



Expanding Financing Options for Nevada's K-12 Facilities

Executive Summary

Funding for K-12 school facilities has become a major issue throughout Nevada. Urban areas face aging facilities as well as growth in student enrollment, while rural areas have many deferred maintenance and replacement needs. The total unfunded cost of repair, renovation and construction is estimated at \$7.3 billion in the Clark County School District and \$784 million in the Washoe County School District. The cost of replacing rural school buildings over 50 years old is estimated at \$450 million.

The revenue generated by current capital financing tools falls short of meeting school districts' needs. While Nevada Governor Brian Sandoval recently said he would "support legislation to approve a temporary rollover of bonding authority for the construction and maintenance of local schools, with state oversight," the current structure of financing tools limits the potential impact of this proposed policy change.

Existing financing tools rely solely on local funding and have not generated adequate revenue in a timely manner. In addition, there are disparities between school districts because each district has a different set of funding sources that it can use. During the 2015 Legislative Session, the Legislature should take the following steps to expand the financing options available to 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.