

# Understanding Nevada's Budget

State budgeting can be difficult to understand for the layperson. The most frequently cited figures are legislative appropriations from the state's general fund, which amount to \$10.97 billion over the 2023-2025 budget cycle. Each budget cycle consists of two fiscal years which begin on July 1 and end June 30.

However, lawmakers wield control over far more spending than general-fund appropriations. They must authorize all spending by state agencies. In addition to general-fund dollars, agencies may receive grants from federal or private sources, fee-based program revenues and revenues from other sources. In total, state spending for FY 2022 amounted to \$18.91 billion versus legislative appropriations of \$4.633 billion for that single year.

In addition, lawmakers approve monies to be spent by local school districts which never pass through state accounts even though they result from statewide taxes imposed by the legislature.

## Key Points

**Federal grants drive many decisions over state spending.** Congress has long used the promise of federal grants to motivate states to sign onto certain programs. Medicaid, for instance, is a state-run plan conceived by Congress and funded partially with federal dollars. Acceptance of federal grants, however, frequently obligates states to continue funding programs even after federal support wanes, such as with Medicaid expansion.<sup>1</sup>

**Spending on K-12 and higher education is supplemented by outside sources.** State appropriations for education constitute only a minor part of education spending. In higher education, state appropriations constituted about one-fourth of total spending, with self-supported funds and student fees making up the rest.<sup>2</sup> In K-12 education, 9.4% of revenue comes from local taxes and about 10.2% comes from federal sources.<sup>3</sup>

**Lawmakers have routinely pushed spending off-budget.** When the original "Nevada Plan" was written in 1967, it created a new 1.0% statewide sales tax on top of the constitutionally limited 2.0% tax already in existence. This new levy, called the Local School Support Tax (LSST), now goes into a State Education Fund, along with revenues from mining taxes, car registration fees, and a range of other local levies. Lawmakers then set a state-guaranteed Basic Support Per-Pupil amount to be disbursed to school districts each year, and appropriate from the general fund any difference between the revenues from these taxes and the Basic Support obligation. In effect, these outside and local revenue sources allow lawmakers to push most K-12 spending off-budget and general-fund dollars were just used to supplement these revenues.

Over time, lawmakers have elected to increase these outside sources during periods of recession rather than raise the taxes that go into the general fund, in part because general-fund figures are more visible to the public. The LSST was raised in 1981, 1991, 2009, 2011, 2013, and 2015, and is now at a statewide rate of 2.6%. Also, in 2009, room tax rates were raised in accordance with an advisory ballot question to increase teacher pay, although this revenue has

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<sup>1</sup>See "Medicaid Spending."

<sup>2</sup>See "NSHE Finance."

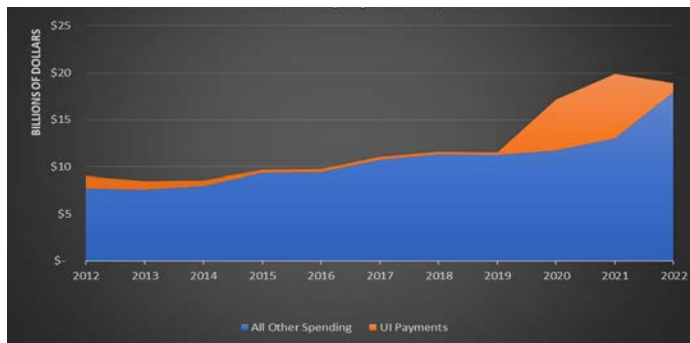
<sup>3</sup>Nevada Department of Education, FY22 NRS 387 Report.

been continually diverted into general K-12 spending. The net effect was to further push most education spending off-budget.

**A new education finance mechanism was implemented in 2021.** State appropriations for K-12 are just one revenue component of the new “Pupil-Centered Funding Plan” for school finance. This plan replaced the “Nevada Plan” for school finance in 2021, following the recommendations of a Commission of School Funding created in 2019.<sup>4</sup> The revenue structure of the new plan is essentially unchanged, although it moved more spending on-budget beginning in FY 2022.

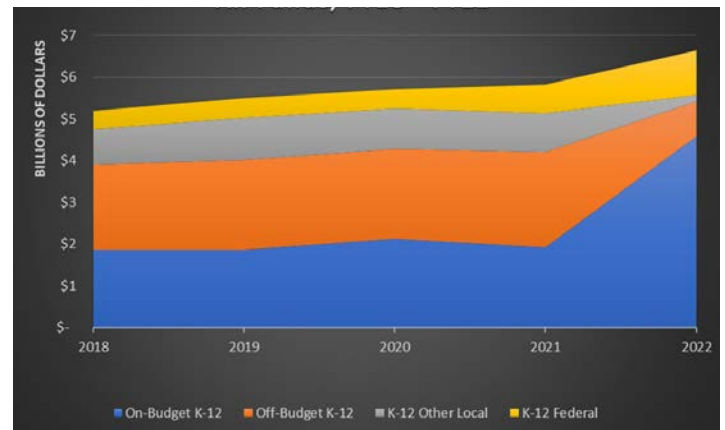
**Total spending has grown steadily from year to year.** When accounting for all spending – including amounts pushed off budget – Nevada’s spending more than doubled just between FY 2013 and FY 2022.<sup>5</sup>

## Nevada Total Annual Spending with and without UI payments, FY12 – FY22



Source: State of Nevada, Comprehensive Annual Financial Report, FY21.

## Nevada Annual Spending on K-12 Education, All funds, FY12 – FY22



Source: Nevada Department of Education, NRS 387 Reports. **Note:** Off-budget state spending considers the two main DSA sources that do not come from the state general fund: DSA-bound ad valorem taxes and Local School Support Taxes. Revenues received from bonding, capital leases, loans and other financing arrangements are excluded from these totals.

<sup>4</sup> Nevada Department of Education, “Commission of School Funding” website.  
<sup>5</sup> Nevada Controller’s Office, Comprehensive Annual Financial Reports (FY12 & FY22).