

**NEVADA DEPARTMENT OF EDUCATION  
COMMISSION ON SCHOOL FUNDING  
SEPTEMBER 2, 2022  
9:00 A.M.**

<b>Office</b>	<b>Address</b>	<b>City</b>	<b>Meeting</b>
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

**SUMMARY MINUTES OF THE COMMISSION MEETING**

**COMMISSION MEMBERS PRESENT**

Dr. Nancy Brune  
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  
Jessica Todtman, Deputy Superintendent for Educator Effectiveness and Family Engagement  
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

**AUDIENCE IN ATTENDANCE**

Gil Lopez, Executive Director, Charter School Association of Nevada

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

Meeting called to order at 9:04 A.M. by Commission Chair Guy Hobbs. Quorum was established.

**2. PUBLIC COMMENT #1**

Gil Lopez, Executive Director, Charter School Association of Nevada, provided public comment regarding the recommendations of the Commission. *(A complete copy of the statement is available in Appendix A).*

**3. APPROVAL OF COMMISSION MEETING MINUTES**

**Member Joyce Woodhouse moved to approve the July 22, 2022 Commission Meeting Minutes. Member Punam Mathur 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 July meeting.

Deputy Superintendent Haartz noted that the Department submitted the recommendations developed by the Commission in this interim (since 2021) to the Joint Interim Standing Committee on Education. Chair Hobbs made a presentation to the Committee in early August. On behalf of the Commission, the Department prepared a response to some follow-up questions received from members of the Committee. Many of those questions dug deeper into the testimony that Chair Hobbs provided and inquiring of the Department what it intended to do with the recommendations or to provide some clarity on what the impact of those recommendations could be to the Pupil Centered Funding Plan.

The Department has done some additional work on the Nevada Cost of Education Index to support the CFOs in their endeavors to review the adjustment factor and have had additional conversations with APA. While APA is no longer under contract with the Department of Education to support the Commission in its work, they have been a valuable partner in continuing to provide technical assistance to the Department and they have again identified that the cost adjustment factor has some benefits and has some challenges. Recognizing that it's difficult to implement, particularly when you have a small number of counties or small State with respect to the number of students who are in the education system.

The Department staff have been engaged in building its biennial budget for the upcoming biennium. Those budgets were due by September 1<sup>st</sup> at 4:00pm and they are not public information until October. Deputy Superintendent Haartz reminded the members of the Commission when that information becomes public, to please keep in mind that the Department of Education has specific instructions it must follow in building its biennial budget that this is true for all executive branch agencies. The Department fully expects there will be changes as the budgets move through the process into the Governor's recommended budget. That budget will reflect any adjustments made as a result of economic forum projections which will be available in December.

The Department continued to field questions from a number of interested parties on the future of the Commission on School Funding. Deputy Superintendent Haartz reminded the Commission that while it will not be able to meet as a Commission past September 30<sup>th</sup>, the Commission does not end and is established in statute. There is no sunset provision and members will continue to serve until successors have been selected and appointed or until current members are reappointed.

**5. INFORMATION AND DISCUSSION REGARDING MESSAGING RELATED TO OPTIMAL FUNDING**

Brian R. Gordon, Principal, Applied Analysis, provided a PowerPoint presentation regarding [Property Tax](#).

Vice Chair Jim McIntosh asked if the assessment rate was increased, would the abatement rules still apply. Mr. Gordon responded yes, they would. Vice Chair McIntosh noted that even if we were to go to 40%, a homeowner is still capped at paying 3% more on the property tax bill year to year. Mr. Gordon agreed and noted that the reason they included alternative scenarios in their presentation is to blend all the scenarios together to demonstrate what the implications are. Mr. Gordon noted that adjusting the assessed value approach or adjusting the depreciation, do very little in the absence of adjustments to the property tax abatement structure. Chair Hobbs noted that they do have an impact on new property and that is one of the reasons you see revenues there. Mr. Gordon agreed and noted that the new value coming on at 40% assessment rate that would be subject to the caps would be coming on higher and properties that may be below the cap, there is some room for them to still move upward without hitting the cap.

Chair Hobbs noted that whether we are discussing sales tax or property tax, there is absolutely no question that groups, whether it's residents or businesses are going to be impacted. One of the reasons that we steered away from industry specific taxes was to try to move toward things that were broader based. For example, the 40% commercial, 60% residential, and part of that commercial is non owner occupied residential. It seemed that something is larger based certainly invites in a larger spectrum of impacted parties, but it also deludes the impact to any singular party.

Member Andrew J. Feuling referenced the Property Tax Model Scenario in the Property Tax presentation that phase out abatements between FY24 and FY33 and phase out depreciation between FY24 and FY33 and noted that it is not school specific revenue to the \$0.75 that are collected, it is the entire capped amount. In terms of the \$7.1 billion, if a county is capped out at \$3.64 and schools are getting \$0.75, that is about 20% of the capped amount, and if \$7.1 billion is the total revenue coming on board, 20% of that \$7.1 billion is about \$1.5 billion. So, in this scenario, schools would not be receiving \$7.1 billion additional revenue in FY33, it would be about \$1.5 billion. Mr. Gordon agreed and noted that the modeled scenarios demonstrate the overall property tax implications but what that means for education if the same formula for property tax rate distribution is exactly what Member Feuling described.

Member Jason Goudie noted Mr. Gordon's point that Nevada is 1 of 50, which is by definition unique with the depreciation component and asked if there are other States that have a property tax cap or abatement process in place. Mr. Gordon responded that they have not looked at every other State across the country, but yes, every State does it a bit differently. When Applied Analysis stated to analyze this topic, they saw a different structure in other places. The depreciation component was the unique component across the country. There are other ways that other States deal with this or limit property taxes, but Mr. Gordon noted that he does not have the list available today. Member Goudie noted that Nevada's process is to apply an assessment rate of 35% and asked how that compares to other States. Mr. Gordon responded that there are a number of States that do not have an assessment rate. They may have a lower property tax rate that gets applied to the market value of the properties and so Nevada has this extra step in its taxation process.

Chair Hobbs asked if Applied Analysis tested the notion of abating the \$0.75 rate either prospectively or retroactively. Mr. Gordon responded that they did not include that in the presentation, but they can certainly do so. It is just a math exercise based on all of the scenarios they have walked through.

Member Paul Johnson asked if there was an opportunity to break down these tax components to how it would affect households or the individual level or even the individual business. If you take a billion dollars and divide that across the 1.2 million people that are employed in Nevada, that is \$70 a month, to an employed individual. Member Johnson noted that at that granular level, it is a bit more relatable to individual rather than the huge dollar amounts shown today. Chair Hobbs agreed.

Member Mark Mathers referenced the property tax rate increase scenario and noted that if the Commission were to consider an increase in the school operating rate from \$0.75 to \$1.00, the abatement would need to be suspended and a statutory increase to the maximum property tax rate would need to be implemented. Member Mathers noted that this scenario is not a broad tax increase that goes to all governments, a straightforward increase to the school operating property tax rate without abatement and increasing the \$3.64 statutory cap gets the desired results quicker and minimizes the overall impact to property tax rate payers. Member Mathers suggested the Commission consider this option.

Member Mathers asked if Applied Analysis considered the scenario of resetting the tax collection amount by suspending abatement and suspending and resetting depreciation upon sale of a home. Mr. Gordon responded that they certainly could, and they have in the past. Mr. Gordon noted that Applied Analysis analyzed that as part of the SJR14 proposal from two sessions ago and agreed to share that data with the Commission. Member Mathers noted that this scenario would not immediately affect existing homeowners until they sell their home and would generate quite a large sum of money.

Vice Chair Jim McIntosh referenced member Mathers's point of increasing the maximum property tax rate and the statutory limit and asked how many counties or areas are close to the statutory limit. Vice Chair McIntosh noted that a \$0.25 increase seems like a big lift however that does direct all the dollars directly to the school district by just raising the operating property tax rate, so it makes sense in a lot of ways. Vice Chair McIntosh stated that in his opinion is that increasing the tax rate is a heavier lift than doing something that adjusts the abatements in some way.

Chair Hobbs noted that there are several ways mathematically to get to similar points and some of them have different features that people may have different types of visceral reactions to. Chair Hobbs noted that he understood why member Mathers raised the point of increasing the maximum property tax rate because if you can get the dollars directly to education that is what the Commission is trying to do. Thinking back to some of the charts regarding different levels of property tax enhancement, notwithstanding the fact that only some of that went directly to schools, it was mentioned that there may be a way mechanically to create some increment around that and move more of it back to education as well. Chair Hobbs noted that he looked at both the funding that went directly to schools and the funding that was raised because we improved on the overall capture of capacity of property tax with equal interest. Whichever of those that maximizes the movement of revenue to education with least amount of political opposition is where the Commission would like to peruse.

Chair Hobbs stated that part of the way this concept needs to be viewed is not just solely a way to raise revenue for education, but also an opportunity for modernization of the tax structure. Dealing with the depreciation and abatement issues are modernization issues. Other units of government are affected by this beyond education. There are entities that have a significant capital levy as well that would be affected. Chair Hobbs stated that all this needs to be considered as the Commission forms the recommendations.

Chair Hobbs and the Commission thanked Applied Analysis for the presentation and the work completed. Mr. Gordon responded by thanking the Commission for the opportunity.

## **6. PRESENTATION ON THE NEVADA COST OF EDUCATION INDEX USING NEVADA DEPARTMENT OF EMPLOYMENT, TRAINING, AND REHABILITATION (DETR) SALARY AND WAGE DATA**

Member Jason Goudie began the discussion by stating that the group of CFOs from the Commission met and discussed the options related to the current Nevada Cost of Education Index (NCEI) adjustment in the pupil-centered funding plan (PCFP). The recommendation from the group is to eliminate the effect of the NCEI from the model. The basis for the recommendation is that very few States are utilizing an index

of this type and their pupil-centered funding models and also due to the fact that Nevada has a very diverse set of school districts with a number of districts that have a very limited set of data from which to derive an effective index. The challenges with utilizing an index that is equitable to all districts is evident given the significant discussions and review of this particular index over the last couple of years. The recommendation to eliminate the effect of the adjustment is made to ensure that removing this calculation for the model itself does not cause calculation issues within the model itself and the group believes that if there is an ideal index identified in the future, the new index could then be utilized by the model in the future. The group believes that setting every district to 1.0 in the model effectively eliminates the effect of the adjustment while still maintaining the integrity of the entire model and allowing for future use of an index. Additionally, the group recommends that the funding previously utilized for the NCEI adjustment be added to the base funding in the PCFP model. The primary reason for this recommendation is the fact that this funding is currently added to the base funding and not to other components of the model. Secondary reason is that while the group believes the weighted funding is currently underfunded in the model, base funding is more significantly underfunded and adding the funding to the base provides more flexibility to districts to meet their individual needs.

Chair Hobbs noted that the NCEI is not being abandoned but the Commission could continue to investigate until there is a methodology that everyone is comfortable with and in the meantime basing each district at zero mutes the effect of NCEI. Member Goudie agreed and noted that each district would be reset at 1.0. Zero changes the way the formula itself works. Clark, Washoe, and White Pine utilized the model and calculated it on their own and came up with the same conclusion. Clark County is the only district that will lose money which means that CCSD as well as charters that are within Clark County, all other counties would gain funding through this based off the prior model and all the losses to charter schools including Clark County itself were less than 1%.

**Member Jason Goudie moved to eliminate the effect of the Nevada Cost of Education Index from the model and add the funding previously utilized for the Nevada Cost of Education Index adjustment to the base funding in the Pupil-Centered Funding Plan model. Member Joyce Woodhouse seconded. Motion passed unanimously.**

## **7. INFORMATION AND DISCUSSION REGARDING THE IMPACT OF OPTIMAL FUNDING ON EDUCATION**

Member Paul Johnson began the discussion by stating that Members of the Commission in collaboration with members of the Nevada Association of School Superintendents (NASS) tried to answer the questions “How much money would Nevada for education” and “How would it be spent and provide the best return on investment for the taxpayers in terms of student outcomes”. The group started working down the priorities and tried to quantify all the information and much of it is rooted in comparison with the Adequacy Study that was performed by APA and comparison of current practices and staffing levels.

Member Johnson noted the first priority is compensation for education professionals. Member Johnson noted that it is no secret that there is a significant shortage of education professional in Nevada. In order to compete in a pool of adequate resources let alone inadequate resources, one of the things that will drive that is compensation. In order for Nevada to attract and retain high quality professional in a shallow labor pool, Nevada needs to provide equitable and competitive composition.

The second priority was to increase equitable educational opportunities by ensuring adequate responses to meet the needs of all students. This deals with the fact that education is a social phenomenon that requires individuals, performing an art that influences the education of students. Member Johnson noted that we must understand the complexity that is involved with educating individual students and unique needs that each student has. In order to meet that uniqueness, we have to make sure that at a minimum the weights that

were identified in the adequacy study compared with where we currently are funded.

The third priority is to improve the needs for supports for students and families. Member Johnson noted that this is the school culture and climate. There are proponents of studies that indicate that the success of the school in large depends on the success of the school community. Washoe County School District implemented a successful family engagement program that significantly improved the graduation rates. This priority deals with involving the school community in a much greater level so that the school community can help supplement the educational process.

The final priority dealt with school facilities and the conditions of facilities which may not be equitable. Over the course of the past decades there have been increased threats to schools, student safety, health and wellbeing. There are some places that simply just don't have the financial means in order to address those issues. Member Johnson noted that there is evidence and studies that conclude that the actual school facility affects education. In order to have a higher quality of education, equitable and higher quality facilities are required. There are several barriers in older facilities such as the absence of technology, the simple structure of the facility, lighting, air conditioning that all affect the student's ability to pay attention and employee morale.

Member David Jensen noted as a reminder that the NASS group was charged with the task of identifying the key elements of spending if there were additional revenues which is where the four priorities that member Johnson referenced came from. Member Jensen noted that NASS feel that the infrastructure and facilities is critical and is outside the scope of the Commission, however, that does not preclude NASS from making it a recommendation. Member Jensen expressed appreciation on behalf of NASS to members Goudie, Johnson, Mathers, Casey, and Feuling for putting number to this work.

## **8. 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 asked what the funding formula does with the incremental money that starts to come through. Chair Hobbs responded that additional identified revenues would be marked to go into the state education fund and follow the pupil centered funding formula and moved to each of the districts. The Commission hasn't simulated what would happen if there was an additional \$50 or \$100 million. Member Mathur noted that she would like to be able to show to people if we are willing to put revenue into the state education fund, here is how and when we can make the investments and then realize some of the benefits. Vice Chair McIntosh noted that base per pupil funding will increase by caseload and by inflation so that will be automatic in terms of where those dollars would initially go. Nevada has not fully funded the weight yet, so that would be the next area that dollars will begin to flow.

## **9. DISCUSSION REGARDING THE DEVELOPMENT OF THE REPORT REQUIRED OF THE COMMISSION BY ASSEMBLY BIL (AB) 495 FROM THE 2021 LEGISLATIVE SESSION**

Chair Hobbs opened the discussion on how the report the Commission is generating is being prepared. Much of the work on building out the body of the report has taken place over the last five or six weeks. The draft is 31 pages so far before adding the detailed information about sales and property tax and other revenues. Chair Hobbs noted that once the report is finished, the Commission will need to reduce it to a digestible slide deck that is a bit more user friendly. The report has an introduction acquainting the reader with Senate Bill 543 and Assembly Bill 495 and what those charged the Commission to do. The next section discusses optimal K-12 funding and current funding, sets parameters around the term optimal, and sets up a comparison between current funding and the other metrics that the Commission is using for comparison,

particularly the national average and optimal funding. The next section will be on quantifying those levels, providing background as far as how those numbers have been put together. The next section is SB 543 and reminding the reader that there is a section in SB 543 that does require the State to increase its' funding to education commensurate with the increases in overall revenue that are put forth by the Economic Forum as long as those are practicable. There is a section on how the funding would be invested that focuses on the macro points of what has been discussed today. The cost of staffing, the ability to attract and retain staff, and fully fund the weights. This section will refer to the material that has been prepared by NASS which will also appear in the appendix of the report to provide additional context to those numbers. The next section is accountability and review. It is very difficult to go through a discussion like this with reminding the audience that there also needs to be accountability over the course of the ten years and periodic reviews to ensure that the funding that the Commission projected to happen is actually happening and that the use of that funding is in concert with the types of investments that were discussed. The next section is the approach to identification of funding sources, process that involved the principles of taxation and revenue. The next section is regarding funding the target revenue sources. This section gets into quantification of the differences over time. There is a section on additional revenue sources. Finally, the last section is the recommendation section.

Chair Hobbs noted that a draft of the report could be completed by the end of the month, but it is not due to the Legislature until November.

#### **10. FUTURE AGENDA ITEMS**

Chair Hobbs noted the report from NDE, an item to discuss the recommendations for inclusion in the Commission's report, and an item with regard to messaging.

#### **11. PUBLIC COMMENT #2**

No public comment.

#### **12. ADJOURNMENT**

Meeting was adjourned at 11:57 A.M.

**APPENDIX A: STATEMENTS GIVEN DURING PUBLIC COMMENT**

1. Gil Lopez, Executive Director, Charter School Association of Nevada, provided public comment regarding the recommendations of the Commission.



**APPENDIX A, ITEM 1: GIL LOPEZ**

Dear Commission on School Funding, my name is Gil Lopez (GIL LOPEZ) for the record. I am the Executive Director of the Charter School Association of Nevada representing over 62,000 students in our public education system. First of all, I want to thank the Commission, Chair Hobbs, Member Casey for all the hard work of providing these recommendations to improve school funding. We appreciate and support public charter's being included in the recommendations specifically with the auxiliary services and transportation. This group is doing tremendous work and a charter authority, we do support the continuation of this Commission past this month. Once again, we want to thank the Commission for the recommendations. We are here as partners to improve our children's future across the educational ecosystem for the State of Nevada. So, thank you very much for all the hard work you guys have been doing.