



April 2, 2015

Testimony before the Assembly Committee on Government Affairs

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.

Redevelopment set-asides for education facilities can be part of the solution

- School districts receive less property tax revenue when there is a redevelopment project. The State backfills a portion of this loss through the Nevada Plan for operational funds. However, the State does not backfill revenue that would have gone to capital projects.
- AB 445 sets aside 18 percent of uncommitted tax revenue from the Downtown Henderson Redevelopment Project for educational facilities in return for a 15 year extension of the project. Based on taxes received this fiscal year through March 31, 2015, the set aside would be approximately \$83,000. This amount would change based on final revenue received.
- This proposal helps to mitigate the impact that redevelopment agencies have on school district revenues used for capital projects.
- The proposed annual reporting requirement helps ensure transparency and accountability.
- Existing redevelopment set-asides for educational facilities
 - The Henderson Redevelopment Agency is required to set aside 18 percent of tax revenues for education facilities from the Eastside Redevelopment Project in return for resetting the base year (Chapter 211, *Statutes of Nevada* 2013). So far, \$117,342 has been set aside to be paid to CCSD based on revenue received through December 31, 2014. Additional funding will be sent to CCSD based on revenue from January through June, 2015.



Legislative Testimony

Assembly Bill 445: Redevelopment & School Facilities

- The Las Vegas Redevelopment Agency is required to set aside 9 percent of tax revenue for education facilities and 9 percent for affordable housing (NRS 279.685).
- The Legislature can consider similar set asides for redevelopment projects in other areas of the State.

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/publications/policy-reports/#EducatingNevada>

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