

DISCLAIMER

Electronic versions of the exhibits in these minutes may not be complete.

This information is supplied as an informational service only and should not be relied upon as an official record.

Original exhibits are on file at the Legislative Counsel Bureau Research Library in Carson City.

Contact the Library at (775) 684-6827 or library@lcb.state.nv.us.

Eureka County School District

Eureka County School District



P.O. Box 249
Eureka, NV 89316
775-237-5700

Superintendent
Mr. Ben Zunino

NEVADA DEPARTMENT of EDUCATION (NDE)
Administrative and Fiscal Services
"STATE OF THE SCHOOL DISTRICT"

EUREKA COUNTY SCHOOL DISTRICT

Summary

The Eureka County School District has seen more significant and adverse changes in its enrollment and funding situation than arguably any other school district in the state. The virtual collapse of its most critical economic foundation of mining, leading to significant declines in its tax base, employment, population, and enrollment, combined with virtually uncontrollable costs, have made this situation especially critical. Enrollment declined precipitously in FY2003 by 16.1%, and while this condition is expected to moderate, further declines to the economy and school enrollment are anticipated throughout the school district's forecast horizon (FY2004 to FY2012).

Mining has had especially devastating and cyclical effects on the school district's funding levels and the timing of the receipt of those revenues. While similar fiscal impacts from mining reductions have been experienced by other school districts such as Elko, Lander, Humboldt, and White Pine counties, with the exception of Lander County these other school districts have generally worked through the most devastating effects of this mining dislocation phase. Further, no other school district in the state has, up to now, relied more heavily on the largesse of its mining industry and the munificence of the mining net proceeds tax to fund district operations. Within the DSA apportionment process, however, this has adversely affected the district's "wealth factor" adjustment as strong "outside" revenues (i.e., net proceeds) have precluded the use of state (Nevada Plan) funding up until FY2003. Overall county assessed valuations have fallen 65.3% from \$932 million in FY1996 to \$323 million in FY2003.

Initially, the school district had benefited from relatively large and rapid increases in assessed valuations and net proceeds from mining. However, more recently it has been severely penalized as these mines closed and took large shut-down expenses which reduced net proceeds (as opposed to gross proceeds). The cyclical nature of this industry has typically created an extreme discontinuity between the school district's initial costs to accommodate increased enrollment, staffing and operating needs, which rose rapidly, and the revenue to fund these expenditures, which rose more slowly, and more recently virtually dried up. Consequently, both mining start-up and close-down costs have dramatically reduced net proceeds taxes, thereby causing school district budget shortfalls to exacerbate in both the mine's early and later years of its all-to-often relatively brief operating life.

Highlights (Ben Zunino / Lisa Jones / Ali Tognoni):

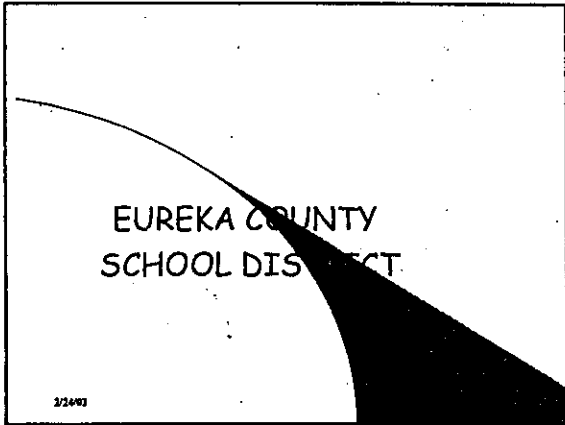
* School district full enrollment fell from 285 students in FY2002 to 239 students in FY2003, a decline of 46 students or 16.1%; enrollment declines have been experienced consistently throughout the late 1990s and early 2000s; student enrollment has declined 54% since 1995; student runoff is expected to continue by another 30 students in FY2004.

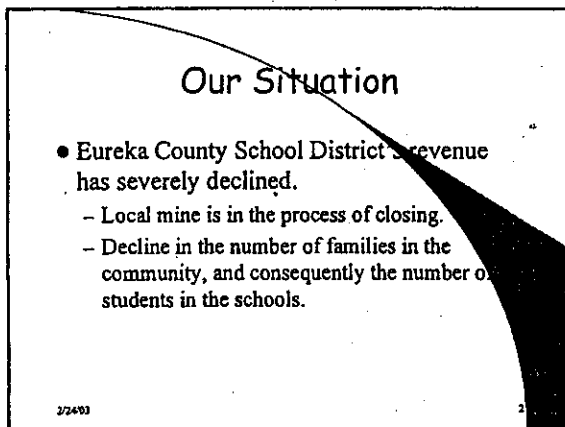
* Gold market downturn has resulted in severe local revenue losses over the last several years; mining industry and general economic conditions remain unsettled with another mine closure outside of Battle Mountain; closure will result in lost revenue (net proceeds of mines) and corresponding enrollment declines; however, while district costs related to such activities are "volatile" upwards with increasing enrollment, they remain "sticky" downwards (i.e., more fixed in nature) even as enrollment falls.

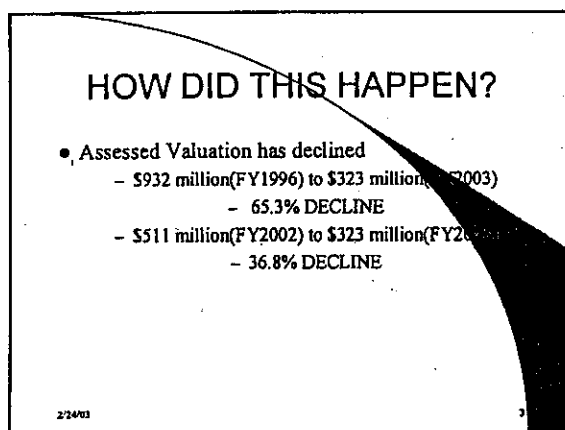
- * A number of other operating mines are seeking reductions in their assessed valuation, driving down assessed valuations and property taxes; the county's total assessed valuation fell from \$512,753,802 in FY2002 to \$323,421,803 in FY2003, a decline of nearly 190 million, or 36.9%.
- * Declining enrollment and population growth have also put severe constraints on local sales taxes; if increased funding is not forthcoming, the ability of the school district to provide an equitable education is questionable.
- * Due to declines in local taxes, especially net proceeds, FY2003 was first year in nearly 10 years that the district received an apportionment from the state DSA.
- * Due to continued budgetary constraints, the school district has been forced to cut back extensively on its extracurricular activities, offering only basic, core courses.
- * Funding of the elementary school in Crescent Valley has become a major concern due to revenue constraints.
- * Special education costs remain a growing concern due to the high cost of virtual one-on-one teaching needs for the severely handicapped students; the DSA apportionment model provides only partial cost coverage for these needs.
- * PERS rate increase (18.75% to 20.25%) is another major concern to the district's budget, especially if this cost increase is not fully covered by future DSA funding.
- * Significant reduction-in-force for district teachers, administrators, and support staff over past several years; bargaining groups have agreed to salary freeze for current year.
- * Continuation of teacher reductions cannot be made without severely impacting the quality of education in the school district; currently 55% of the district's students entering the UCCSN require remedial classes.
- * The district's FY2003 ending fund balance remained relatively good; however, no operating funds exist for necessary repairs and upkeep of existing facilities.
- * Adversely impacting future district expenditures deal with asbestos issues in older buildings and ADA (disability act) non-compliance issues; district also discovered it will owe an unemployment tax for laid off workers, irrespective of the time of employment.
- * Significant health insurance increases have been experienced over last several years; at least another 45% increase is anticipated in January 2003.
- * Major property/casualty premium increases have also resulted this year.
- * The district is considering the elimination of the hot lunch program due to a \$100,000 loss in this program
- * Diminished effects of hold harmless due to future projected enrollment declines will be a major problem.
- * County's overall assessed valuation (based primarily on net proceeds of mines) has declined precipitously from \$932 million in FY1996 to \$323 million in FY2003, an average decline of 14.0% per year.

FY2003 Eureka County School District Specifics:

Total Full Enrollment: 239
 Weighted Apportionment Enrollment: 231.4
 "Hold Harmless" Weighted Apportionment Enrollment: 298.2
 (Distributive School Account Payment Basis)
 Total "Nevada Plan" Basic Support Level: \$1,515,154
 Number Full-Time Equivalent (FTE) Teaching Personnel: 28.00 (FY2002)
 Average Salary (FTE Teaching Personnel): \$57,961 (FY2002)
 (Salary excludes 9.75% employee portion of retirement contribution)
 Total Number of Schools: 3
 Average Students per School: 80







5
x

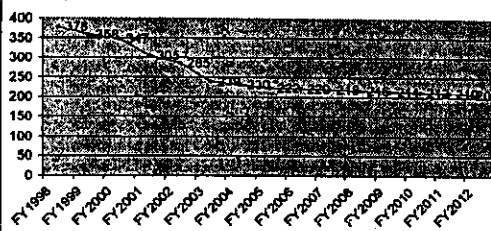
HOW DID THIS HAPPEN?

- Decrease in the Net Proceeds Tax
 - This past year a mine that had \$220,000,000 in gross proceeds paid \$0.00 in Net Proceeds Tax
- Change in the depreciation rate from 50 years to 17 years. (66% increase in the rate of depreciation)

2/24/03

HOW DID THIS HAPPEN?

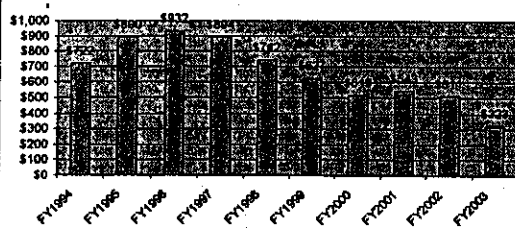
Eureka County School District K-12 Full Enrollment



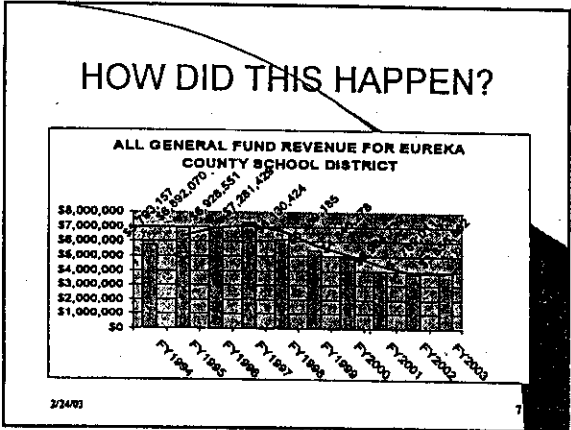
2/24/03

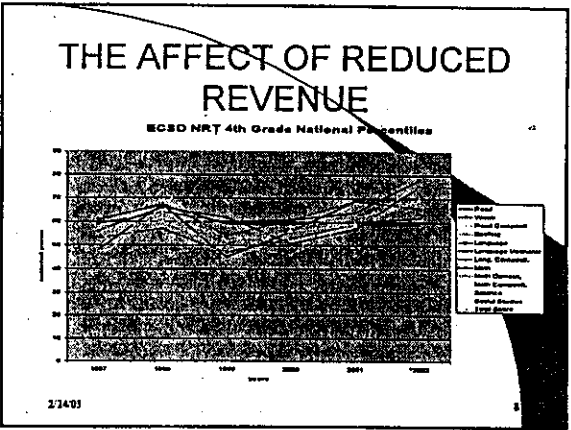
HOW DID THIS HAPPEN?

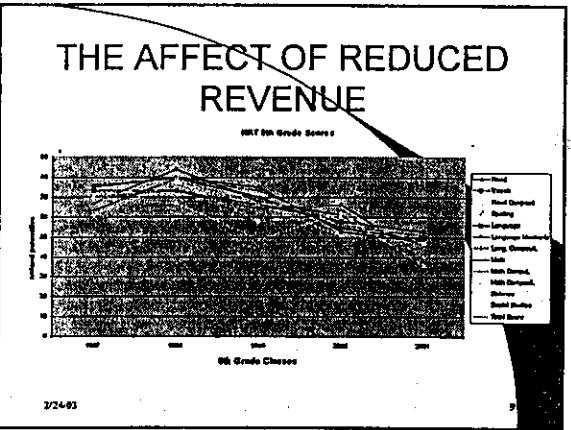
EUREKA COUNTY ASSESSED VALUATIONS



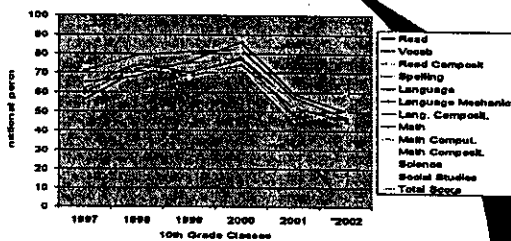
2/24/03







THE AFFECT OF REDUCED REVENUE



THE AFFECT OF REDUCED REVENUE

- REDUCED STUDENT ACHIEVEMENT
- REDUCED ABILITY TO COMPE
- REDUCED ABILITY TO BE SUCCESSFUL IN POST-SECONDARY EDUCATION
- REDUCTION IN THE OPPORTUNITIES FOR ALL STUDENTS

2/24/03

11

THE AFFECT OF REDUCED REVENUE

- TECHNOLOGY NOT UPGRADED
 - COMPUTERS CAN NOT OPERATE NEW SOFTWARE - 64K WITH 200MH
- TEACHER AND STAFF COMPUTERS ARE UNRELIABLE
 - CONTINUALLY CRASH
- DISTRICT'S TECHNOLOGY INFRASTRUCTURE IS IN NEED OF UPGRADING

2/24/03

12

THE AFFECT OF REDUCED REVENUE

- NON-ABATED ASBESTOS IN THE HIGH SCHOOL
- ADA NEEDS HAVE NOT BEEN ADDRESSED
- HEATING AND AIR CONDITIONING UNITS IN THE HIGH SCHOOL ARE THE ORIGINAL UNITS (1968) AND ARE FAILING

2/24/03

13

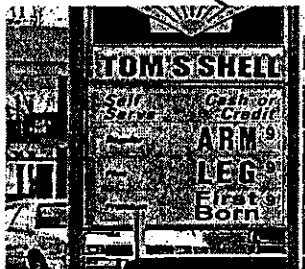
THE AFFECT OF REDUCED REVENUE

- THE MAJORITY OF THE CLASS AT THE JR. HIGH/HIGH SCHOOL ARE TAUGHT IN PORTABLES

2/24/03

14

THE AFFECT OF REDUCED REVENUE



2/24/03

15

9
8

ALTERNATIVES IMPLEMENTED

- OUTSOURCING SERVICES
- REDUCTION IN SERVICES
- REDUCTION IN STAFF
 - CERTIFIED
 - CLASSIFIED
 - ADMINISTRATIVE
- REDUCTION IN STUDENT ACTIVITIES
 - REDUCTION IN SECONDARY COURSE OFFERINGS
 - ATHLETICS

2/14/03

16

ALTERNATIVES IMPLEMENTED

- ALL STAFF AGREED TO NOT ACCEPT STEP INCREASES
- CHANGED INSURANCE CARRIER BECAUSE OF THE LARGE INCREASE IN RATES
- TEXTBOOK ADOPTIONS HAVE BEEN DELAYED

2/14/03

17

ALTERNATIVES IMPLEMENTED

- EXPLORING THE POSSIBILITY OF COMBINING SERVICES WITH OTHER AGENCIES.
- LOOKING AT ANY POSSIBILITIES REDUCING EXPENDITURES AND HAVING THE LEAST EFFECT ON STUDENTS.

2/14/03

18

REMEDY

- PROVIDE FUNDING AT AN ADEQUATE LEVEL SO THAT STUDENTS IN RURAL DISTRICTS HAVE SIMILAR OPPORTUNITIES AS OTHER STUDENTS IN THE STATE.

3/14/03

19

REMEDY

- ADDRESS THE ISSUE OF AN ORGANIZATION MAKING \$220,000,000 AND NOT PAYING ANY TAXES -- MAYBE CHANGING FROM NET PROCEEDS TO GROSS PROCEEDS

3/14/03

20

REMEDY

- ASK THE QUESTION -- WHY THERE WAS A SUCH A DRASTIC CHANGE IN THE WAY THE ORGANIZATIONS DEPRECIATE THEIR ASSETS?
 - CHANGE FROM 50 YEARS TO 17 YEARS

3/14/03

21

11
7

REMEDY

- ASK THE QUESTION-- HOW CAN A COUNTY'S ASSESSED VALUATION GO DOWN APPROXIMATELY \$200,000,000 IN ONE YEAR?

3/24/03

22

OUR VISION FOR THE FUTURE

- ALL STUDENTS WILL HAVE THE SAME OPPORTUNITY FOR SUCCESS.
 - OPPORTUNITY TO TAKE ADVANCED CLASSES AND PARTICIPATE IN ACTIVITIES
- ALL STUDENTS, STAFF, AND VISITORS WILL HAVE A SAFE AND PRODUCTIVE EXPERIENCE IN THE ECSD.

3/24/03

23

Summary

- PLEASE KEEP IN MIND ALL STUDENTS NEED THE OPPORTUNITY TO BE SUCCESSFUL IN LIFE.
- A QUALITY AND ADEQUATE EDUCATION IS WHAT WILL GIVE THEM THE OPPORTUNITY.

3/24/03

24

Summary

- THE NEVADA PLAN DOES A GOOD JOB OF ADDRESSING EQUALITY. THE QUESTION MUST NOW BE ASKED: IS IT ADEQUATE?

2/24/03 33

THANK YOU

2/24/03
