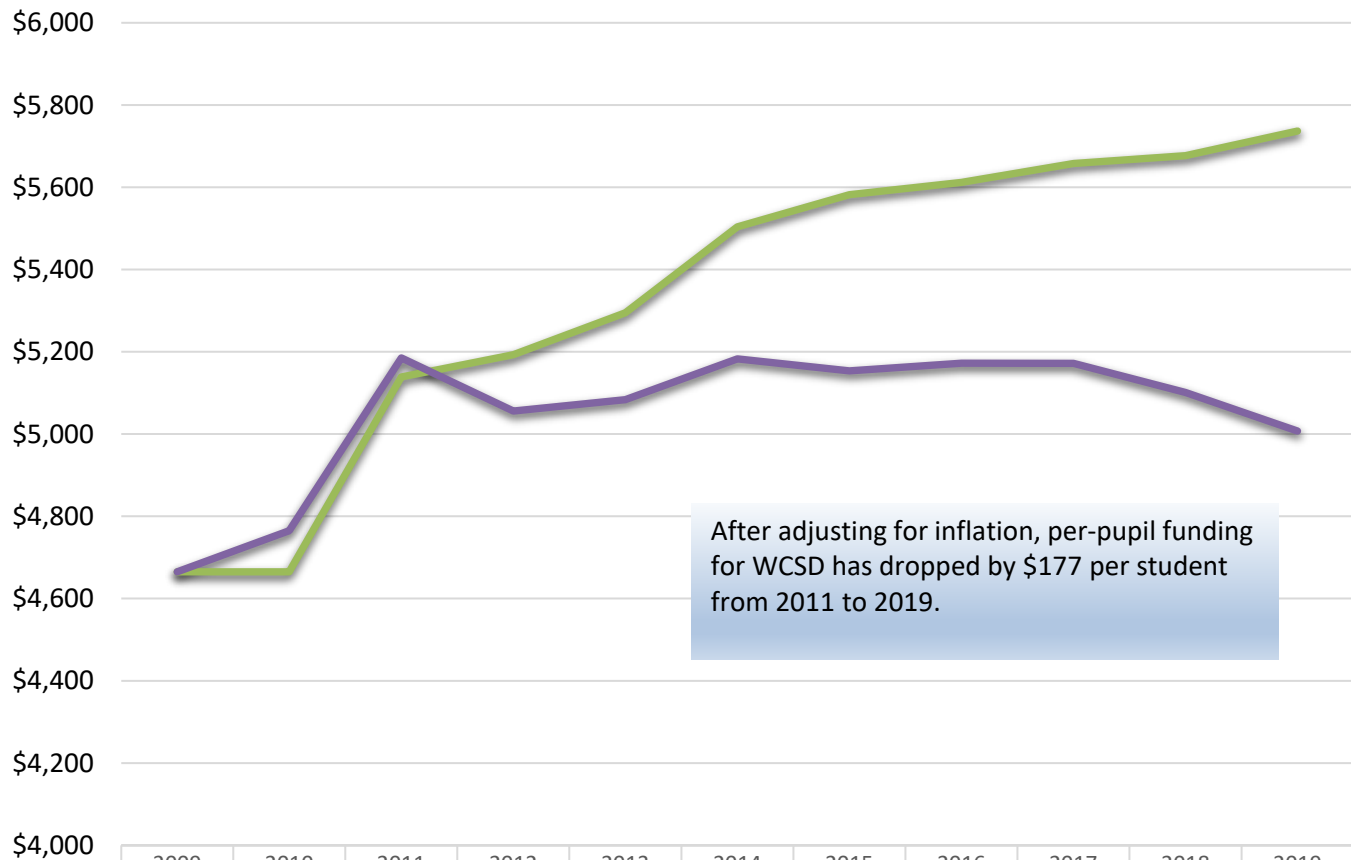
# K-12 Revenues under the Nevada Plan

- Uses a hybrid form of funding with some revenues “inside” the Nevada Plan and some revenues like 2/3 of property taxes “outside” the Plan.
- This creates the illusion that local districts have some autonomy over a portion of revenues, or that local revenues “make up” any shortfall of State funding.
- Per-Pupil Guarantee Trade-off
  - The per-pupil amount to school districts is guaranteed .... until it’s not.
  - In return, K-12 does not receive any “upside” during economic booms, as any additional revenue beyond what is budgeted goes to the State General Fund.





# Per-Pupil Funding for WCSD before 2020

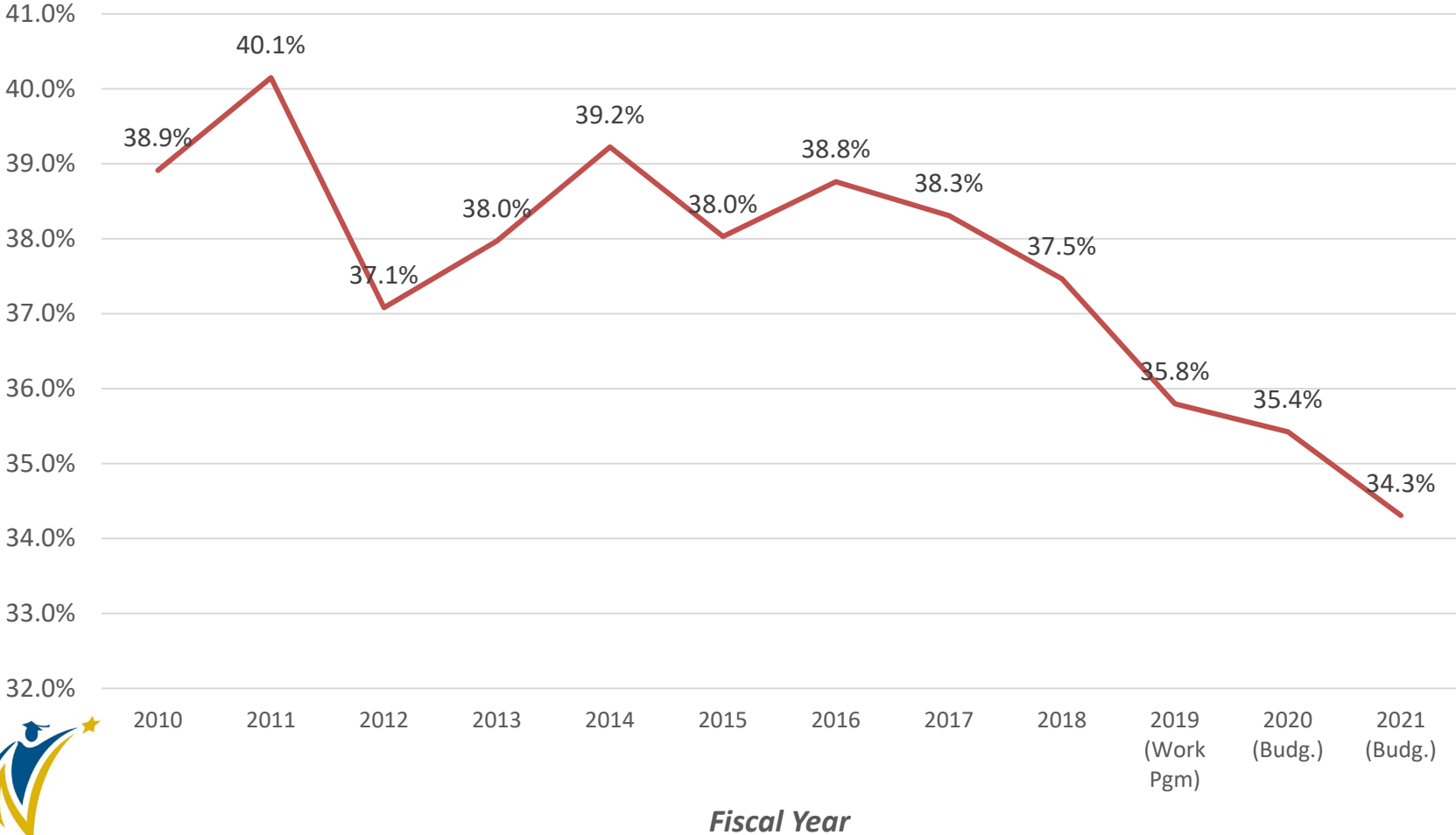


	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
WCSD Per Pupil Amount	\$4,665	\$4,665	\$5,139	\$5,193	\$5,295	\$5,504	\$5,582	\$5,612	\$5,658	\$5,677	\$5,737
Per Pupil Amount (inflation adj.)	\$4,665	\$4,765	\$5,185	\$5,056	\$5,084	\$5,183	\$5,154	\$5,173	\$5,172	\$5,101	\$5,008

— WCSD Per Pupil Amount    
 — Per Pupil Amount (inflation adj.)

# Declining Portion of State Budget for K-12

% of State General Fund Budget Allocated to K-12 Education



# Positive Changes Under the Pupil Centered Funding Plan



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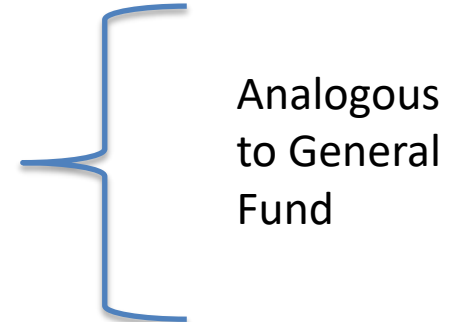
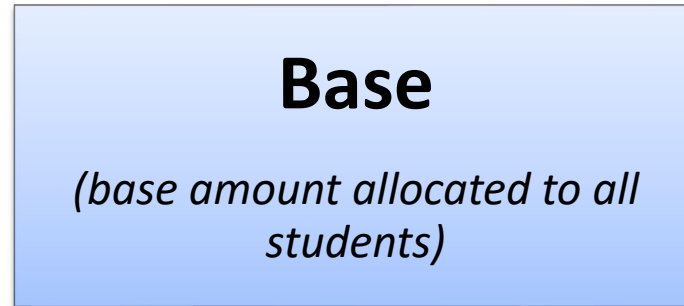
# PCFP Streamlines Funding Process

- The plan explicitly establishes funding for the following “weighted” categories of students:
  - Special Education
  - English Learners
  - Gifted & Talented
  - At Risk Learners (but doesn’t offer a definition of that)
- Weighted funding will largely replace the hodgepodge of categorical grant funding (Zoom, Victory, SB178, RB3, etc.)
- Weighted funding will be “institutionalized” and provide permanent funding, versus categorical grants that have had to be re-appropriated each biennium.



SB543 expresses the intent that the per-pupil multiplier for weighted funding will be no less than the prior year [Sec. 4(5)(a) of SB543]

# Types of Funding under PCFP



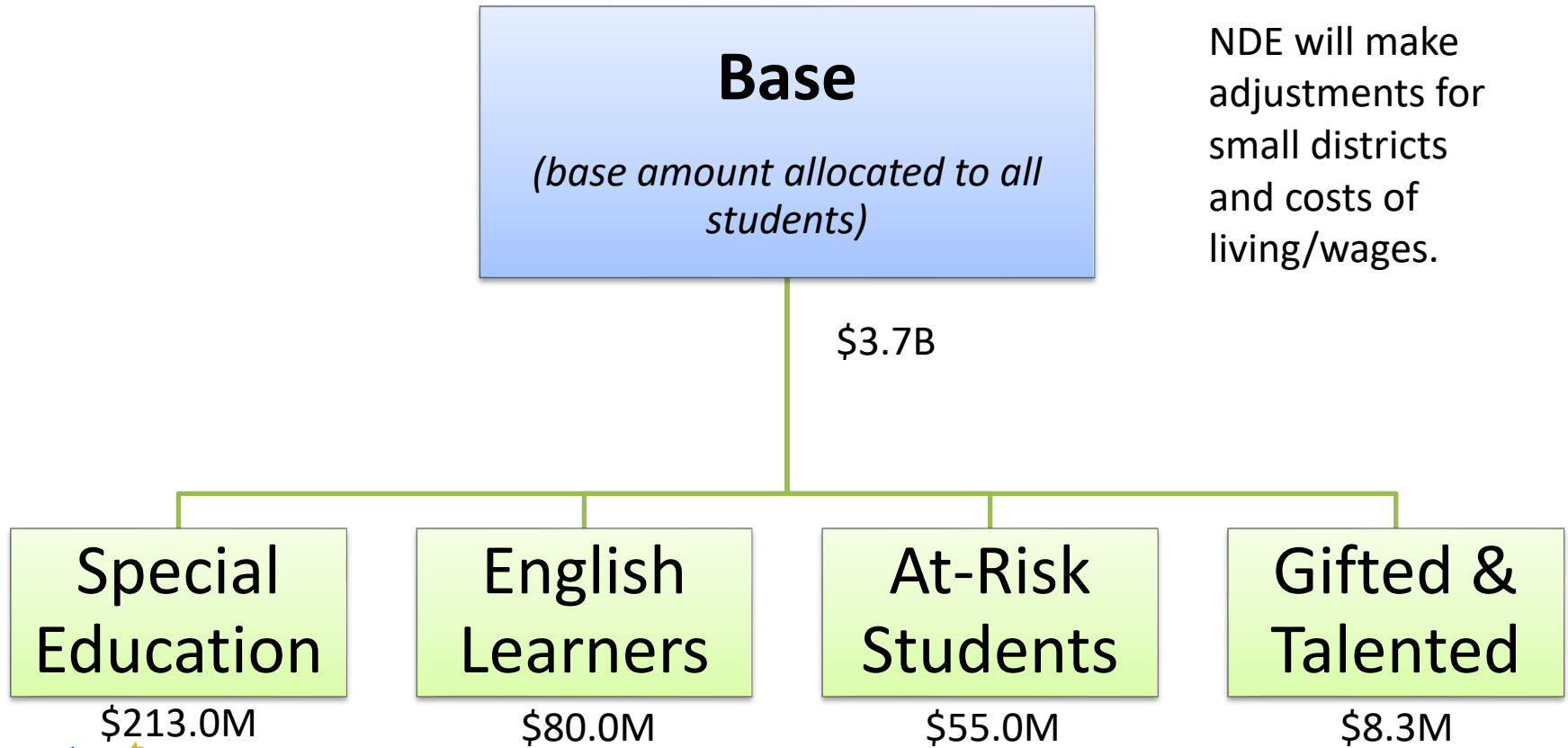
NDE will make adjustments for small districts and cost of living/wages, and other factors.

Amount of base funding continues to be set during the State's budget process.

Goes to every student. Weighted funding is the additional incremental amount that goes to students in weighted categories



# Types of Funding under PCFP

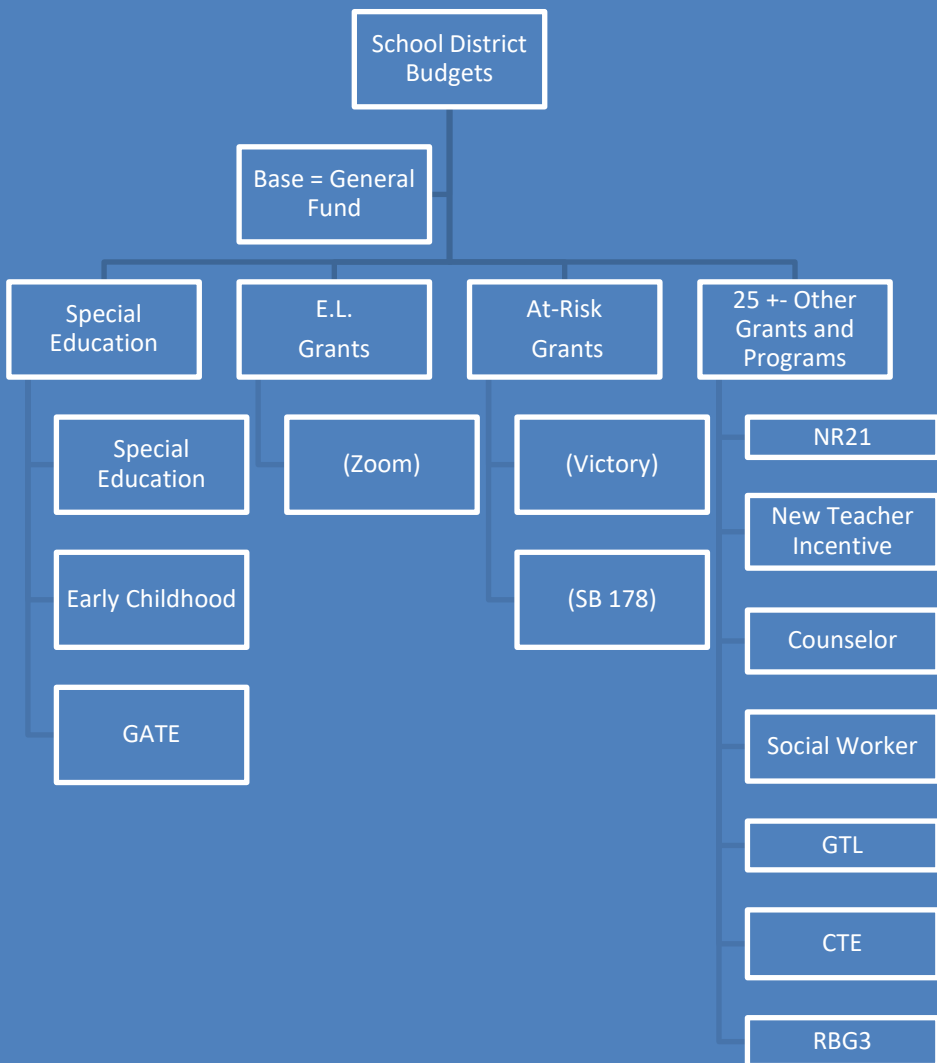


NDE will make adjustments for small districts and costs of living/wages.

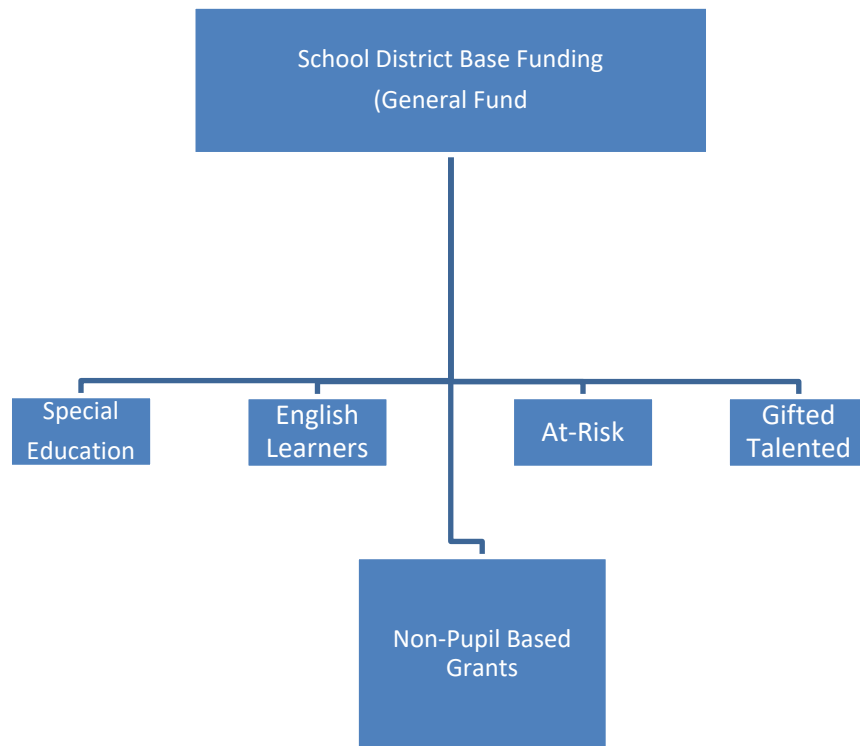


# Funding of Programs – Before vs After

## Existing School District Budgets



## Future School District Budget



## PCFP Eliminates Hybrid Approach to K-12 Funding

- The distinction of local revenues “outside the Nevada Plan” and revenues inside the Nevada Plan is eliminated.
- School districts will now be completely funded by the State, with the exception of federal revenues and capital funding.
  - All material operating revenue sources (property taxes, LSST, GST, franchise taxes) will be deposited to the State Education Fund.
  - All revenues (state and formerly “local” revenues) will be pooled together and distributed monthly by the State to districts.





# Under PCFP, K-12 Revenues Stay with Education

- SB 543 creates a new State Education Fund as a special revenue fund ... but some at State have questioned this.
  - A special revenue fund gets to keep revenues deposited to the fund.
  - The balance in a General Fund account like the DSA is swept or reverted to the General Fund's balance.
- Concept is that funding for education stays in education
- Any “excess” revenues (i.e., LSST, property taxes) based on actuals exceeding budget stay in the new fund.
  - Different than with the DSA, in which excess revenues revert to the General Fund and serve to reduce the State General Fund's share of K-12 funding
- The Distributive School Account (DSA) ceases to exist.



## PCFP Attempts to Stop Erosion of State Funding

- The State's General Fund contribution to the State Education Fund is tied to the Economic Forum's projected increase of major State revenues.
- Base per-pupil funding is supposed to increase no less than inflation.\*
- The share of the State's budget for K-12 should stay the same, if these intentions in SB543 are met.
- However, the Governor and legislature can override this intent and choose to fund K-12 at a lower (or higher) level.

*\*For those districts not in a Hold Harmless situation*



# Neutral Changes Under the Pupil Centered Funding Plan



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# Equity Adjustments

- There are still “equity adjustments” that greatly impact how much each district receives on a per-pupil basis.
- Base Funding starts at the same level for every school district (\$6,821 per student in the latest model)
- Two main adjustments:
  - Small District + Small Schools Adjustment (combined)
  - Cost Factor Adjustment, i.e., Comparable Wage Index (CWI)
- After these adjustments, per-pupil funding ranges from a low of \$7,029 (WCSD) to a high of \$19,184 (Esmeralda)



# PCFP Will Change How We Allocate Positions

- “Funding follows the student”
  - “Pupil-centered funding” means that the level of funding for base funding and weighted funding should be roughly equal on a per-pupil basis at each school [Sec. 8(1)(a) and 8(3)of SB543]
- Most school districts including WCSD use staffing guidelines to allocate positions to schools.
  - PCFP mandates that expenditures per pupil within each weighted category are the same at each school.
  - In other words, each EL student at each school should receive the same amount of funding.
  - This likely impacts how we allocate EL and GT allocations.
- We will need to consider a modified version of staffing guidelines to ensure compliance with above concepts.



# PCFP Adds Reporting Requirements

- “Funding follows the student”
  - “Pupil-centered funding” means that the level of funding for base funding and weighted funding should be roughly equal on a per-pupil basis at each school
- New reporting requirements
  - Will be at a site/school level
  - Will be used to gauge districts’ compliance with the concept that base funding and weighted funding should be roughly equal on a per-pupil basis at each school



# Negative Changes Under the Pupil Centered Funding Plan



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# Cost-of-Living/Cost-of-Wages Adjustment

- SB 543 allows for a Cost Factor Adjustment to provide greater funding for districts in regions that have a higher cost of living or in competitive labor markets.
- Despite providing evidence, including US Bureau of Economic Analysis statistics, showing that Washoe County has the highest cost of living in the State, the State's consultant calculated different results.
- Their analysis indicated that Washoe County has some of the lowest wages in the State.
- The result is a shift of millions of dollars away from WCSD.





# Overall State Funding of K-12

- SB543 and the new Pupil Centered Funding Plan do not address the level of funding for K-12 (i.e., funding adequacy)
  - If funding is not increased, we are simply shifting funding between districts.
  - There remains a lawsuit filed concerning adequacy of funding in Nevada.
- We don't know the level of State funding for K-12 in FY22 and FY23.



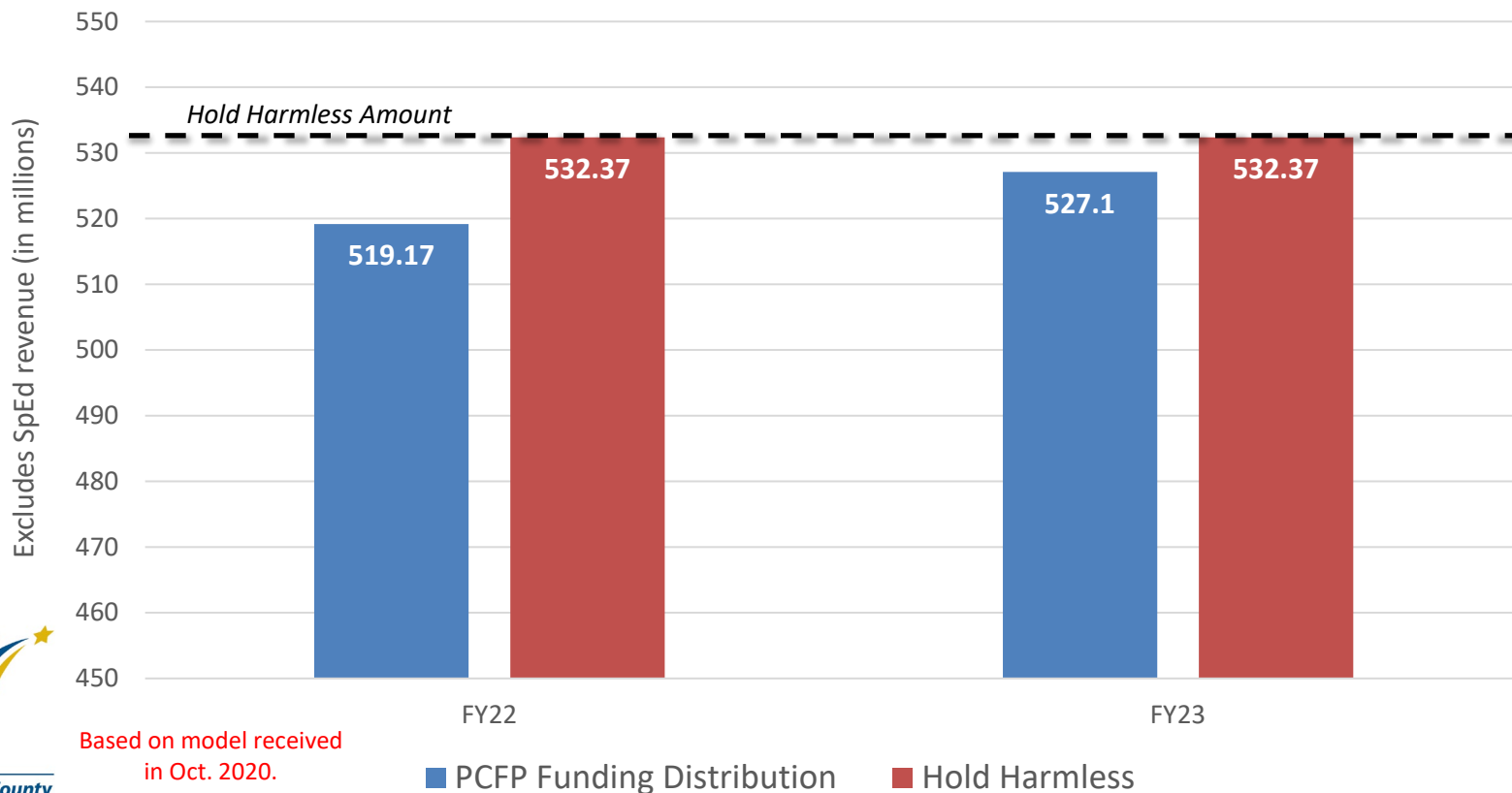
# Funding for WCSD

- Hold Harmless Clause
  - For districts who would receive less under the new PCFP compared to the old Nevada Plan, they are frozen at total FY20 funding levels.
  - Any additional K-12 funding would then be directed to districts that are under-funded under the PCFP.
- The most recent models show that WCSD should receive \$13 million less under PCFP (i.e., we are currently over-funded). Thus, we are in a Hold Harmless situation.
  - This means that our funding is frozen at FY20 levels until more funding is added to K-12. Until then, districts not in a Hold Harmless situation will receive all new funding.
  - If funding for WCSD is frozen at a hold harmless level, how do we fund salary increases for our employees?
  - Can the General Fund continue to subsidize funding for weighted categories?



# How Hold Harmless Works

- School districts that would receive less funding under the Pupil Centered Funding Plan are frozen at FY20 funding levels until additional statewide K-12 funding is added.



# Hold Harmless Implications

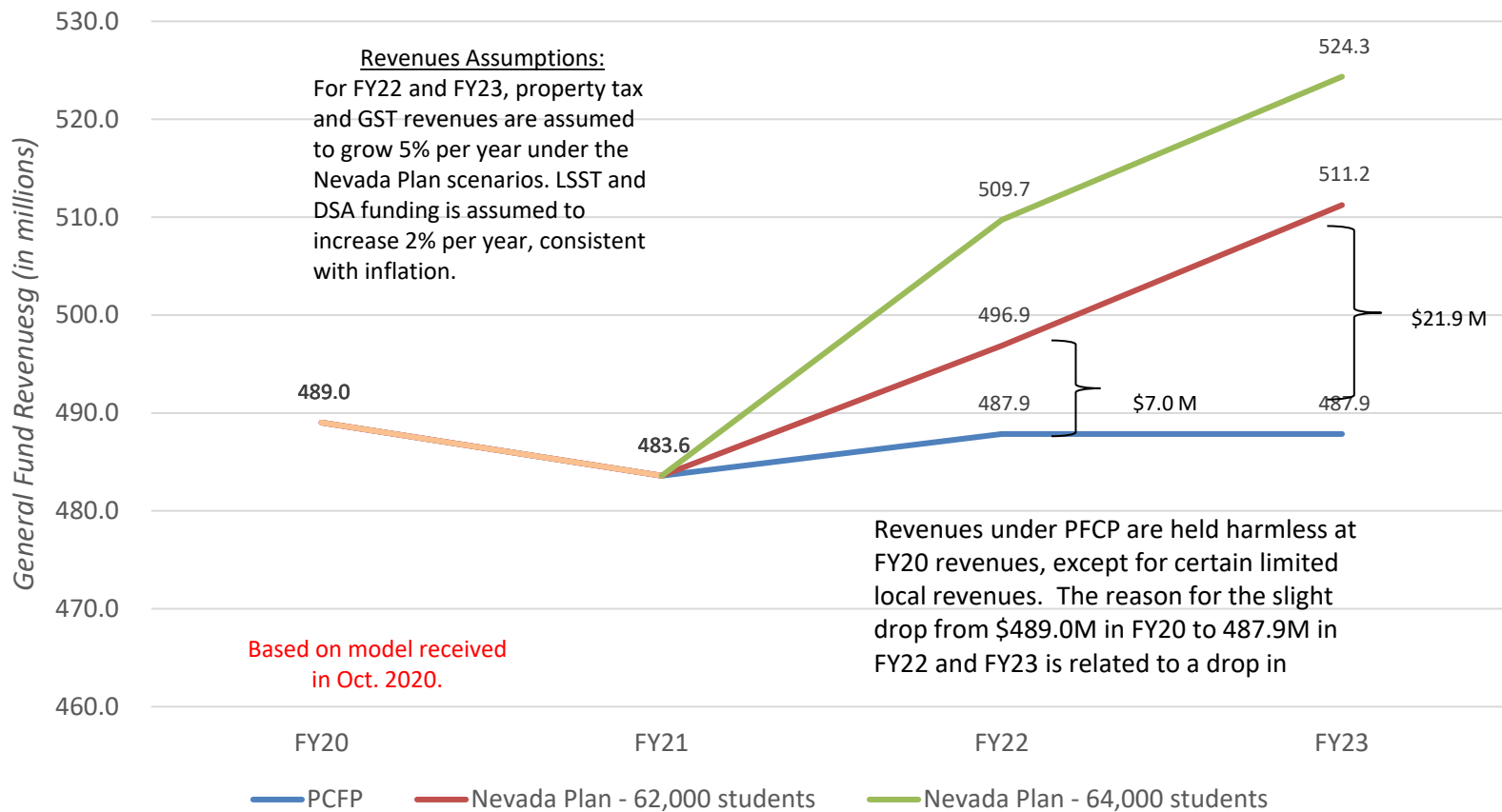
- The most recent models show that WCSD should receive \$13 million less under PCFP (i.e., we are currently over-funded). Thus, we are in a Hold Harmless situation.
- That means that until other districts that are considered to be under-funded under PCFP receive their required level of base funding, WCSD's level of General Fund funding will not increase for items such as:
  - Enrollment increases
  - Step increases
  - Other compensation increases such as COLA's.
- To lift the Hold Harmless freeze, other districts not in a hold harmless status (i.e., currently under-funded) will need to receive \$46 million more.



# Hold Harmless Freezes our Revenues

- There is no upside growth in revenues while we are in a Hold Harmless status, compared to the current Nevada Plan.

Funding for WCSD - Nevada Plan versus Pupil Centered Funding Plan



## Other Secondary Changes Resulting From PCFP

- Current collective bargaining agreements have concepts tied to local property taxes
  - Sick leave payouts
  - Retiree health insurance subsidy
- Statutory Clean-up
  - Year-end property tax report to Taxation can be eliminated
  - Will NRS and NAC requirements for EL, GT, etc. be modified to be consistent with concepts in the PCFP?



# Next Steps



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# Questions Headed into 2021

Enrollment

Will WCSD  
be in a  
Hold  
Harmless  
Situation?

Federal  
Stimulus  
Bill

Lawsuit on  
Funding  
Adequacy

COVID  
Impacts

New  
Funding  
Sources for  
K-12

Will SB543  
Be  
Delayed?

How Much  
Will K-12  
Receive in  
the State's  
Budget?

State  
Budget  
Cuts





# Next Steps

- Commission on School Funding
  - Will develop funding proposals for adequate/optimal funding
  - We will continue to monitor changes to the model
- Governor's Recommended Budget (January)
  - Based on Economic Forum's December 3 revenues projections
- Legislative Process
  - February 1: Official beginning of session
  - May 1: Economic Forum's updated projections
  - May 31: End of Regular Session
- District's Budget Process
  - April 15: Tentative Budget
  - June 8 – Final Budget
  - Amended budget can be submitted 30 days after end of legislature

