

February 26, 2015

**Testimony before the Assembly Committee on Government Affairs on Senate Bill 119**

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**Rollover Bond Extension Proposal Will Not Fully Cover Facilities Needs**

- Clark County School District
  - Unfunded need: \$7.3 billion for current needs; does not include projected growth.
  - Proposal would expedite projects and enable district to issue \$2.8 billion in bonds over 10 years.
  - Other sources can provide \$713 million for a total 10-year program of \$3.5 billion, leaving shortfall of \$3.8 billion.
- Washoe County School District
  - Current unfunded need: \$784 million for current needs and projected growth.
  - Proposal would allow district to issue \$270 million over 10 years, leaving shortfall of \$514 million.
  - No significant impact in the near term. District estimates it can issue only \$10 million in 2016 due to existing debt service obligations.
- Rural School Districts
  - Current unfunded need: \$450 million replacement cost for buildings over 50 years old plus other unquantified capital needs.
  - Tax base too small to generate sufficient funding to build new schools in most rural school districts.

**Problems with Existing Facilities Financing Tools**

- Tools rely solely on local funding and have not generated adequate revenue in a timely manner.
- There are disparities between school districts because each district has a different set of funding sources that it can use.
- Statutory tax cap of \$3.64 per pupil limits 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.

**Recommendations to Expand Financing Tools**

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.

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See full report: *Expanding Financing Options for Nevada’s K-12 Facilities* at <http://guinncenter.org/publications/policy-reports/#EducatingNevada>

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