



Legislative Testimony

Assembly Bill 412: School Facilities Funding

April 9, 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.

Problems with Existing Financing Tools

- 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

- AB 412 authorizes school districts to approve a new levy of up to \$0.05 per \$100 of assessed valuation by a majority vote, without voter approval (Section 15). The bill requires funds to be used for construction and maintenance of public schools and information technology. However, up to \$0.02 per \$100 could be used for operations.
- Section 15 of the bill also allows counties to approve a new levy of up to \$0.05 per \$100. The combined tax levy available for counties and school districts would be \$0.05 per \$100 of assessed value, so the amount available to school districts would vary by county.
- AB 412 includes exemptions from the statutory tax cap and abatements, which would help ensure that all counties have access to the proposal and that revenue growth is not constrained.

- For CCSD, FY 2016 revenue from a tax rate of \$0.03 would be approximately \$21 million (Table 1).
- For WCSD, FY 2016 revenue from a tax rate of \$0.03 would be approximately \$4.4 million.
- For rural districts, annual revenue would range from approximately \$19,000 to \$800,000.
- Districts could bond against this revenue. The amount generated would depend on interest rate and payback period. Assuming constant annual revenue, a 5 percent debt service rate and a 20-year repayment period, CCSD could issue bonds of approximately \$250 million and WCSD could issue bonds of approximately \$50 million. It would be difficult for rural school districts to issue a significant amount of bond funding because of their narrow tax base.

Table 1. FY 2016 Revenue from tax rate of \$.03 based on Department of Taxation Estimates

School District	Estimated Tax Revenue from \$0.75 tax for schools			Estimated Tax from \$0.03 rate
	Net Tax	Plus Abatement	Total tax	
Carson City	9,442,919	797,463	10,240,382	409,615
Churchill	5,054,918	343,226	5,398,144	215,926
Clark	423,569,220	104,336,418	527,905,638	21,116,226
Douglas	18,931,706	1,508,241	20,439,948	817,598
Elko	12,997,680	408,755	13,406,435	536,257
Esmeralda	453,881	32,019	485,900	19,436
Eureka	6,358,857	115,351	6,474,208	258,968
Humboldt	7,386,535	554,565	7,941,100	317,644
Lander	5,014,303	280,509	5,294,813	211,793
Lincoln	1,854,662	591,624	2,446,286	97,851
Lyon	9,076,229	2,164,889	11,241,117	449,645
Mineral	1,022,411	111,480	1,133,891	45,356
Nye	8,588,130	1,206,135	9,794,265	391,771
Pershing	1,691,662	75,138	1,766,800	70,672
Storey	3,700,317	127,716	3,828,033	153,121
Washoe	97,084,168	13,544,135	110,628,303	4,425,132
White Pine	2,168,492	859,810	3,028,301	121,132

Source: [2015-16 Proforma Ad Valorem Revenue Projections \(Revised WA, ST 3-27\)](http://tax.nv.gov/LocalGovt/PolicyPub/ArchiveFiles/LGF_ProForma_Tax/) page 85

Other Recommendations to Expand Financing Tools

During the 2015 Legislative Session, the Legislature should also 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. 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/publications/policy-reports/#EducatingNevada>

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