Scenarios 1a & 1b

Scenario 1a (Table 3)

				National Average Funding Level (10-Year Phase In)			Status Quo Funding Level		Resulting Shortfall	
School Year (ending)			Estimated Enrollment	Phase-In Percentage	Required Per Pupil Funding Level (Inflation Adjusted)	Required Total Funding (Inflation Adjusted)	Pupil Funding Level (Inflation Adjusted)	Total Funding (Inflation Adjusted)	Incremental Shortfall	Aggregate Shortfall
Year 1	1	2022	489,724	10%	$ 9,977	$ 4,886,025,580	$ 9,623	$ 4,712,548,232	$ 173,477,348	$ 173,477,348
Year 2	2	2023	492,172	20%	$ 10,538	$ 5,186,496,451	$ 9,815	$ 4,830,833,192	$ 182,185,911	$ 355,663,259
Year 3	3	2024	494,633	30%	$ 11,117	$ 5,498,972,716	$ 10,012	$ 4,952,087,106	$ 191,222,351	$ 546,885,610
Year 4	4	2025	497,106	40%	$ 11,716	$ 5,823,867,744	$ 10,212	$ 5,076,384,492	$ 200,597,642	$ 747,483,252
Year 5	5	2026	499,592	50%	$ 12,333	$ 6,161,608,095	$ 10,416	$ 5,203,801,743	$ 210,323,100	$ 957,806,352
Year 6	6	2027	502,090	60%	$ 12,971	$ 6,512,633,916	$ 10,624	$ 5,334,417,166	$ 220,410,398	$ 1,178,216,750
Year 7	7	2028	504,600	70%	$ 13,629	$ 6,877,399,359	$ 10,837	$ 5,468,311,037	$ 230,871,572	$ 1,409,088,322
Year 8	8	2029	507,123	80%	$ 14,309	$ 7,256,373,003	$ 11,054	$ 5,605,565,644	$ 241,719,037	$ 1,650,807,358
Year 9	9	2030	509,659	90%	$ 15,010	$ 7,650,038,293	$ 11,275	$ 5,746,265,342	$ 252,965,593	$ 1,903,772,951
Year 10	10	2031	512,207	100%	$ 15,734	$ 8,058,893,993	$ 11,500	$ 5,890,496,602	$ 264,624,440	$ 2,168,397,391

Scenario 1b (Table 4)

				National Average Funding Level (8-Year Phase In)			Status Quo Funding Level		Resulting Shortfall	
School Year (ending)			Estimated Enrollment	Phase-In Percentage	Required Per Pupil Funding Level (Inflation Adjusted)	Required Total Funding (Inflation Adjusted)	Pupil Funding Level (Inflation Adjusted)	Total Funding (Inflation Adjusted)	Incremental Shortfall	Aggregate Shortfall
Year 1	1	2024	494,633	13%	$ 10,472	$ 5,179,956,110	$ 10,012	$ 4,952,087,106	$ 227,869,004	$ 227,869,004
Year 2	2	2025	497,106	25%	$ 11,152	$ 5,543,561,524	$ 10,212	$ 5,076,384,492	$ 239,308,028	$ 467,177,032
Year 3	3	2026	499,592	38%	$ 11,854	$ 5,922,156,507	$ 10,416	$ 5,203,801,743	$ 251,177,732	$ 718,354,764
Year 4	4	2027	502,090	50%	$ 12,580	$ 6,316,264,458	$ 10,624	$ 5,334,417,166	$ 263,492,527	$ 981,847,291
Year 5	5	2028	504,600	63%	$ 13,330	$ 6,726,425,610	$ 10,837	$ 5,468,311,037	$ 276,267,282	$ 1,258,114,573
Year 6	6	2029	507,123	75%	$ 14,105	$ 7,153,197,543	$ 11,054	$ 5,605,565,644	$ 289,517,326	$ 1,547,631,899
Year 7	7	2030	509,659	88%	$ 14,906	$ 7,597,155,711	$ 11,275	$ 5,746,265,342	$ 303,258,471	$ 1,850,890,369
Year 8	8	2031	512,207	100%	$ 15,734	$ 8,058,893,993	$ 11,500	$ 5,890,496,602	$ 317,507,022	$ 2,168,397,391

Scenarios 2a & 2b

Scenario 2a (Table 5)

				Adjusted APA Funding Level (10-Year Phase In)			Status Quo Funding Level		Resulting Shortfall	
School Year (ending)			Estimated Enrollment	Phase-In Percentage	Required Per Pupil Funding Level (Inflation Adjusted)	Required Total Funding (Inflation Adjusted)	Pupil Funding Level (Inflation Adjusted)	Total Funding (Inflation Adjusted)	Incremental Shortfall	Aggregate Shortfall
Year 1	1	2022	489,724	10%	$ 10,152	$ 4,971,775,876	$ 9,623	$ 4,712,548,232	$ 259,227,644	$ 259,227,644
Year 2	2	2023	492,172	20%	$ 10,895	$ 5,362,301,708	$ 9,815	$ 4,830,833,192	$ 272,240,872	$ 531,468,516
Year 3	3	2024	494,633	30%	$ 11,664	$ 5,769,299,669	$ 10,012	$ 4,952,087,106	$ 285,744,047	$ 817,212,563
Year 4	4	2025	497,106	40%	$ 12,459	$ 6,193,350,623	$ 10,212	$ 5,076,384,492	$ 299,753,568	$ 1,116,966,131
Year 5	5	2026	499,592	50%	$ 13,281	$ 6,635,054,219	$ 10,416	$ 5,203,801,743	$ 314,286,345	$ 1,431,252,476
Year 6	6	2027	502,090	60%	$ 14,131	$ 7,095,029,462	$ 10,624	$ 5,334,417,166	$ 329,359,820	$ 1,760,612,296
Year 7	7	2028	504,600	70%	$ 15,010	$ 7,573,915,313	$ 10,837	$ 5,468,311,037	$ 344,991,979	$ 2,105,604,276
Year 8	8	2029	507,123	80%	$ 15,918	$ 8,072,371,293	$ 11,054	$ 5,605,565,644	$ 361,201,373	$ 2,466,805,649
Year 9	9	2030	509,659	90%	$ 16,857	$ 8,591,078,122	$ 11,275	$ 5,746,265,342	$ 378,007,131	$ 2,844,812,780
Year 10	10	2031	512,207	100%	$ 17,826	$ 9,130,738,358	$ 11,500	$ 5,890,496,602	$ 395,428,976	$ 3,240,241,756

Scenario 2b (Table 6)

				Adjusted APA Funding Level (8-Year Phase In)			Status Quo Funding Level		Resulting Shortfall	
School Year (ending)			Estimated Enrollment	Phase-In Percentage	Required Per Pupil Funding Level (Inflation Adjusted)	Required Total Funding (Inflation Adjusted)	Pupil Funding Level (Inflation Adjusted)	Total Funding (Inflation Adjusted)	Incremental Shortfall	Aggregate Shortfall
Year 1	1	2024	494,633	13%	$ 10,700	$ 5,292,592,340	$ 10,012	$ 4,952,087,106	$ 340,505,235	$ 340,505,235
Year 2	2	2025	497,106	25%	$ 11,616	$ 5,774,488,324	$ 10,212	$ 5,076,384,492	$ 357,598,597	$ 698,103,832
Year 3	3	2026	499,592	38%	$ 12,565	$ 6,277,241,100	$ 10,416	$ 5,203,801,743	$ 375,335,525	$ 1,073,439,357
Year 4	4	2027	502,090	50%	$ 13,547	$ 6,801,594,080	$ 10,624	$ 5,334,417,166	$ 393,737,556	$ 1,467,176,913
Year 5	5	2028	504,600	63%	$ 14,563	$ 7,348,314,855	$ 10,837	$ 5,468,311,037	$ 412,826,904	$ 1,880,003,817
Year 6	6	2029	507,123	75%	$ 15,614	$ 7,918,195,940	$ 11,054	$ 5,605,565,644	$ 432,626,478	$ 2,312,630,296
Year 7	7	2030	509,659	88%	$ 16,701	$ 8,512,055,544	$ 11,275	$ 5,746,265,342	$ 453,159,906	$ 2,765,790,202
Year 8	8	2031	512,207	100%	$ 17,826	$ 9,130,738,358	$ 11,500	$ 5,890,496,602	$ 474,451,554	$ 3,240,241,756

Preliminary Funding Sources

- Two sources of revenue emerged that met the guiding principles of Sufficiency, Predictability, Competitiveness, and Equity

  - Property Taxes
  - Sales and Use Tax

Today, we will be taking a closer look at Property Tax components and potential solutions. Given the funding challenges noted in the prior slides, the concept of sufficiency takes on added meaning.

Property Taxes – (Ad Valorem Taxes)

- Sufficient
- Stable/predictable
- Competitive
- Equitable

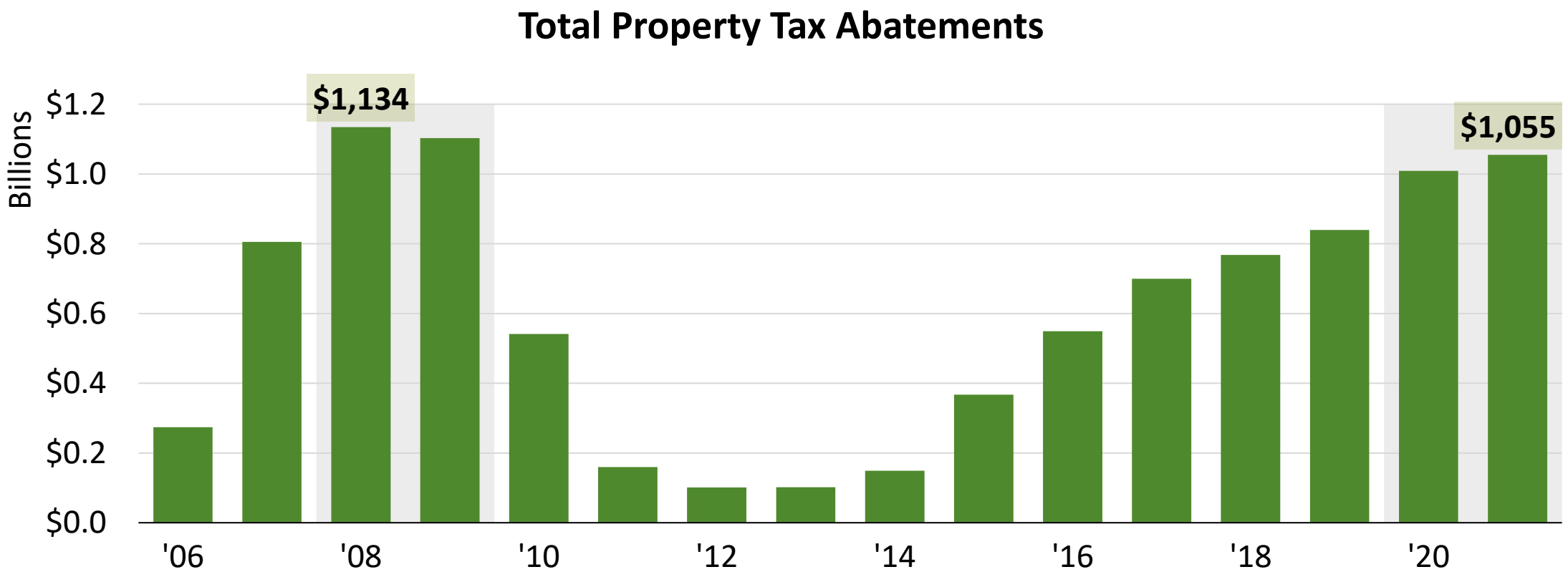
- Abatements
  - 3% for owner-occupied residential property (max)
  - 8% for non-residential (NR) property (max)
  - Current NR caps vary (see next slide)
  - Greater of 2 x CPI or five-year moving AV average, up to maximum of 8% for NR property
  - Residential is capped by NR cap; currently at 3%
- Depreciation
  - 1.5% per year for 50 years to a residual value of 25%
- Tax cap
  - Constitution - $5 per $100 of assessed valuation
  - NRS - $3.66 per $100 of assessed valuation
- Replacement cost vs market value

Note: Property tax increases may reduce federal tax obligations

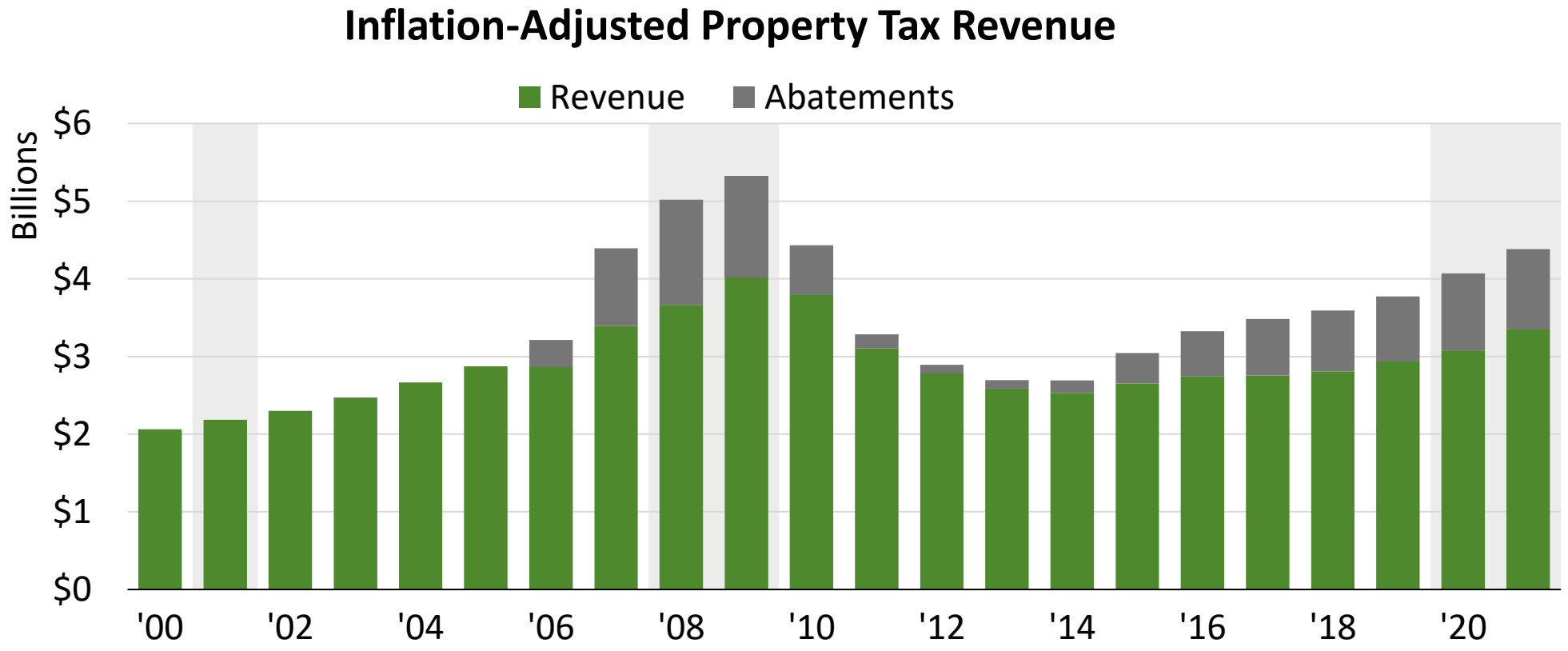
Abatements – FY 22 Cap Summary

County	AV Growth	CPI x 2	Res. Cap	Gen. Cap
Carson City	3.7%	2.4%	3.0%	3.7%
Churchill	3.5%	2.4%	3.0%	3.5%
Clark	7.7%	2.4%	3.0%	7.7%
Douglas	3.4%	2.4%	3.0%	3.4%
Elko	4.5%	2.4%	3.0%	4.5%
Esmeralda	**1.9%**	**2.4%**	**2.4%**	**2.4%**
Eureka	**-3.2%**	**2.4%**	**2.4%**	**2.4%**
Humboldt	3.1%	2.4%	3.0%	3.1%
Lander	**-3.3%**	**2.4%**	**2.4%**	**2.4%**
Lincoln	4.6%	2.4%	3.0%	4.6%
Lyon	8.4%	2.4%	3.0%	8.4%
Mineral	6.2%	2.4%	3.0%	6.2%
Nye	4.0%	2.4%	3.0%	4.0%
Pershing	**-0.6%**	**2.4%**	**2.4%**	**2.4%**
Storey	20.7%	2.4%	3.0%	8.0%
Washoe	6.2%	2.4%	3.0%	6.2%
White Pine	**2.8%**	**2.4%**	**2.8%**	**2.8%**

Property Tax Abatements



Property Tax Abatements



Possible Property Tax Solutions

Abatements

- Cap the growth of abatements to current levels
- Phase-out of abatements
- Eliminate abatements
- Revenue neutral elimination of abatements
  - Creates headroom under statutory combined caps
  - Does not result in a tax increase
  - Requires either legislative or ballot approval to access available headroom

Treatment of abatements needed under any scenario.

Possible Property Tax Solutions - continued

Depreciation

- Increase residual value
- Reduce annual depreciation rate
- Cap depreciation
- Phase out depreciation
- Eliminate depreciation

Treatment of abatements needed to allow changes in depreciation to generate added revenue.

Possible Property Tax Solutions - continued

Tax Rates and Caps

- $3.66 combined rate cap set by statute
- 11 of Nevada's 17 counties include entities at the $3.66 cap
- Constitutional limit is $5.00 per $100 of assessed valuation
- Approaches:
  - Increase the $.75 operating rate as needed
  - Requires legislative action or approval of the electorate
  - Exempt voter-approved levies

Consider using abatements to reduce current combined rates and use regained headroom to access property tax as a core source of funding for education.

Possible Property Tax Solutions - continued

Assessment Methodology

- Current approach, as set forth in statute, is to use the full cash value of land plus the replacement cost of improvements (less depreciation).
- An alternative may be to rebase taxable valuations to market value of property, either upon sale or transfer of the property or upon assessment revaluation
- As previously noted, removal of depreciation from the valuation of improvements would also bring the values closer to market. Replacement cost of improvements can also be explored for modification.

As with other methods described, would require treatment of abatements to yield additional revenue.