

**NEVADA DEPARTMENT OF EDUCATION
COMMISSION ON SCHOOL FUNDING
SEPTEMBER 23, 2022
9:00 A.M.**

Office	Address	City	Meeting
Department of Education	2080 E. Flamingo	Las Vegas	Room 114
Department of Education	700 E. Fifth St.	Carson	Board Room
Department of Education	Virtual/Livestream	n/a	n/a

**DRAFT SUMMARY MINUTES OF THE COMMISSION MEETING
DUE TO BE APPROVED AT THE COMMISSION'S NEXT MEETING IN JULY 2023**

COMMISSION MEMBERS PRESENT

Dusty Casey
Andrew J. Feuling
Jason Goudie
Guy Hobbs, Chair
Dr. David Jensen
Paul Johnson
Mark Mathers
Punam Mathur
Jim McIntosh, Vice Chair
Joyce Woodhouse

DEPARTMENT STAFF PRESENT

Heidi Haartz, Deputy Superintendent for Student Investment
James Kirkpatrick, State Education Funding Manager, Student Investment Division
Beau Bennett, Management Analyst IV, Student Investment Division

LEGAL STAFF PRESENT

Greg Ott, Chief Deputy Attorney General

1. CALL TO ORDER, ROLL CALL, PLEDGE OF ALLEGIANCE

Meeting called to order at 9:01 A.M. by Commission Chair Guy Hobbs. Quorum was established.

2. PUBLIC COMMENT #1

No public comment.

3. APPROVAL OF COMMISSION MEETING MINUTES

Member David Jensen moved to approve the September 2, 2022 Commission Meeting Minutes. Member Paul Johnson seconded. Motion passed unanimously.

4. NEVADA DEPARTMENT OF EDUCATION UPDATE

Heidi Haartz, Deputy Superintendent for Student Investment, Nevada Department of Education, (NDE or Department) provided an update regarding the work of the Department since the September 2nd meeting.

Deputy Superintendent Haartz noted that much of the work the Department has been focused on since the last meeting has been focused on the State fiscal year end and particularly the opportunity to complete the Department's annual true up process and reconcile the revenues and expenditures in the pupil centered funding plan. While this is part of the normal State budgetary process, it is unique this year in that it is the first time the Department is incorporating the pupil centered funding plan and the State education fund. Deputy Superintendent Haartz noted that the Department has had several opportunities to learn and collaborate with its partners across the executive branch to ensure that it is consistent in the way it is counting for revenues and expenditures not only in fiscal year 2022 but as the Department look ahead for fiscal year 2023. The Department has also developed the agency request budget for the pupil centered funding plan as well as the rest of its budget accounts which is consistent with all State agencies. Deputy Superintendent Haartz acknowledged that the Department appreciates that the budget building process for the pupil centered funding plan, much like it was for the Nevada plan is an ongoing process. The Department appreciates that what it will put forward as an agency requests budget and will become public in mid-October will be revised as the Department transitions to the Governor's recommended budget and then again as the Department transitions to a legislatively approved budget. This budget account is unique when looking at the funding for K-12 education in the State because the Department will revisit its enrollment projections through each of the budget building processes as well as revisiting revenue projections, and overall changes that may be necessary either at the request of the Governor or the Legislature to ensure that the Department continues to meet the needs of Nevada students.

Deputy Superintendent Haartz noted that this will be the last meeting of the Commission until after the 2023 Legislative Session. The Commission does not end, and the members terms do not end, and members will continue to serve until the authority that made the selection chooses to reappoint the member or appoint someone else. All Commission members were originally selected for a three-year term and those three years have concluded. Deputy Superintendent Haartz noted that the Statutes do not include any term limits, so the opportunities to be re-invited multiple times are certainly plentiful.

Deputy Superintendent Haartz noted that this will be her last meeting with the Commission. While the Commission is on break for the Legislative Session she will be retiring from the State. Deputy Superintendent Haartz acknowledged what a great opportunity it has been to work for the Department and with the Commission as they stood up the pupil centered funding plan and continue to navigate through the COVID-19 pandemic and all the challenges it presented. Deputy Superintendent Haartz noted that she has had an amazing career with the State of Nevada and appreciated that it ended on such a high note and hopes that the work the Commission has done will continue.

5. INFORMATION AND DISCUSSION REGARDING AN ANALYSIS OF K-12 STUDENT ACHIEVEMENT RANKINGS

Chair Hobbs noted that the work is still being completed for this item and the Commission will not be receiving the presentation today.

6. DISCUSSION REGARDING THE DEVELOPMENT OF THE REPORT OF THE COMMISSION IN ACCORDANCE WITH ASSEMBLY BILL (AB) 495 FROM THE 2021 LEGISLATIVE SESSION

Chair Hobbs noted that the final report validating the target funding levels and identifying methods of funding is due by November 15th 2022 and as of today it is not ready for adoption in the final form. Chair Hobbs noted that he has been able to work through what he hopes is representative of the recommendations that will form up the final report and if the Commission can achieve concurrence on the substance of those recommendations, they will be encoded into the report and filed on November 15th. Chair Hobbs provided each of the Commission's potential recommendations and asked the Commission to provide feedback and concurrence after all the recommendations were summarized. The recommendations are as follows.

1. The Commission would recommend that the legislature extend the life of the Commission to continue its work in improving and implementing the Pupil-Centered Funding Plan and assisting with the implementation of a funding strategy to meet the objectives set forth in SB 543. The Commission would further recommend that the Commission be provided with sufficient resources to support its mission.
2. The Commission recommends that responsibility for the maintenance of the model that drives the Pupil Centered Funding Plan be vested jointly with the Commission and NDE so the Commission would maintain an involvement as partial custodian of the model.
3. The Commission recommends that the Legislature adopt the target values for both achievement of the national average per pupil spending and recommended level of per pupil spending as defined by the subject matter experts and as are described in the report.
4. The Commission recommends that the Legislature creates a pathway for smaller school districts to acquire capital, engage in building improvement and modernization programs that are otherwise unavailable to those districts.
5. The Commission recommends that the Legislature direct the creation of performance metrics to assist the impact of enhanced investments in K-12 education. These metrics would provide a foundation for measuring the return on added investment as envisioned by SB 543 and AB 495 and is recommended in the report itself. Any increase in investment should be accompanied by a system of accountability which would also be included in the report.
6. The Commission recommends that the Legislature study the imbalance between the number of professional educators matriculating from institutions of higher education and the number of new units of professional educators demanded each year by school districts in the State. This should be coupled with a classification in compensation review for professional educators and support personnel to determine whether insufficient compensation is contributing to the difficulty in attracting and retaining these positions.
7. The Commission recommends that the Legislature consider modernization of both the Nevada sales and use tax and Nevada property tax systems. These are both the primary and traditional funding sources for State services and specifically for the funding of K-12 education and since in the

Commission's view, significant capacity exists within both systems of taxation, it is further recommended that the roster of recommendations that will be included in the report specifically to be enumerated in the sales and property tax sections and that these all be considered as a menu of funding options to achieve the identified funding needs by the fiscal year 2033.

Chair Hobbs noted that these recommendations will meet the mandate given to the Commission to identify methods of funding while also providing the Legislature with a series of choices that can be used in combination to achieve the targeted levels.

Chair Hobbs noted the recommendations regarding property tax. One recommendation would be focused on capping abatements. One recommendation would be focused on phasing abatements out over time. Another recommendation would be to eliminate abatements. Three different paths that use the abatements as a solution to achieve more productivity from the property tax system and each of those will be quantified. The next set would focus on depreciation, which can either be frozen at current levels, phased out over a period of time, or eliminated. Chair Hobbs noted that a number of the recommendations will test the combinations of doing X with abatements and Y with depreciation and will all be quantified. Chair Hobbs noted that a couple others that made sense to include would be consideration of a revisitation of the \$3.66 cap on combined property tax rates. Another recommendation would be to take the \$0.75 operating rate and exempt that from abatements on a going forward basis or even a retro basis. This recommendation does not generate the revenue that some of the other recommendations do, but if there is a greater ability to attach logic to that in the early years, it could be used as a springboard. Chair Hobbs noted another recommendation that is not fully developed but given the fact that this is a multiyear approach, he believes it has some promise. This would involve taking the existing level of abatements today, and reducing those abatements to zero, but also reducing the combined property tax rates in each county by a commensurate amount.

Chair Hobbs noted that sales tax is defined in the Nevada Constitution as the retail sale of tangible goods. Consequently, it would be contrary to the Nevada Constitution to impose sales tax on things such as telecommunications or digital downloads since they are not tangible. Essentially, it would be called a transaction excise tax that would be similarly applied as sales and use taxes applied. One of the recommendations would be to give serious considerations to efforts such as those that were made through the introduction of SB 346 in the 2021 session which was the bill to make taxable digital downloads and other items that fit under that category as a rational first step. As an extension of this, a recommendation would also be to create a pool of currently exempt transactions that would be subject to a transaction excise tax. The Commission had identified recreation, personal care, and telecommunications. Chair Hobbs noted that it makes sense to leave telecommunications out for the time being and focusing on personal care and recreation makes sense because those two add up to \$10 billion of economic activity and it also does not have any of the complexities attached to it that some of the telecommunication items might with respect to federal regulatory issues or current taxation through franchise agreements etc. Expanding the sales tax base is another recommendation. Chair Hobbs noted that he as always felt strongly about expanding the sales tax base to reduce the volatility of the current transaction base. In addition to that, consideration can also be given to increasing the local school support tax. Under the pool of currently exempt transactions, various illustrations of what the revenue generating potential is will be provided including a matrix that will clearly show for every \$5 billion worth of transactions that are added to the base at a rate of anywhere from 1-8%, x amount of money would be generated which enables the ready to immediately orient themselves back toward the target values identified.

Member Paul Johnson moved to affirm the summary of recommendations Chair Hobbs reviewed with the changes discussed with respect to the tax burden and the student performance. Member Jason Goudie Seconded. Motion passed.

7. INFORMATION AND DISCUSSION REGARDING MESSAGING RELATED TO OPTIMAL FUNDING

Member Punam Mathur provided an update on the work of the messaging related to optimal funding working group.

Member Mathur noted that the working groups will begin their campaign on November 16th the day after the report has been submitted. Tier one effort would be to arrange face to face time with Chair Hobbs, Vice Chair Jim McIntosh, and Member Joyce Woodhouse in front of all the legislative leaders as to not surprise them and provide them with grounding in what is otherwise very complicated work. Tier two effort would extend to include face to face meetings with Chair Hobbs, Vice Chair McIntosh, and Member Woodhouse in front of the executive committees of the most influential organizations. This could include chambers of commers, parent groups, and education advocates. Tier three would extend to including group meetings that would extend invitations across a broad cross section of interested community organizations. Member Mathur noted that Member Johnson has offered to take to place a resolution of support of the contents of the report before all of the school district boards. Hopefully all of the school boards will then adopt resolution. Member Mathur noted all this effort will be complete before the Legislative Session begins.

8. FUTURE AGENDA ITEMS

No future agenda items.

9. PUBLIC COMMENT #2

No public comment.

10. ADJOURNMENT

Meeting was adjourned at 10:30 A.M.

APPENDIX A: STATEMENTS GIVEN DURING PUBLIC COMMENT

1. No public comment.