



Legislative Testimony

Senate Bill 411: Public Schools Overcrowding and Repair Needs Committee

May 5, 2015

Testimony before the Assembly Committee on Taxation

Prepared Statement of the Kenny Guinn Center for Policy Priorities

Introduction

In February 2015, the Guinn Center published a policy brief titled, *Expanding Financing Options for Nevada's K-12 Facilities*. Based on our findings, we offer the following for consideration.

Education facilities needs are not fully funded

- Clark County School District (CCSD)
 - Unfunded capital needs remain, even after recent Legislative extension of rollover bonds (SB 119 and SB 207).
 - The district has identified current needs of \$7.3 billion, which does not include projected growth.
 - The total amount that can be funded by rollover bonds and other sources over 10 years is \$3.5 billion, leaving a shortfall of \$3.8 billion.
- Washoe County School District (WCSD)
 - The district has identified current and future capital needs of \$784 million for the next 10 years.
 - Extension of rollover bonds will provide \$270 million over 10 years, leaving a shortfall of \$514 million.
- Rural School Districts
 - Current unfunded need: \$450 million replacement cost for buildings over 50 years old, plus other unquantified capital needs.
 - The tax base is too small to generate sufficient funding to build new schools in most rural school districts.

Existing voter-approval options are limited

- Under current law, voters can approve increases in ad valorem taxes to fund school facilities. Voters can approve either general obligation bonds or pay-as-you-go taxes (NRS 387.335 & 387.3285).
- Elko is the only school district with pay-as-you-go taxes, 11 districts have rollover bonds, and five districts have no voter-approved school facilities financing.
- The statutory tax cap of \$3.66 per \$100 in assessed valuation limits voter-approved tax increases because many counties are at or near the cap.
- Property tax abatements constrain growth in tax revenue when a tax rate is increased and when property is sold.

Exploration of additional voter-approved taxes can be part of the solution

- SB 411 allows school districts to create a Public Schools Overcrowding and Repair Needs Committee. The Committee can recommend one or more statutory taxes for consideration by the voters at the 2016 General Election to fund the capital projects of the district. The ballot measure would need a majority vote to be approved.
- This proposal provides flexibility to propose various types of taxes, including property taxes, sales taxes, room taxes, real property transfer taxes, and governmental services taxes. This allows taxes to be tailored to the needs of each community.



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- Voter approval can be challenging. In 2008, Washoe County voters rejected an increase in sales and governmental services taxes for schools. In 2012, Clark County voters rejected a pay-as-you-go tax. In 2014, voters turned down rollover bond measures in Lyon, Mineral, and Nye counties.
- SB 411 should clarify that any ad valorem taxes recommended can exceed the existing statutory cap of \$3.66 per \$100 of assessed value and can create exemptions from tax abatements.

Other Recommendations to Expand Financing Tools

During the 2015 Legislative Session, the Legislature should take explore other financing options to help school districts to meet capital needs:

1. Create a statewide funding mechanism for school facilities. This would likely require the State to issue general obligation bonds and increase the ad valorem tax rate statewide.
2. Provide school districts with the ability to create Special Improvement Districts. This would give school districts a tool to finance school construction in new housing developments.
3. Explore the feasibility of creating multi-county tax districts for rollover bonds. This would allow small school districts to pool their resources together and would help address issues where there is an absence of alignment between where people live and where revenues are generated.
4. Change Existing Laws Related to Tax Caps and Abatements:
 - a. Exempt new voter-approved bonds from the statutory tax cap of \$3.66 per \$100 of assessed valuation. This would allow school districts to ask voters to increase tax rates in counties that are already at or near the tax cap.
 - b. Exempt voter-approved tax increases from the property tax abatements for one year. In the first year of a tax rate increase, this would allow taxes to increase by more than the statutory abatement caps of 3 percent for residential property and 8 percent for other property.
 - c. Reset property tax abatements when property is sold. This would allow taxes to be assessed at market value when a property changes hands.
5. Encourage the Governor's Office of Economic Development to conduct a school facilities impact study and develop a funding plan prior to approval of development incentives. This would help ensure that school facilities needs are addressed when school districts forgo future revenue.

See full report: *Expanding Financing Options for Nevada's K-12 Facilities* at: <http://guinncenter.org/wp-content/uploads/2015/02/Guinn-Center-K-12-Education-Facilities-Policy-FINAL.pdf>

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