SENATORS PRESENT:

Chairman Norman Glaser
Senator Dodge
Senator Raggio
Senator Sloan
Senator Kosinski
Senator Don Ashworth

SENATOR ABSENT:

Senator Lamb

GUESTS:
See Exhibit "Guest List"

ASSEMBLYMEN PRESENT:

Chairman Price
Vice- Chairman Craddock
Assemblyman Dini
Assemblyman Mann
Assemblyman Chaney
Assemblyman Coulter
Assemblyman Marvel
Assemblyman Bergevin
Assemblyman Rusk

ASSEMBLYMEN ABSENT:

Assemblyman Tanner
Assemblyman Weise

The meeting was called to order by Senator Norman Glaser, in Room 131, at 2:06 p.m. on Tuesday, January 23, 1979.

Chairman Glaser began by introducing the first speaker for the informational seminar on the effect of tax reform on the educational systems. The Chairman presented Dr. Ray Ryan, Nevada State Department of Education.

Dr. Ryan gave the introductory statement for the educational systems as written in Exhibit A, Page 1 and 2. Dr. Ryan had asked prior to the meeting that all questions be held until the conclusion of each of the educational speakers.

Dr. Ryan then introduced Mr. Doug Sever of the Department of Education, who discussed the "Nevada Plan", see Exhibit A, Pages 3 through 7, (the exact text of the handout was followed by both Dr. Ryan and Mr. Sever). On Page 6, Mr. Sever described how the resource formula works by applying a fabricated district example, as seen on the right-hand side of the chart.

Dr. Clifford Lawrence spoke next on the "Possible Effects of Certain Tax Proposals", Exhibit A, Pages 8 through 11. Dr. Lawrence, Superintendent of the Carson City School District, said that the primary tax proposal is Proposition 6. Dr. Lawrence said that if this proposition is enacted into law, he would estimate that within 3 to 4 years there will be another referendum to repeal it. On Page 9, of the handout an illustration of how Proposition 6 would affect two different properties in Ormsby County was outlined. The outline illustrated that even though the homes had 10 years difference in age, their valuations were very close, and the taxes were extremely inequitable. Dr. Lawrence said this type of inequity will have a strong discouraging factor on the "trade-up" concept, for real estate brokers and construction companies. Dr. Lawrence also stated that the property tax rates are to be based on 1975 values at 1% market value. He said that now it is 1 3/4% and in essence this use of 1975 valuations will create a decrease of approximately 43% in base income from the ad valorem. Dr. Lawrence stated that it is impossible to assess the total impact of Proposition 6, but by the Department's best estimates, it would reduce income for the school districts from 48% to as much as 60%, (See Exhibit A, Page 9, Sec.'s 1,2,3 and 4). He said that if Proposition 6 were in effect now, in Carson City, it would reduce the assessed valuation from $171 million, plus, down to $116 million, plus, for a loss of approximately $55.5 million. Dr. Lawrence said that this reduction in assessed valuation would in turn reduce the district's bonding capacity from $25.7 million to $17.4 million; and currently the district has $11,159,000.00 in outstanding bonded indebtedness, which would leave $6.2 million in bonding capacity.

Mr. Charles Knight, Superintendent of Elko County School District, spoke next on "Possible Plans to Reduce the Assessed Valuation Rate", Exhibit A, Pages 12 through 19. (Please note that Mr. Knight followed the text of the handout exactly and referred to each corresponding chart.)

Mr. Ed Greer, employee of the Clark County School District, spoke on "Proposed Tax Reductions - Summary of Effect on School Districts", Exhibit A, Pages 20 through 24. In regards to sales tax, Mr. Greer suggested that consideration be given to the sales tax to produce revenues that would provide financial stability for the institutions and governmental entities of Nevada. For the gaming tax, Mr. Greer stated that Education does not want to take revenue from other entities, but merely suggests that this area may be healthy enough to assist all other governmental entities. Specifically addressing Proposition 6, Mr. Greer said that he suggests a restoration clause, (Page 22), be attached to that legislation, to read as, "Subsection such and such of NRS_____ shall be voided and the following shall be included in NRS_____ when and if Proposition 6 is enacted." Mr. Greer stated in general consideration of tax reform that, "no state legislation is enacted that would increase either direct for indirect costs unless those costs are supported with additional revenue," (Page 23).

Dr. Marvin Picollo, Superintendent of the Washoe County School District, next presented an overview of the expenditures for the school districts, Exhibit A, Pages 25 through 51. Dr. Picollo stated that the cost of moving from one year to the next year in public schools is quite significant and is partially due to the inflationary costs of equipment and supplies. Dr. Picollo said that another important cost that increases from year to year is the salary increments for teachers, classified employees and administrators, (Page 26 of Handout). The summary of Dr. Picollo's remarks regarding expenditures is summarized in the four charts following Page 31 of the Handout. Dr. Picollo closed by pointing out to the Committees that each year relatively large sums of money that were originally allocated to public school education revert back to the State, (Bottom of Page 30, and Page 31 of the Handout). Dr. Picollo said that he mentioned these sums in order that consideration could be given to the reversions when approaching different kinds of taxation and funding.

Dr. Claude Perkins, Superintendent of the Clark County School District, also spoke on the expenditures for the school districts. Dr. Perkins said that the Clark County District is contemplating tax cuts, but it deals with a budget in excess of $200,000,000.00, and if the State plans to support education in areas currently funded elsewhere, then it is necessary to have accurate accounting of funding and plan for growth. Dr. Perkins said that he felt it would be wise for the legislators to consider having taxes delineated to the elementary and secondary schools; not just to Education which includes the Universities. This delineation, Dr. Perkins stated, would eliminate going to a unitary school system for the entire state.

Mr. Joaquin Johnson, President of the County School District Superintendents, gave the closing remarks of the educational presentation. Mr. Johnson stated that the districts are familiar with the Nevada Plan for education and hope that this Plan will not be altered; however, if the Governor's proposal to have the State assume some of the funding for .70¢ the first year and .30¢ the second year is enacted, then the Superintendents emphasize the necessity for the assumption to be the exact amount as would have been forthcoming in future years.

Chairman Glaser opened the meeting up for questions.

Assemblyman Mann asked Mr. Greer in regards to the change from 35% to 25% on the ratio of the assessed valuation if he felt due to inflation, there would be a "cancelled-out" situation, and there would actually be no net loss? Mr. Greer said, "no" because their budget projections take all these items into account.

Senator Dodge asked how the formula could be protected in order that the optional funds picked up by the State would be the exact amount now funded? Mr. Knight answered that as the assessed valuation increases, the revenue should increase; and it must be worded in the statute that the revenue source on .30¢ of the ad valorem base be exact to what the assessed valuation of that district is currently.

Assemblyman Price asked if Clark County had considered any other method of bussing, such as contractual service or allowing the city to use the buses during class hours? Mr. Greer responded that one outside contractor would not allow for competition in the price of the service, although this has been considered; and a study has been done on the possibility of Las Vegas using the same buses, however the requirements for the school buses and the fact that adults did not want to ride with children caused this to not work out. Dr. Picollo said that in Washoe County, they moved from contracted bussing to their own division six years ago, and went from the highest transportation district to the lowest cost transportation district.

Senator Ashworth asked Dr. Perkins regarding the cost per student, what is "weighted enrollment"? Dr. Perkins said the student is counted as a fraction if they do not attend a full day session, i.e., a kindergarten student is a .06 student, because they only go to school until noon.

Assemblyman Chaney stated that he hopes the Educational systems will continue to make an effort to inform the public as to the effect Proposition 6 will have on the public school systems.

Assemblyman Mann asked with a budget "crunch" being imposed on the Department of Education, why is a study being done on the Nevada Plan, especially if the Superintendents support the Plan? Mr. Johnson said that the Plan needs modification. Assemblyman Mann asked what if they had the choice of having the study or the funding for the study added to their budgets? Mr. Johnson said they would probably still take the study because it would bring more profit in the future. Ms. Rosemary Clarke, President of the State Board of Education, stated that in the statutes it says that there should be an on-going study of the financial plan for the State. She said that the Board has wanted to implement this study for the last three years, as they have felt that the current plan does not always speak to the needs of the children, but more to a formula. Senator Dodge said in discussing equity of the State's financing of public education; looking at the mandates of the Serrano decision which designates equal funding for each child in the same circumstances, the formula has been quite successful over the past ten years.

Assemblyman Price asked when the official count is taken for students? Mr. Sever said in accordance with NRS387.1233, the count is taken on pupils actually attending school on the last day of the first school month of the year. Dr. Picollo stated that this count averages out as there may be a higher count a month later, but in January the count lessens.

Senator Dodge asked Dr. Picollo in reference to the Dr.'s earlier remarks on reversions, if this error occurred because the "money" committees didn't accept the Department's figures on growth, or because revenue growth was projected too conservatively? Dr. Picollo answered that the committees estimated that the State would be picking up approximately 40% of the total revenue in the coming biennium, and the State in fact only picked up 30%, the difference being in the estimation of the amount of money coming from sales and ad valorem taxes. Senator Dodge stated that perhaps the State has been conservative in estimating this revenue, but if there was a recession the State would still be obligated to support education through the biennium even if supplemental appropriations became necessary.

Assemblyman Mann asked what programs the superintendents have considered for "cut-backs" when the tax relief programs are put into effect? Dr. Picollo said that the fastest way to raise money is to increase class size; and also under consideration is the curtailing of cleaning services and staggering bussing services. Dr. Perkins remarked that Clark County is considering many various types of economy.

Chairman Glaser thanked the Education representatives for their contributions and recessed the meeting for ten minutes.

Mr. Ernest Newton of the Nevada Taxpayer's Association began his presentation. He stated that he appreciated the opportunity to discuss some of the problems of levying and collecting taxes necessary to the function of both State and local governments. Mr. Newton spoke of a parallel between the ability of his 7-year-old grandson to spend whatever money he gave to him, and the local entities, especially school districts, being able to spend any money that is available.

Mr. Newton referred to the impact of property taxes, particularly the taxes on real property and how they have increased dramatically, and how perspective is needed. He said that the most "elastic" tax is the property tax because it is based on value rather than some other unit. Mr. Newton said that all that is needed is proper administration of assessment. The average annual income for Nevadans, he said, has approximately doubled over the past ten years; the cost to governments of the services it provides have approximately doubled; the cost of State government has increased two and one-half times in each year; the cost of operating the Legislature has doubled. He said that even with the dramatic rise in property taxes the percentage share of those taxes availabe to cities and counties has remained substantially constant and the services of local government are not now and never have been completely paid for by property taxes. He felt that the property taxes are most resented because they are the most visible at all levels.

Mr. Newton remarked in referencing earlier statements of the school district superintendents, that the operation and maintenance of education has increased 30% in the last two years. He said that the school district population to be served statewide has grown 1.4% per year in pupil count. He continued that this growth ranges from a net loss in Mineral County of 6% last year and 5% this year, to a gain in Storey County of 9.9% two years ago and 4-1/2% this year; the biggest gain being in Lincoln County with 9-3/10%. Conversely, he added, the costs of operating and maintaining the various school districts has increased 30%; and if the inflationary factor were added to the population gain, then the cost of operating school districts has increased approximately 22-1/2% on an average.

Senator Raggio asked about the 30% Mr. Newton referred to? Mr. Newton said that the 30% is actually closer to 22-1/2% because of the application of the GNP Deflator for goods and services purchased by government.

Assemblyman Price asked if Mr. Newton took into account the growth in population in reaching this increase percentage? Mr. Newton answered that he took the entire enrollment on the last Friday of the first school month, and compared this with the entire statewide enrollment.

Mr. Newton then discussed just Clark County figures for those legislators from that area. He stated that Clark County had a growth last year in school population of 2.3%, (equalling approximately 2,000 children). Mr. Newton said that this year Clark County had a growth of 1.5%. Their cost of operation, he said, was $102,807,000.00 last year, and in 1977-78 it was $130,565,000.00. These figures, he stated, are in accord with the State average, because Clark County accounts for approximately 50% of all figures relating to education.

Mr. Newton explained in detail the GNP Implicit Deflator that he uses in reaching his percentages. He said this is a percentage figure that is calculated each month by the U.S. Department of Commerce, using the services and goods purchased by government rather than those purchased by an average family(C.P.I.). This price deflator, he said, is about 3% lower than the consumer price index. He added that if the deflator described had been used and the population growth were taken into account, the following would have taken place in the seventeen school districts of the State of Nevada: Carson City would have operated with a budget of $595,000.00 less; Churchill County would have operated on a budget of $19,000.00 less; Clark County would have operated on a budget of $8,465,000.00 less; Douglas County would have had $53,000.00 less; Elko County $85,000.00 less; Esmeralda County $16,000.00 more; Eureka County, $143,000.00 less; Humboldt County, $30,000.00 less; Lander County, $42,000.00 more; Lincoln County does not have their figure calculated at this time; Lyon County, $280,000.00 more; Mineral County, $149,000.00 less; Nye County, $328,000.00 less; Pershing County $53,000.00 less; Storey County, $87,000.00 less; Washoe County, $5,373,000.00 less; and White Pine County, $136,000.00 less. Mr. Newton said that this indicates that the school districts had more money than they needed, and this imbalance is due to receiving revenues that were not expected and the districts did not do an adequate job of forecasting their expenditures.

Mr. Newton said that cities and counties present an entirely different situation. He said that the statewide variation in population in the last two years has been a growth of 4.9% in one year and 4.6% in another year, with the implicit price deflator being 6.4% two years ago, and 7-1/2% last year. He said that in almost every instance, the cities and counties could have lived within an income which could have been projected at the Fiscal Year 75-76, and then added a factor for population growth and a factor for inflationary price deflator. He said that the total of those variations show that out of total expenditures for cities (approximately $100,000,000.00), the variation is that cities are under what might have been expected by $274,000.00. Mr. Newton said that there is wide variation. He said that Las Vegas spent $2,380,000.00 less than they would have been expected to spend, based on their population growth and inflation. He said that Sparks spent $716,000.00 less than they might have been expected to spend; however, Reno spent $805,000.00 more. Mr. Newton stated to Senator Raggio that the method of allocation between Sparks and Reno is somewhat negative.

Mr. Newton said that the variation is even wider in regards to counties. He said that Carson City is the "worst" with an 'over' expenditure during the past year of $2,080,000.00; Clark County is under $12,181,000.00 and Washoe County is over by $6,203,000.00. Senator Dodge asked how all counties fared? Mr. Newton said that this is not a "weighted" total, but the figure for all counties is $3,763,000.00 less than what had been expected based upon population growth and the inflation factor.

Mr. Newton said that the key to this type of comparison study is picking the appropriate base year, i.e., 1975-76; because it has to be a year which is level economically, and a non-election year.

Mr. Newton suggested that a method be devised by which the local government budget act be amended to set a ceiling on expenditures for all local governments, and that ceiling be tied to the 1975-76 expenditures for operation and maintenance.

Mr. Newton said that he is aware that the elimination of the sales tax on groceries has enormous political appeal, but he felt it had been overstated. He said that there is enormous opportunity to adjust rates of taxation on the tax base and retain equity. He said that if the food tax is removed from the taxable base, for sales tax purposes, it will never be put back on; and if there is a downturn in the economy someone is going to suggest an increase in the 1-1/2% tax currently under legislative control.

Senator Dodge asked Mr. Newton if he had any ideas on how the problem might be addressed for those districts which rely the heaviest on the property tax revenues if Governor List's approach of $3.50 ad valorem tax for the first year and $3.20 for the second year is adopted? Mr. Newton said that he felt this was a very serious problem, and that is why he has urged the Governor's staff to reduce taxes by the individual rates for individual entities and not alter the base. Senator Dodge said that the Governor is not altering the base, but is placing a ceiling on rates. Mr. Newton said that he disagrees with the Governor in placing a ceiling on the rates, because if a ceiling were placed on the expenditures of each local governmental entity instead, the rates would take care of themselves. He added that a $3.50 rate, plus debt service will not be much help to many areas.

Assemblyman Price said he still does not understand how limiting public expenditures will result in reduced property taxes? Mr. Newton said this will only happen if the law limits appropriations for expenditures to a specific figure, i.e., if the City of Las Vegas has $10 million in tax resources, but are only permitted to expend $9 million, then they will not levy more than $9 million worth of taxes.

Senator Dodge asked if Mr. Newton agreed with the Governor's proposal about the State assuming the mandatory .70¢ the first year of the optional distributive school fund, and .30¢ the second year? Mr. Newton said he supported this idea but he felt there should a "cap" on school district expenditures. Senator Dodge asked if it was Mr. Newton's contention that without necessitating a "lid" on the combined local operating rate ($3.50 the 1st year and $3.20 the second), and by constraint of expenditures based on the 1975-76 base, that compliance will be possible with the Proposition 6 mandates? Mr. Newton said, "yes".

Senator Dodge asked if Mr. Newton could compose a proposal of the approaches he advocates if the fiscal analysts assigned to the Taxation Committees assisted? Mr. Newton said this could be done in about one week.

Assemblyman Craddock asked if anyone has compiled a total list of all taxes collected within the State of Nevada? Mr. Dan Miles, Fiscal Analyst of the Legislative Counsel Bureau, said that he has a list of all State authorized taxes. Assemblyman Craddock said that there are still other taxes that need to be analyzed in order that the full repercussions of Proposition 6 will be understood.

Mr. Newton said that he also wanted to make it clear that if the sales tax on food were eliminated, the actual savings to individual citizens would be close to $52.00 per year, per capita.

Assemblyman Price asked if it would be possible to "stall" Proposition 6, if a proposal such as the one just enumerated by Mr. Newton were adopted? Mr. Newton said he felt this was possible, as there appeared to be a better general understanding of the implications of Proposition 6.

Senator Dodge asked if the Governor's plan will cause a reduction of services at all levels of government, including the schools? The Senator added that if there isn't a reduction in services, the public will never pay any attention, and they will still vote for Proposition 6. Mr. Newton answered that in about one-half of the county and State entities and all of the school districts, there would be a reduction in services.

Chairman Glaser closed the meeting a 5:14 p.m. and asked the fiscal analysts for both Committees to meet with Mr. Newton immediately following this meeting.

Sheba L. Frost

Respectfully Submitted By:
Sheba L. Frost, Secretary

Norman D. Glaser

Approved By: Norman Glaser,
Chairman

EXHIBIT "GUEST LIST"

-- By order of presentation --

Dr. Ray Ryan, Nevada State Department of Education

Mr. Doug Sever, Nevada State Department of Education

Dr. Clifford Lawrence, Superintendent of the Carson City School District

Mr. Charles Knight, Superintendent of the Elko County School District

Mr. Ed Greer, Clark County School District

Dr. Marvin Picollo, Superintendent of the Washoe County School District

Dr. Claude Perkins, Superintendent of the Clark County School District

Mr. Joaquin Johnson, President of the County School District Superintendents

Ms. Rosemary Clarke, President of the State Board of Education

****

Mr. Ernest Newton, Nevada Taxpayer's Association

PRESENTATION

TO

STATE OF NEVADA

SENATE AND ASSEMBLY TAXATION COMMITTEES

SUBMITTED ON BEHALF

OF

NEVADA STATE BOARD OF EDUCATION

NEVADA STATE DEPARTMENT OF EDUCATION   *NEVADA PUBLIC SCHOOL DISTRICTS*

January 23, 1979
Carson City, Nevada

EXHIBIT A

NEVADA STATE LEGISLATURE - 60th SESSION

SENATE TAXATION COMMITTEE MEMBERS

Mr. Norman D. Glaser, Chairman

Mr. Floyd R. Lamb, Member

Mr. Don W. Ashworth, Member

Mr. James N. Kosinski, Member

Mr. Mike Sloan, Member

Mr. Carl F. Dodge, Member

Mr. William J. Raggio, Member

ASSEMBLY TAXATION COMMITTEE MEMBERS

Mr. Robert E. Price, Chairman

Mr. Robert G. Craddock, Member

Mr. Lonie Chaney, Member

Mr. Steven A. Coulter, Member

Mr. Joseph E. Dini, Jr., Member

Mr. Lloyd W. Mann, Member

Mr. Louis W. Bergevin, Member

Mr. John Marvel, Member

Mr. Robert F. Rusk, Member

Mr. Darrell D. Tanner, Member

Mr. Robert L. Weise, Member

EXHIBIT A

TABLE OF CONTENTS

INTRODUCTION

Chairman Glaser, Chairman Price and honored members of the Senate and Assembly Taxation Committees, as representatives of the educational community we welcome the opportunity to provide information in the following areas:

--The Distributive School Fund

--The Possible Effects of Proposed Changes in Taxation Upon the Education of Nevada Children

--A General Picture of School Finance

In the interest of saving your time and in an effort to avoid duplication and unnecessary repetition, we are making one presentation concerning the Distributive School Fund and school finances. We do, however, want to emphasize the fact that the information, comments and suggestions that are contained here represent the efforts of personnel from each of the seventeen County School Districts and from the State Board of Education and State Department of Education.

May I introduce our presentors:

Mr. Doug Sever, Director of Fiscal Services, State Department of Education. Mr. Sever will discuss the Nevada Plan formula and some of its complexities. In addition, he will outline revenue sources for Nevada's schools and indicate how they interrelate with the Nevada Plan.

Dr. Clifford Lawrence, Carson City School District Superintendent.

Dr. Lawrence will point out some of the impact that Proposition 6 could have upon education in the state.

Mr. Charles Knight, Assistant Superintendent, Elko County School District, will discuss the dollar effect of certain tax proposals and relate these to funding for local school districts.

Mr. Ed Greer, Associate Superintendent, Clark County School District, will review the indirect tax effects which could result from various tax proposals and make suggestions concerning certain tax sources.

Dr. Marvin Picollo and Dr. Claude Perkins, Superintendents from Washoe and Clark County School Districts, will briefly outline school finances and budgets as requested in the letter from Mr. Dan Miles, Deputy Fiscal Analyst.

Finally, Mr. Joaquin Johnson, Superintendent of Nye County School District, will summarize this combined presentation by State Department of Education and County School District personnel.

It is our intent to carefully observe the one hour limitation for the actual presentation, so without further delay may I introduce Mr. Doug Sever.

EXHIBIT A

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU
LEGISLATIVE BUILDING
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710

ARTHUR J. PALMER, *Director*
(702) 885-5627

LEGISLATIVE COMMISSION (702) 885-5627
DONALD R. MELLO, *Assemblyman, Chairman*
Arthur J. Palmer, *Director, Secretary*

INTERIM FINANCE COMMITTEE (702) 885-56
FLOYD R. LAMB, *Senator, Chairman*
Ronald W. Sparks, *Senate Fiscal Analyst*
William A. Bible, *Assembly Fiscal Analyst*

FRANK W. DAYKIN, *Legislative Counsel* (702) 885-5627
JOHN R. CROSSLEY, *Legislative Auditor* (702) 885-5620
ANDREW P. GROSE, *Research Director* (702) 885-5637

January 9, 1979

Dr. Ray Ryan
Deputy Superintendent of Instruction
Department of Education
400 W. King St.
Carson City, Nevada 89701

Dear Dr. Ryan:

This letter is to confirm our previous telephone conversation concerning Senate and Assembly Taxation Committee meetings at the beginning of the Legislative Session. As you know, the committees plan to meet jointly for the first few weeks in order to review the existing tax structure and local government finance. These meetings are to be educational in nature as the committees want only to examine the existing structures. Testimony on specific reform proposals and bills will be scheduled later. In this regard, the committee chairmen have requested that your organization be invited to give a presentation on the Distributive School Fund and school finances.

Attached is a proposed schedule of the planned joint hearings. This schedule is tentative only and subject to change. All meetings will be in the afternoon.

On behalf of the committee chairmen I want to thank you in advance for your cooperation in this matter. As you know, it will be essential that members of both taxation committees have a good knowledge of the existing tax structure in order to recommend sound legislation and your assistance will be vital to their success.

All presentations and testimony will be coordinated through the Fiscal Analysis Division and any questions should be directed to either Ed Schorr or myself at 885-5640.

Sincerely,

Dan Miles
Deputy Fiscal Analyst

DM/ca
Enclosure
cc Assemblyman Bob Price
Senator Norman Glaser
Dr. Marvin Picollo

NEVADA PLAN

REFERENCE: *NEVADA CONSTITUTION, ARTICLE 11, SECTION 2*

"A STATE SYSTEM OF PUBLIC EDUCATION"

REFERENCE: *NRS 387.121*

"A REASONABLE EQUAL EDUCATIONAL OPPORTUNITY"

"STATE FINANCIAL AID EQUALS SCHOOL DISTRICT BASIC SUPPORT GUARANTEE MINUS LOCAL AVAILABLE FUNDS PRODUCED BY MANDATORY TAXES"

NEVADA PLAN

LEGAL REFERENCES

STATE CONSTITUTION

Section 2. Uniform system of common schools. The legislature shall provide for a uniform system of common schools, by which a school shall be established and maintained in each school district at least six months in every year, and any school district which shall allow instruction of a sectarian character therein may be deprived of its proportion of the interest of the public school fund during such neglect or infraction, and the legislature may pass such laws as will tend to secure a general attendance of the children in each school district upon said public schools.

NEVADA REVISED STATUTES

NRS 387.121

387.122

387.123

387.1233

387.1235

387.124

387.1243

387.1245

387.126

NEVADA PLAN

SCHOOL DISTRICTS MAJOR RESOURCES

REVENUE:

- *STATE AID*
  (Nevada Plan)
- *70¢ AD VALOREM TAX*
  (Mandatory)
- *1¢ LOCAL SCHOOL SUPPORT TAX*
  (Guaranteed on 3 or 3 1/2¢ per $1)
- *80¢ AD VALOREM TAX*
  (Permissive)
- *MOTOR VEHICLE PRIVILAGE TAX*
  (Distributed in Same Ratio as Property Taxes Collected)
- *P. L. 874*
  (Receipts from Federal Impaction)

NEVADA PLAN

BASIC SUPPORT:		DISTRICT EXAMPLE	
# OF PUPILS (Weighted Enrollment)		6,000	
X BASIC SUPPORT PER PUPIL	$	1,200	
= GUARANTEED BASIC SUPPORT	$	7,200,000	
+ SPECIAL EDUCATION ALLOCATION		300,000	
= TOTAL GUARANTEED SUPPORT			$ 7,500,000
- LOCAL RESOURCES			
70¢ MANDATORY AD VALOREM	($	1,500,000)	
&			
1¢ LOCAL SCHOOL SUPPORT TAX	(	2,500,000)	
= STATE AID	$	3,500,000	

OUTSIDE BASIC SUPPORT:	
+ 80¢ PERMISSIVE AD VALOREM TAX	$ 1,700,000
+ SHARE OF MOTOR VEHICLE PRIVILEGE TAX RECEIPTS	200,000
+ P. L. 874 (Federal Impaction)	100,000
+ TOTAL MAJOR RESOURCES	$ 9,500,000

EXHIBIT A

N E V A D A   P L A N

AGENCY REQUEST	GOVERNOR RECOMMENDS	
$ 1,251	$ 1,203	EQUALIZED SUPPORT AMOUNT
		(CALCULATED BY DEPARTMENT OF EDUCATION WITH EQUALIZING FACTORS FOR PUPIL ENROLLMENTS, TEACHER AND OTHER CERTIFIED EMPLOYEE ALLOTMENTS WITH RURAL, NON-RURAL, AND URBAN CONSIDERATIONS.)
+ 44	+ 44	TRANSPORTATION AMOUNT
		(CALCULATED BY DEPARTMENT OF EDUCATION WITH EQUALIZING FACTORS FOR COSTS OF CAPITAL OUTLAY AND OPERATING.)
+ 5	+ 5	LOW WEALTH AMOUNT
		(CALCULATED BY DEPARTMENT OF EDUCATION WITH EQUALIZING FACTORS FOR THOSE DISTRICTS WHOSE RESOURCES OUTSIDE OF BASIC SUPPORT ARE LESS THAN THE STATE WEIGHTED AVERAGE OF RESOURCES OUTSIDE OF BASIC SUPPORT FOR ALL DISTRICTS.)
$ 1,300	$ 1,252	GUARANTEED BASIC SUPPORT
690 (Units)	640 (Units)	SPECIAL EDUCATION
		(CALCULATED BY DEPARTMENT OF EDUCATION WITH EQUALIZING FACTORS FOR UNIT DISTRIBUTION BASED ON THE NUMBER OF TEACHER ALLOCATIONS--$18,000 PER UNIT.)

POSSIBLE EFFECTS OF CERTAIN TAX PROPOSALS

As mentioned by Dr. Ryan, the information that follows is intended to examine what could occur in regard to certain tax reduction plans, including those introduced or considered by initiative petition, by the Governor or by legislation. Certain of this information will be presented by Mr. Knight and Mr. Greer and in addition, I would like to very briefly mention some of the implications that the passage of Proposition 6 could have upon our public schools.

Proposition 6, as approved on November 7, 1978, by the voters of Nevada, by a margin of more than 3 to 1, was obviously a mandate from the people of Nevada for property tax relief.

In this information, it has been assumed there is no need to restate the detailed contents of Proposition 6 as the members of the Senate and Assembly Taxation Committees are obviously familiar with its requirements. It is important, however, to summarize the possible impact on local government and school districts, along with the serious inequities for the taxpayer that this change in the constitution would institute.

1. Information provided by the State Department of Taxation, county assessors and bonding consultant firms indicate that Proposition 6 could reduce state and local revenues from ad valorem taxes anywhere *from 43 to 60 percent the first year. With this reduction, it would be totally impossible to maintain even minimum levels of essential services by schools and local entities without receiving a substantial increase in support from some other sources.*

2. The 2 percent inflation rate in the amendment would obviously continue to reduce revenue if inflation continues in the range of 6 to 10 percent in future years.

3. The impact of reduced bonding capacity after 1980 could seriously impair schools and local governments in their efforts to provide facilities for the new citizens and students moving into the state each year.

4. The inequities for the taxpayers of Nevada incorporated in this constitutional amendment provide one of the most serious areas of concern. The example cited below attempts to describe this inequity.

TAX RECORDS OF TWO RESIDENCES FROM THE

ORMSBY TAXING DISTRICT

Assessment at 35 Percent of Appraised Value

	Subject X	*Subject Y*
Age	10 years	0
Square footage	1,569	1,569
Year appraised	1978	1978
Appraised value - 1978	$65,110	$68,380
Appraisal - 1975	$29,960	0
Appraisal - 1973	$29,960	0
Tax Rate - 1975	3.8859 per 100	0
Tax Rate - 1978	0	3.6509 per 100
Taxes due under Proposition 6	$407.48	$873.77

Subject Y's tax bill is 114.4 percent more than Subject X's.

EXHIBIT A

The inequity of Proposition 6 for homeowners is shown in this example above. The taxes to be paid on one of the two residences cited is more than double those required for the other, yet they have relatively the same market value. This inequity could have a serious impact on the real estate and construction industries of the state by strongly discouraging the "trade up" concept.

It is common practice for young families to buy a first home, keep it a few years to create some equity and then "trade up." With the approval of Proposition 6, however, the example cited above will show why this change will almost destroy this concept.

When a young family considers selling and moving to a larger and more expensive house, they will not only be faced with the usual larger payments but also with a tax increase of more than double the rate they are currently paying. The end result could be that in many cases the average person would only consider moving when job demands require it.

The impact on construction and real estate industries obviously could be significant.

A recent study indicates that the average home presently changes ownership every three to four years. On the other hand, the turnover rate for business property is approximately ten to fifteen years. Obviously, Proposition 6 would result, over a period of time, in a highly disproportionate tax burden on the home owner as compared to the owner of business property.

A review of Proposition 6 will clearly indicate there must be a more equitable way to provide propety tax relief and still maintain the essential public services at a level of support desired by the citizens of Nevada.

POSSIBLE PLANS TO REDUCE THE ASSESSED VALUATION RATE

Chairman Glaser, Chairman Price and members of the Committees, we consider it a privilege to be asked to discuss with you ways in which two of the proposed plans for reducing taxes could affect financial support for our public schools. We would like to describe the effects that each of these plans would have upon the individual districts and upon the state's obligation for funding. These data are based upon information from the following sources: The assessed valuation of each district as published in the Local Government Red Book FY 1978-79; and the Governor's Budget.

Table 1, which is also labled Plan I, illustrates the effects the Governor's proposal to assume the 70 cent mandatory tax of school districts in both years of the biennium and 30 cents of the optional tax during the second year of the biennium. As shown, the state would be required to absorb 39.5 million dollars the first year and 64.2 million dollars the second year. It must be noted by the committee members that this figure could increase during the second year if student population growth should occur. In our view, it is very important to specifically word the state statute concerning the state's obligation to replace the 30 cent optional tax revenue source so as to make sure that there will be exact replacement of the revenue that would be generated by that source at that time; rather than wording that could permit the use of an *estimated cost which could very easily fluctuate greatly in the coming year.*

The second proposal that we would like to review with you is the proposal to change the ratio of assessed valuation on real property values from 35 percent to 25 percent. Table 2, also labeled Plan II, indicates the effect that this plan would have upon school districts as well as the increased obligation that it would create for the state. It should be noted that this plan is being discussed in isolation without any other change being considered. The obvious effects are large losses to districts and large increases to the state. In order to effectively illustrate the potential of this application, we have in Table 3 applied the proposal to existing rates for the 1978-79 fiscal year without regard to the actual ratio to real value, but the results shown here do assume that all counties are at 35 percent of real value in the present red book. Table 3 indicates the dollar losses which would occur in each district. Table 3A presents a more detailed breakdown of the same information. These data indicate that district losses statewide would be $10,933,217 in revenues if the assessment rate were lowered from 35 percent to 25 percent of real value.

Another aspect of this proposal should be reviewed and that is its effect upon outstanding bonds and their repayment as well as the bonding capacity of the various districts. It should be noted that if the assessment ratio is reduced from 35 percent to 25 percent, the net effect is that the ad valorem base would be reduced to approximately 71 *percent of what it is currently. This would require a higher tax rate to meet the obligations previously incurred for retirement of bonds. As as example, an original assessed value of 1 million dollars would become $710,000. A need for $3,000 to pay bond obligations which required a rate of 30 cents now would require a rate of 42.24 cents.*

Another problem that will be encountered will be the one of reduction of bonding capacity. This reduction is shown in Table 4. A change with the loss that will result could jeopardize the ability of school districts to issue bonds to provide housing for students. The loss of approximately 205 million dollars statewide in bonding capacity is significant as would be the increases necessary to meet repayment of oblgiations for outstanding bond issues.

In conclusion, as a group, we direct the committees' attention to the Governor's proposal and urge serious consideration of that proposal with the one reservation mentioned earlier, and that is the necessity of safeguarding the actual replacement of revenue rather than using estimated revenues for this purpose.

Finally, we would like to again thank you for your time and consideration and introduce to you Mr. Ed Greer, Associate Superintendent of Finance of the Clark County School District.

TABLE 1

EFFECT OF STATE GENERAL FUND IF STATE ASSUMES 70¢ MANDATORY TAX OF SCHOOL DISTRICTS IN BOTH YEARS OF THE BIENNIUM AND 30¢ OF THE OPTIONAL TAX IN THE SECOND YEAR

	WEIGHTED ENROLLMENT	70¢ TAX ON AD VALOREM	30¢ TAX ON AD VALOREM	TOTAL STATE OBLIGATION TO REPLACE TAXES
1979-80	145,462	39,500,000	-	39,500,000
1980-81	148,371	45,000,000	19,200,000	64,200,000

EXHIBIT A

PLAN 1

TABLE 2

EFFECTS OF CHANGING ASSESSED VALUATION BASE FROM 35% OF REAL VALUE TO 25% OF REAL VALUE TO SCHOOL DISTRICTS AND TO THE STATE

	DOLLARS AVAILABLE 80¢ TAX ON 35% BASE	DOLLARS AVAILABLE 80¢ TAX ON 25% BASE	LOSS WHICH WOULD OCCUR TO SCHOOL DISTRICTS	DOLLARS AVAILABLE 70¢ TAX ON 35% BASE	DOLLARS AVAILABLE 70¢ TAX ON 25% BASE	INCREASE STATE OBLIGATION TO DISTRIBUTIVE SCHOOL FUND
78-79 BASED ON ACTUAL	38,266,260	27,333,043	10,933,217	33,482,984	23,916,412	9,576,372
79-80 BASED ON 18% INCREASE	45,142,800	32,244,850	12,897,950	39,500,000	28,214,300	11,285,700
80-81 BASED ON 14% INCREASE	51,428,570	36,734,690	14,693,880	45,000,000	32,143,000	12,857,000

EXHIBIT A

PLAN 2

TABLE 3

ILLUSTRATION OF DISTRICT REVENUE LOSSES BY REDUCTION OF ASSESSED VALUATION FROM 35% TO 25% OF REAL VALUE APPLIED TO CURRENT YEAR'S TAX BASE

COUNTY SCHOOL DISTRICTS	WEIGHTED ENROLLMENT	80¢ TAX ON 35% 78-79 BASE	80¢ TAX ON 25% 78-79 BASE	LOSS IF APPLIED IN 78-79
Carson City	6,053	1,374,132	981,523	392,609
Churchill	2,914	466,510	333,222	133,289
Clark	84,001	19,707,320	14,076,656	5,630,664
Douglas	3,309	1,406,973	1,004,804	401,993
Elko	3,505	1,188,664	849,045	339,618
Esmeralda	113	125,019	89,300	35,719
Eureka	173	284,991	203,565	81,426
Humboldt	1,749	571,694	408,353	163,341
Lander	875	272,179	194,414	77,765
Lincoln	891	202,561	144,685	57,876
Lyon	2,417	664,041	474,315	189,726
Mineral	1,324	226,987	162,133	64,854
Nye	1,585	719,748	514,106	205,642
Pershing	684	308,060	220,043	80,017
Storey	187	81,321	58,087	23,234
Washoe	31,119	10,240,878	7,314,913	2,925,965
White Pine	1,714	425,182	303,701	121,481
STATE	142,610	38,266,260	27,333,043	10,933,217

TABL[illegible]A

EFFECTS ON INDIVIDUAL DISTRICTS

OF CHANGING ASSESSED VALUATION OF REAL PROPERTY FROM 35% TO 25%

	WEIGHTED ENROLLMENT OCT.78	AD VALOREM 35% OF VALUE 78-79 BASE	AD VALOREM 25% OF VALUE 78-79 BASE	80¢ TAX 35% 78-79 BASE	80¢ TAX 25% 78-79 BASE	DIFFERENCE COL.4-COL.5= LOSS OF REV.	BUDGET OF SCHOOL DISTRICT 1978-79 (GEN.FUND ONLY)	% COL.6 IS OF COL.7
Carson City	6,053	171,766,470	122,690,340	1,374,132	981,523	392,609	9,446,526	4.16
Churchill	2,914	58,313,840	41,652,743	466,510	333,222	133,289	4,319,753	3.09
Clark	84,001	2,463,414,881	1,759,582,057	19,707,320	14,076,656	5,630,664	132,581,057	4.25
Douglas	3,309	175,871,528	125,622,520	1,406,973	1,004,804	401,993	5,713,151	7.04
Elko	3,505	148,583,033	106,130,737	1,188,664	849,045	339,618	6,851,494	4.96
Esmeralda	113	15,627,430	11,162,450	125,019	89,300	35,719	476,206	7.50
Eureka	173	35,623,890	25,445,641	284,991	203,565	81,426	732,032	11.12
Humboldt	1,749	71,461,729	51,044,092	571,694	408,353	163,341	3,307,728	4.94
Lander	875	34,022,467	24,301,762	272,179	194,414	77,765	1,724,869	4.51
Lincoln	891	25,320,122	18,085,801	202,561	144,685	57,876	2,001,232	2.89
Lyon	2,417	83,005,105	59,289,361	664,041	474,315	189,726	4,275,386	4.44
Mineral	1,324	28,373,339	20,266,670	226,987	162,133	64,854	2,539,653	2.55
Nye	1,585	89,968,521	64,263,229	719,748	514,106	205,642	3,604,233	5.71
Pershing	684	38,507,507	27,505,362	308,060	220,043	80,017	1,424,186	5.62
Storey	187	10,165,152	7,260,823	81,321	58,087	23,234	491,656	4.73
Washoe	31,119	1,280,109,786	914,364,133	10,240,878	7,314,913	2,925,965	52,168,860	5.61
White Pine	1,714	53,147,724	37,962,660	425,182	303,701	121,481	3,329,665	3.65
STATE TOTALS	142,610	4,783,282,531	3,416,630,379	38,266,260	27,333,043	10,933,217	234,987,687	4.65

EXHIBIT A

EXHIBIT A

TABLE 4

EFFECT ON DISTRICTS' BONDING CAPACITIES OF REDUCTION OF ASSESSED VALUATION FROM 35% TO 25% OF REAL VALUE BASED ON FY 78-79 ASSESSED VALUATIONS

COUNTY SCHOOL DISTRICTS	BONDING CAPACITY 35% BASE	BONDING CAPACITY 25% BASE	NET LOSS
CARSON CITY	25,764,970	18,444,051	7,320,919
CHURCHILL	8,747,076	6,247,911	2,499,165
CLARK	369,512,232	263,937,309	105,574,923
DOUGLAS	26,380,688	18,843,378	7,537,310
ELKO	22,287,455	15,919,611	6,367,844
ESMERALDA	2,344,114	1,674,368	669,746
EUREKA	5,343,584	3,816,846	1,526,738
HUMBOLDT	10,719,259	2,656,614	3,062,645
LANDER	5,103,370	3,645,264	1,458,106
LINCOLN	3,798,018	2,172,870	1,085,148
LYON	12,450,766	8,893,404	3,557,362
MINERAL	4,256,001	3,040,001	1,216,000
NYE	13,495,278	8,893,404	4,601,874
PERSHING	5,776,126	4,125,804	1,650,322
STOREY	1,524,772	1,089,123	435,649
WASHOE	192,016,468	137,154,620	54,861,848
WHITE PINE	7,972,159	5,694,399	2,277,760
STATE	717,492,530	512,494,557	204,997,973

PLAN 2

PROPOSED TAX REDUCTIONS
SUMMARY OF EFFECT ON SCHOOL DISTRICTS

The following comments are presented for consideration when tax measures are being deliberated.

1. SALES TAX - If groceries are removed from the sales tax, there would be a reduction of 23.7 million dollars in statewide sales tax revenue for fiscal year 1979-80. Within this reduction would be a loss of about 6.8 million dollars to the state distributive school fund.

A sales tax is normally considered regressive, however, Nevada's sales tax should not be considered excessively regressive because a large portion of the total comes from tourists who generally pay a higher sales tax in their home states.

With the projected reductions in statewide tax revenues, it would seem that Nevada must look to revenue sources that quickly and accurately follow the population growth patterns within our state. This is particularly important because Nevada does not enjoy broad tax options. As examples, Nevada does not have an income tax and its sales taxes are low in comparison to similar taxes in other states. It is suggested, therefore, that consideration be given to the sales tax to produce revenues that would provide financial stability for the institutions and governmental entities of Nevada.

2. *GAMBLING TAX* - In addition to sales tax revenue, their should be consideration of gaming tax revenue as a source for support of all government entities. The gaming industry has brought a sound economy to the state, however, this industry and its supporting industries have caused growth in population and a resulting growth in the need for services that the state and/or local communities must provide. If these services are to be properly provided, then they must be properly funded.

3. *STATE SUPPLEMENTAL REVENUE* - If the Governor's proposal for removal of the 70 cent mandatory tax and 30 cents of the local property tax for schools is supplemented from state revenue, then it would seem that supplemental revenue must grow at the same pace as it has grown and would have continued to grow at the county level. If this does not occur, the school districts will face serious budget problems as they meet the needs of a growing community.

4. *DEBT SERVICE REQUIREMENTS* - Any reduction in property tax could have repercussions in bonding activities of school districts. Bond ratings and bond sales can be seriously affected if there is any implication of reduced security or any suggestion of impending fiscal change. At a local county level there could be serious problems between government entities if future rate commitments for bond redemption programs are affected.

5. *WHAT IF? - PROPOSITION 6*

A. Any tax legislation for the 1979-81 biennium should *include a restoration clause in the event that Proposition 6 is later enacted. This would avoid a cumulative effect of revenue loss from changes that might be made now coupled with those made by Proposition 6. Such a clause would also provide the voter with an option when he or she votes on Proposition 6. The restoration clause might be worded somewhat as follows: "Subsection such and such of NRS shall be voided and the following shall be included in NRS when and if Proposition 6 is enacted."*

B. Nevada's 1979-80 master financial plan should include revenue projections up through 1981-82--both with and without Proposition 6 in effect. This would enable members of the legislature to consider all contingencies as they make decisions concerning capitol and budget appropriations.

Admittedly, it is necessary to be conservative when making long-range projections; however, to avoid some of the embarrassment experienced by local and state entities in California it is important that estimates used in Nevada should be as accurate as possible. It is difficult enough facing drastic revenue cuts without also facing a creditability gap with the taxpayer.

C. Future construction revenue for school districts will be severely jeopardized if Proposition 6 is enacted. California not only has had great difficulty in identifying possible revenue sources for school buildings, but it also has found that the restrictions imposed by *the Serrano decision which mandates equalized support of schools has caused serious limitations in making needed appropriations to specific school districts.*

6. FEDERAL AND STATE LEGISLATION - A major problem to school districts has been the continuing requirements imposed upon school districts by state and federal legislation. The Federal Government, in particular, imposes laws and regulations that are extremely costly to implement. Programs are required, paper work is magnified and frequently money to provide the mandated service is not provided.

As revenues are reduced, it becomes more critical to school districts that no state legislation is enacted that would increase either direct or indirect costs unless those costs are supported with additional revenue. An example of such legislation would be the requirement of Federal Law 94-142 which mandates services for all handicapped children. The Governor's budget presently provides for only ten (10) additional special education units per year for the entire state, but many more will be required if the mandates of PL 94-142 are to be met. Districts cannot afford to add these required special education services without supporting money and yet if this is not done, there are legal precedents that would require them to be added even if it is at the expense of basic services for all students.

7. LOCAL vs STATE SUPPORT - Tax reduction plans contemplate providing supplemental state revenue to school districts. A concern to *school boards that is equally important to financial needs is the matter of local control. It is suggested, therefore, that some portion of the state revenue necessary to offset local expenses be identified as local tax revenue. In addition, it is recommended that supplemental state revenue should not in any way further erode local control of schools.*

OVERVIEW

SCHOOL FINANCES, BUDGETS AND EXPENDITURES OF NEVADA'S PUBLIC SCHOOLS

Approximately one year prior to the opening of the 1979-80 Nevada State Legislature, the State Superintendent of Public Instruction appointed a committee of County Superintendents and Business Managers from school districts throughout the state to review and "update" the formula for a distributive school fund budget to be presented to the State Board of Education and then to the Governor.

The committee members as well as other superintendents initiated that task by projecting each item of their county school budget for each of the two years of the coming biennium. The counties varied somewhat in their projections of costs for sub-categories of the budget, but the overall cost estimates were very similar.

The process that was followed in determining the need for the coming biennium is mentioned here in some detail because the combined projection of need represents the independent estimates of almost every school district and does, therefore, represent cost estimates for all the schools within the state rather than those from only one or two areas of the state.

The first step in the process carried out by personnel within each of the County School Districts was to determine revenues that each *district would receive in the 1979-80 and 1980-81 school years if there were no increase in state support. This amount assumed growth in assessed valuation where applicable and an increase in motor vehicle tax if an increase was anticipated but it did not include any increase in the amounts apportioned by the state distributive fund.*

When this estimate of local revenues was completed, each school district determined "roll up" costs or those increases in cost that a school district will face by moving forward one year even when there is no increase in services, no increase in students and no increase in personnel. As examples, utility costs will increase because of rate increases already granted as will costs for textbooks, equipment and student supplies. As important as these costs are in increasing costs from year to year; the cost that must receive major consideration is salary increments for teachers, classified employees and administrators. These increments, which in reality are increases to the salary given for increased experience and/or training, range from a 2.5 percent increase annually to a 4.0 percent increase annually. These are cost increases that will occur in order to move from one year to the next even if no salary raise is given, no additional teachers are added and no additional students are served. The districts must also add an additional 15 percent of the amount given as increment increases for the increased retirement payment that is required.

To emphasize even further the importance of increment costs, it should be pointed out that a Nevada School District that might be termed *"a small district" with a student enrollment of approximately 700 and an annual operating budget of approximately 1.4 million dollars will require $26,000 each year for added increment costs for certified and classified staff even if no salary increase is given. A district considered "medium" in size with a student enrollment of 3,600 and an annual operating budget of approximately 6.9 million dollars will require $141,000 additional dollars each year just for the annual increase in increments for classified and certified salary. A district that would be termed "large" by national standards with a student enrollment of approximately 32,000 and an annual operating budget of approximately 51.7 million dollars would require approximately $1,066,000 for the sole purpose of providing increments for classified and certified personnel. Finally, it should be noted that a district the size of Clark County, which ranked 38th in size in the United States during the last school year, would require two and one-half to three times as much as the needs of a district with 32,000 students. The total cost of Clark County for the sole purpose of providing annual increments for classified and certified personnel would be approximately $2,950,000.*

Other costs within school districts' budgets increase from year to year in much the same way as personnel costs. In most cases, these increases can be traced to inflation, but in other areas there are unusual cost increases that are then compounded by inflation. On the surface, one might assume that inflation costs in the area of school supplies and equipment would closely parallel the rise in other parts of *the economy but, in fact, this is not the case. An analysis of data provided from "National Comparison of Local School Costs, 4th Edition" (*) indicates that costs of textbooks have increased at almost twice the rate of the consumer price index. Heating costs rose 22.4 percent in the past year; other utilities increased 20.6 percent and Fixed Charges increased 20.4 percent. The cost of a typical gasoline powered school bus has risen from $11,500 during the 1975-76 school year to $24,500 during the 1978-79 school year.*

Compounding the problems created by the increased costs mentioned are those that will result from an estimated increase in enrollment for the next two years and those that could occur as a result of providing salary increases so that the purchasing power of employees will at least equal the guidelines for salary increases recommended by the President.

In the view of Nevada School Superintendents and in the view of many others as well, Nevada's schools have received solid support from our Legislature during the last five or six sessions and in our view we are fortunate when compared to other states. If the increases mentioned are funded during the coming biennium, then the relative ranking of our state should remain about where it is at the present time. Our ranking in respect to the total dollars spent to educate each child was 28th in 1976-77 and 31st in 1977-78 (See Appendix A and B).

As indicated, Nevada is somewhat below the national average in

(*) National Comparison of Local School Costs, 4th Edition: Market Data Retrieval, Westport, Conn., 1978.

dollar support for each student, however, in the past Nevada has usually ranked above the national average in respect to salaries. An analysis of a Nevada School District budget helps to explain these differences in rankings. An examination shows that administrative costs, student accounting costs, attendance services costs, as well as certain other costs are lower in Nevada schools. Reductions in these areas make it possible for School Boards in Nevada to place a higher priority upon those budget categories that are most closely related to instruction and those that are related to building operation and maintenance. Another factor that is significant in holding down overall costs in Nevada schools is that of class size, and here, Nevada schools have historically had relatively large classes by comparison with other states.

Table 5 through 8 present financial data on Nevada School Districts for the current biennium. These data are presented by dollars spent per student and percent of expenditures. Both budget summary data and budget area breakdowns are provided.

The information on Nevada School Districts' finances was obtained from the State Department of Education. The 1977-78 figures are actual expenditures while the 1978-79 figures are from final budgets. The Cost of Education Index, National Averages, were from the 4th Edition, "National Comparison Local School Costs, 1977-78," published by Market Data Retrieval, Westport, Conn.

District data utilized in each category were as follows:

LARGE DISTRICTS	MEDIUM DISTRICTS	SMALL DISTRICTS
Clark County	Churchill County	Eureka County
Washoe County	Elko County	Lander County
	Humboldt County	Pershing County
	Lyon County	
	Mineral County	

In projecting costs for education, it should be pointed out that the state's responsibility for the educational costs of the seventeen (17) school districts within the state has continued to drop during the last eight to ten years and if no changes were made during this session in the amount of taxes levied or in the method of collection, then the state's responsibility would drop even further in the years ahead. The state's responsibility in comparison to total resources available has been calculated to be 39.9 percent during 1978-79, and would have dropped to 38.8 percent in 1979-80 and to 36.4 percent in 1980-81. In essence then, if no changes were made in taxes or taxing methods, the increase in school support that the state would have to provide for the coming biennium would be approximately 2 percent, while local support would have to increase by 12 percent in order to achieve the expenditure levels that have been requested.

Finally, it seems important to point out that each year relatively large sums of money that were originally allocated to public school education revert back to the state. As examples, in 1976-77 the state's *distributive fund for public schools was $77,013,657 and for 1977-78 it was $82,055,689. At the end of that biennium, $9,843,347 reverted back to the state. In 1977-78 the distributive fund was budgeted at $96,318,877 and at the end of the fiscal year, the balance was $11,638,393, which along with the balance for FY 79 is expected to revert.*

These amounts that revert are sizeable and are mentioned here because they could be of major importance in deliberations concerning different approaches to taxation and funding.

TABLE 5

SUMMARY OF DOLLAR EXPENDITURE COMPARISONS WITH COST OF EDUCATION INDEX*

BUDGET AREAS	1977-78 COST PER PUPIL				1978-79 COST PER PUPIL			
	NATIONAL AVERAGE	AVERAGE OF NEVADA**			NATIONAL AVERAGE	AVERAGE OF NEVADA		
		LARGE DISTRICTS**	MEDIUM DISTRICTS**	SMALL DISTRICTS**		LARGE DISTRICTS	MEDIUM DISTRICTS	SMALL DISTRICTS
ADMINISTRATION	$ 50.32	$ 26.58	$ 51.58	$ 97.01	NOT AVAILABLE AT THIS TIME FOR 1978-79	$ 31.59	$ 57.54	$ 107.08
INSTRUCTION	1,033.65	855.21	935.99	1,035.44		1,013.55	1,061.67	1,169.84
ATTENDANCE SERVICES	6.75	1.79	2.48	3.06		2.07	2.86	3.73
HEALTH SERVICES	9.97	7.76	8.18	6.35		9.58	9.03	11.46
FOOD SERVICES	27.64	1.37	1.60	2.64		.89	1.02	5.79
TRANSPORTATION SERVICES	56.83	47.39	103.90	175.18		62.23	118.10	159.63
PLANT OPERATION & MAINTENANCE	194.22	179.43	208.80	255.54		205.22	231.44	290.68
FIXED CHARGES	162.51	193.33	180.30	203.19		234.53	224.90	239.95
CAPITAL OUTLAY	86.44	14.86	9.32	83.89		11.66	11.64	55.92
ALL OTHER CURRENT EXPENDITURES	102.37	41.60	46.20	99.90		23.38	90.31	150.14
TOTAL NET CURRENT EXPENDITURES	$1,730.71	$1,369.32	$1,548.35	$1,962.20		$1,594.70	$1,808.51	$2,194.22
DEBT SERVICE	$ 107.73	$ 198.27	$ 117.39	$ 85.75		$ 184.40	$ 124.77	$ 14.33
GRAND TOTAL EXPENDITURES	$1,838.44	$1,567.57	$1,665.76	$2,047.98		$1,779.10	$1,933.28	$2,208.55

*From "National Comparison of School Costs, 1977-78"
**See page 6 for identification of districts by size.

EXHIBIT A

TABL

SUMMARY OF PERCENTAGE EXPENDITURE COMPARISONS WITH COST OF EDUCATION INDEX*

BUDGET AREAS	1977-78 COST PER PUPIL				1978-79 COST PER PUPIL			
	NATIONAL AVERAGE	AVERAGE OF NEVADA**			NATIONAL AVERAGE	AVERAGE OF NEVADA		
		LARGE DISTRICTS**	MEDIUM DISTRICTS**	SMALL DISTRICTS**		LARGE DISTRICTS	MEDIUM DISTRICTS	SMALL DISTRICTS
ADMINISTRATION	2.9%	1.9%	3.3%	4.9%	NOT AVAILABLE AT THIS TIME FOR 1978-79	2.0%	3.2%	6.1%
INSTRUCTION	59.7%	62.5%	60.5%	52.8%		63.6%	58.7%	67.1%
ATTENDANCE SERVICES	0.4%	0.1%	0.2%	0.2%		0.1%	0.2%	0.2%
HEALTH SERVICES	0.6%	0.6%	0.5%	0.3%		0.6%	0.5%	0.7%
FOOD SERVICES	1.6%	0.1%	0.1%	0.1%		0.06%	0.06%	0.3%
TRANSPORTATION SERVICES	3.3%	3.5%	6.7%	8.9%		3.9%	6.5%	9.2%
PLANT OPERATION & MAINTENANCE	11.2%	13.1%	13.5%	13.0%		12.9%	12.8%	16.7%
FIXED CHARGES	11.8%	14.1%	11.6%	10.4%		14.7%	12.4%	13.8%
CAPITAL OUTLAY	5.0%	1.1%	0.6%	4.3%		0.7%	0.6%	3.2%
ALL OTHER CURRENT EXPENDITURES	5.9%	3.0%	3.0%	5.1%		1.5%	5.0%	8.6%
TOTAL NET CURRENT EXPENDIT.	100%	100%	100%	100%		100%	100%	100%
DEBT SERVICE	6.2%	14.5%	7.6%	4.4%		11.6%	6.9%	0.7%
GRAND TOTAL EXPENDITURES	106.2%	114.5%	107.6%	104.4%		111.6%	106.9%	100.7%

*From "National Comparison of School Costs, 1977-78"
**See page 6 for identification of districts by size.

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EXHIBIT

TABLE 7
COMPARATIVE DOLLAR EXPENDITURES BY CATEGORIES
WITH COST OF EDUCATION INDEX*

CATEGORIES	1977-78 COST PER PUPIL				1978-79 COST PER PUPIL			
	NATIONAL AVERAGE	AVERAGE OF NEVADA**			NATIONAL AVERAGE	AVERAGE OF NEVADA		
		LARGE DISTRICTS**	MEDIUM DISTRICTS**	SMALL DISTRICTS**		LARGE DISTRICTS	MEDIUM DISTRICTS	SMALL DISTRICTS
ADMINISTRATION	$ 50.32	$ 26.58	$ 51.58	$ 97.01	NOT AVAILABLE AT THIS TIME FOR 1978-79	$ 31.59	$ 57.54	$ 107.08
Professional Salaries	22.23	7.31	22.49	42.20		7.75	23.67	41.19
Sec. & Cler. Salaries	19.76	14.91	17.21	3.08		18.08	19.62	33.76
Other Expenses	8.34	4.36	12.13	23.99		5.76	14.25	3.21
INSTRUCTION	1,033.67	855.21	935.99	1,035.44		1,013.55	1,061.67	1,169.84
Classroom Teacher Sal.	796.33	676.17	750.79	839.50		786.54	849.11	928.62
Other Prof. Salaries	116.99	76.46	78.44	60.56		85.53	87.48	78.41
Sec. & Clerical Sal.	50.67	78.60	48.33	53.55		81.50	56.66	63.21
Textbook	10.20	15.40	10.17	15.32		16.68	13.43	19.39
Library Services	4.82	3.41	5.19	8.02		3.57	6.29	10.81
Teaching Supplies	26.34	25.09	33.63	48.12		27.11	37.03	55.71
Other Expenditures	28.31	10.08	9.45	10.48		12.62	11.67	13.68
ATTENDANCE SERVICES	6.75	1.79	2.48	3.06		2.07	2.86	3.73
HEALTH SERVICES	9.97	7.76	8.18	6.35		9.58	9.03	11.46
Professional Salaries	8.96	5.48	6.11	-0-		6.66	7.54	6.38
FOOD SERVICES	27.63	1.37	1.60	2.64		.89	1.02	5.79
Salaries	12.03	.23	.60	2.26		.26	.75	2.64
TRANSPORTATION	56.83	47.39	103.90	175.18		62.23	118.10	159.63
Salaries	22.51	31.38	44.94	49.25		38.07	51.43	53.09
PLANT OPERATION & MAINT.	194.22	179.43	208.80	255.54		205.22	231.44	290.68
Salaries	103.98	93.67	96.44	94.94		107.82	110.10	104.07
Heat	23.49	6.84	29.56	42.91		10.32	34.11	54.04
Other Utilities	37.98	43.19	34.32	53.39		49.59	34.94	49.91
FIXED CHARGES	162.51	193.33	180.30	203.19		234.53	224.90	239.95
Employee Retirement	144.47	140.04	125.22	126.58		162.54	156.46	147.39
CAPITAL OUTLAY	86.44	14.86	9.32	83.89		11.66	11.64	55.92
ALL OTHER EXPENDITURES	102.39	41.60	46.20	99.90		23.38	90.31	150.14
TOTAL CURRENT EXPENDITURES	$1,730.71	$1,369.32	$1,548.35	$1,962.20		$1,594.70	$1,808.51	$2,194.22

*From "National Comparison of School Costs, 1977-78"

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EXHIBIT A

TAB 8

COMPARATIVE PERCENTAGE EXPENDITURES BY CATEGORIES

WITH COST OF EDUCATION INDEX*

	1977-78 COST PER PUPIL				1978-79 COST PER PUPIL			
	NATIONAL AVERAGES	AVERAGE OF NEVADA**			NATIONAL AVERAGES	AVERAGE OF NEVADA		
		LARGE DISTRICTS**	MEDIUM DISTRICTS**	SMALL DISTRICTS**		LARGE DISTRICTS	MEDIUM DISTRICTS	SMALL DISTRICTS
ADMINISTRATION	2.9%	1.9%	3.3%	4.9%	NOT AVAILABLE AT THIS TIME FOR 1978-1979	2.0%	3.2%	4.9%
Professional Salaries	1.3%	0.5%	1.5%	2.2%		0.5%	1.3%	1.9%
Sec. & Cler. Salaries	1.1%	1.1%	1.1%	0.2%		1.1%	1.1%	1.5%
Other Expenses	0.5%	0.3%	0.8%	1.2%		0.4%	0.8%	0.1%
INSTRUCTION	59.7%	62.5%	60.5%	52.8%		63.6%	58.7%	53.3%
Classroom Teacher Sal.	46.0%	49.4%	48.5%	42.8%		49.3%	47.0%	42.3%
Other Prof. Salaries	6.8%	5.6%	5.1%	3.1%		5.4%	4.8%	3.6%
Sec. & Clerical Sal.	2.9%	5.7%	3.1%	2.7%		5.1%	3.1%	2.9%
Textbook	0.6%	1.1%	0.7%	0.8%		1.0%	0.7%	0.9%
Library Services	0.3%	0.2%	0.3%	0.4%		0.2%	0.3%	0.5%
Teaching Supplies	1.5%	1.8%	2.2%	2.5%		1.7%	2.0%	2.5%
Other Expenditures	1.6%	0.7%	0.6%	0.5%		0.8%	0.6%	0.6%
ATTENDANCE SERVICES	0.4%	0.1%	0.2%	0.2%		0.1%	0.2%	0.2%
HEALTH SERVICES	0.6%	0.6%	0.5%	0.3%		0.6%	0.5%	0.5%
Professional Salaries	0.5%	0.4%	0.4%	0%		0.4%	0.4%	0.3%
FOOD SERVICES	1.6%	0.1%	0.1%	0.1%		0.06%	0.06%	0.3%
Salaries	0.7%	0.02%	0.04%	0.1%		0.02%	0.04%	0.1%
TRANSPORTATION	3.3%	3.5%	6.7%	8.9%		3.9%	6.5%	7.3%
Salaries	1.3%	2.3%	2.3%	2.5%		2.4%	2.8%	2.4%
PLANT OPERATION & MAINT.	11.2%	13.1%	13.5%	13.0%		12.9%	12.8%	13.2%
Salaries	6.0%	6.8%	6.2%	4.8%		6.8%	6.1%	4.7%
Heat	1.4%	0.5%	1.9%	2.2%		0.6%	1.9%	2.5%
Other Utilities	2.2%	3.2%	2.2%	2.7%		3.1%	1.9%	2.3%
FIXED CHARGES	9.4%	14.1%	11.6%	10.4%		14.7%	12.4%	10.9%
Employee Retirement	8.3%	10.2%	8.1%	6.5%		10.2%	8.7%	6.7%
CAPITAL OUTLAY	5.0%	1.1%	0.6%	4.3%		0.7%	0.6%	2.5%
ALL OTHER EXPENDITURES	5.9%	3.0%	3.0%	5.1%		1.5%	5.0%	6.8%
TOTAL CURRENT EXPENDITURES	100%	100%	100%	100%		100%	100%	100%

*From "National Comparison of School Costs, 1977-78"

EXHIBIT A

EXHIBIT A

AVERAGE COST PER STUDENT
1976-77

1.	Alaska	3160.38	23.	Nebraska	1315.07
2.	New York	1990.55	24.	Arizona	1305.58
3.	Illinois	1835.56	25.	Kansas	1292.46
4.	Wyoming	1812.81	26.	Missouri	1292.18
5.	Massachusetts	1791.72	27.	North Dakota	1292.12
6.	New Jersey	1783.44	28.	Nevada	1258.56
7.	Oregon	1758.24	29.	Ohio	1254.14
8.	Maryland	1723.37	30.	Florida	1225.95
9.	Delaware	1716.65	31.	Texas	1185.73
10.	Wisconsin	1612.19	32.	South Dakota	1133.81
11.	Pennsylvania	1546.53	33.	New Mexico	1130.11
12.	Rhode Island	1511.00	34.	Maine	1117.00
13.	Washington	1508.37	35.	New Hampshire	1115.26
14.	Minnesota	1493.39	36.	Utah	1102.01
15.	Iowa	1477.69	37.	Kentucky	1084.20
16.	Connecticut	1455.87	38.	Indiana	1079.65
17.	Michigan	1408.29	39.	North Carolina	1067.85
18.	California	1400.56	40.	West Virginia	1053.69
	National Average	1394.54	41.	Georgia	1025.60
19.	Vermont	1355.93	42.	Tennessee	1023.52
20.	Colorado	1352.71	43.	Louisiana	1015.77
21.	Virginia	1343.61	44.	Idaho	944.67
22.	Montana	1325.44	45.	Oklahoma	937.04

National Comparison of Local School Costs, 3rd Edition
Market Data Retrieval, Westport, Conn.

EXHIBIT A

FUNCTION
AVERAGE COST PER STUDENT
1977/78

1.	NEW YORK	2386.33	27.	NORTH DAKOTA	1442.41
2.	ALASKA	2169.39	28.	VERMONT	1432.99
3.	WYOMING	2153.34	29.	KANSAS	1422.60
4.	ILLINOIS	2084.87	30.	ARIZONA	1421.70
5.	NEW JERSEY	1930.85	31.	NEVADA	1393.62
6.	WISCONSIN	1922.72	32.	OHIO	1386.17
7.	OREGON	1911.55	33.	SOUTH DAKOTA	1353.30
8.	DELAWARE	1835.15	34.	NEW MEXICO	1303.50
9.	PENNSYLVANIA	1763.54	35.	UTAH	1262.66
10.	MICHIGAN	1719.61	36.	NEW HAMPSHIRE	1226.26
11.	WASHINGTON	1711.63	37.	KENTUCKY	1222.63
12.	NEBRASKA	1690.72	38.	INDIANA	1191.27
13.	RHODE ISLAND	1675.07	39.	WEST VIRGINIA	1182.15
14.	MINNESOTA	1667.58	40.	GEORGIA	1169.90
15.	CONNECTICUT	1646.97	41.	MAINE	1169.88
16.	MARYLAND	1631.78	42.	NORTH CAROLINA	1157.94
17.	MASSACHUSETTS	1620.29	43.	OKLAHOMA	1117.89
18.	CALIFORNIA	1599.61	44.	TENNESSEE	1092.15
19.	MISSOURI	1599.14	45.	ARKANSAS	1045.93
	NATIONAL AVERAGE	1587.42	46.	LOUISIANA	1023.96
21.	IOWA	1582.37	47.	MISSISSIPPI	982.92
22.	TEXAS	1557.98	48.	SOUTH CAROLINA	921.06
23.	VIRGINIA	1548.01	49.	IDAHO	842.00
24.	FLORIDA	1467.30	50.	ALABAMA	839.93
25.	COLORADO	1465.81			
26.	MONTANA	1451.44			

National Comparison of Local School Costs, 4th Edition
Market Data Retrieval, Westport, Conn.