

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON EDUCATION**

**Seventy-Seventh Session
May 1, 2013**

The Committee on Education was called to order by Chairman Elliot T. Anderson at 3:20 p.m. on Wednesday, May 1, 2013, in Room 3142 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4406 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at nelis.leg.state.nv.us/77th2013. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblyman Elliot T. Anderson, Chairman
Assemblywoman Marilyn Dondero Loop, Vice Chairwoman
Assemblyman Paul Aizley
Assemblywoman Lesley E. Cohen
Assemblywoman Olivia Diaz
Assemblyman Wesley Duncan
Assemblyman Andy Eisen
Assemblywoman Michele Fiore
Assemblyman Randy Kirner
Assemblyman Harvey J. Munford
Assemblywoman Dina Neal
Assemblyman Lynn D. Stewart
Assemblywoman Heidi Swank
Assemblywoman Melissa Woodbury

COMMITTEE MEMBERS ABSENT:

None



GUEST LEGISLATORS PRESENT:

Senator Scott T. Hammond, Clark County Senatorial District No. 18
Senator Tick Segerblom, Clark County Senatorial District No. 3

STAFF MEMBERS PRESENT:

Todd Butterworth, Committee Policy Analyst
Andrew Diss, Committee Manager
Sharon McCallen, Committee Secretary
Ashlynd Baker, Committee Assistant

OTHERS PRESENT:

Steve Canavero, Ph.D., Director, State Public Charter School Authority,
Department of Education
Ryan R. Warburton, Ballard Spahr, LLP, Salt Lake City, Utah
Robert Howell, Managing Member, Academica Nevada, Las Vegas,
Nevada
Julisa Saenz, Student, Carson Montessori School
Ivan Ramirez, Student, Carson Montessori School
Denton Thom, Student, Carson Montessori School
Gabriel Fanning, Student, Carson Montessori School
Craig Stevens, representing Nevada State Education Association
Joyce Haldeman, Associate Superintendent, Clark County School District
Lindsay Anderson, representing Washoe County School District

Chairman Elliot Anderson:

[Roll was called. Protocol and procedures were explained.] I will open the hearing on Senate Bill 443.

Senate Bill 443: Revises provisions governing charter schools. (BDR 34-1079)

**Steve Canavero, Ph.D., Director, State Public Charter School Authority,
Department of Education:**

Senate Bill 443 is a cleanup bill that originated on behalf of the Senate Committee on Education. I will go through the items of cleanup ([Exhibit C](#)).

Section 1, subsection 1, simply clarifies that it is traditionally not a private school that reopens as a charter school; it is the facility that the private school formally occupied that is being used as a charter school.

Section 2, subsection 3, clarifies that the Nevada System of Higher Education (NSHE) is a potential sponsor of charter schools. They have to submit an application to gain authorization to sponsor charter schools to the Department of Education in the same way that school districts do.

Sections 3 and 4 shift responsibilities that, prior to this amendment, a sponsor could request the Department of Education to review charter school applications on their behalf. This proposed language deletes that and puts that responsibility, more appropriately, on the sponsor.

Section 5 builds upon existing law around charter school sponsor accountability. This particular section on pages 9 through 10 is very similar to a section in Assembly Bill 205 which you have already passed. If charter schools are responsible and accountable to the parents and children they serve, and subsequently responsible to the sponsor who oversees them, the sponsors are then accountable to the Department of Education as already provided for in statute.

This revision talks through the regulatory requirements and regulations the Department will adopt to define the application submission timeline. It also talks through the comprehensive review the Department will conduct at least every three years regarding sponsors and charter school performance that the sponsor oversees.

The revision finally adds a process in regulation the Department would use to determine whether or not to continue or to revoke the authority of a sponsor to continue authorizing charter schools.

The last revision, section 6, is similar to sections 3 and 4 which remove the Department from providing certain services that sponsors should provide for charter schools. This shifts the governing board training responsibility from the Department to the sponsor, as well as requires the affidavits for board members to serve as a charter school board member to be submitted to the sponsor rather than the Department of Education.

The final change is to extend the timeline for the annual report given the process and timeline by which accountability data are released. It extends the annual report that we submit to the Department of Education from August 15 to October 1 to accommodate the assessment accountability release of data.

Chairman Elliot Anderson:

I would like to double check on our compatibility to A.B. 205. I did reread what we passed and I did not notice anything that was inconsistent. If I remember correctly, the lineout on section 5, we moved the responsibility to review the application to the Department of Education already. Right?

Steve Canavero:

I do not have A.B. 205 in front of me, but I believe the intent was to align the two provisions related to adoption of regulations around sponsor accountability, then shift the Department of Education's responsibility of reviewing applications back to the sponsor.

Assemblyman Stewart:

Are there any colleges or universities that now sponsor a charter school?

Steve Canavero:

There are not. The only active sponsors that currently have charter schools under sponsorship are Carson City School District, Clark County School District, Washoe County School District, and the State Public Charter School Authority.

Assemblyman Stewart:

This is looking toward the future then if such a need arises. Correct?

Steve Canavero:

Yes. It creates one system by which sponsors would apply to the Department of Education for authorization to sponsor schools.

Chairman Elliot Anderson:

Seeing no more questions, I will open the table for testimony in support of S.B. 443. [There was none.] Is there anyone opposed? [There was no one.] Is there anyone neutral either here in Carson City or in Las Vegas? [There was no one.] We will close the hearing on Senate Bill 443.

The meeting recessed [at 3:29 p.m.].

The meeting reconvened [at 3:31 p.m.].

Chairman Elliot Anderson:

We will open the hearing on Senate Bill 384 (1st Reprint).

**Senate Bill 384 (1st Reprint): Revises provisions relating to charter schools.
(BDR 34-687)**

Senator Scott T. Hammond, Clark County Senatorial District No. 18:

I brought a few people with me to help present this bill and clear up some of the confusion you may have. I will turn my time over to Ryan Warburton from Ballard Spahr from Salt Lake City to try to walk us through the bill. I also have Bob Howell from Academica Nevada to answer any questions that might come up that pertain to his area of specialty.

Ryan R. Warburton, Ballard Spahr, LLP, Salt Lake City, Utah:

Senate Bill 384 (1st Reprint) is a charter school financing bill. It would give authority to the director of the Department of Business and Industry to issue bonds or certificates of participation for financing of charter schools, allowing charter schools within the state of Nevada to own their own facilities. This bill gives them the authority to issue that debt. It sets forth the criteria by which the director of the Department of Business and Industry would evaluate a charter school for financing. The financing also sets forth requirements for the State Board of Finance to evaluate the determinations of the director and approve or disapprove of a charter school financing. It also requires the sponsor of a charter to approve and certify that a charter school is in good standing before it comes for such financing.

Last, it makes some changes to closing up a charter school and other minor changes to existing charter school statutes to allow for the financing to be done in a manner that is acceptable to investors that typically buy charter school bonds.

That is an overview.

Chairman Elliot Anderson:

Sir, please walk the Committee through section by section.

Ryan Warburton:

I would be happy to do that. You all have the mock-up ([Exhibit D](#)). The new sections are as follows: Section 4 of the bill defines bonds. The first part defines the terms used for financing. I will note that most of these definitions and most of the terms are currently used by the Department of Business and Industry in their existing statutes to issue revenue bonds. This language is already part of the existing structure of the Department of Business and Industry when they issue revenue bonds for conduit financings for manufacturing or other industrial development bonds. The language is very similar to what is in other sections of the statute. We have put it here for purposes of charter school financings.

With that background in place, we will walk through this language as it relates to charter school financings.

The first part of our definitions solely related to financing bonds is obviously a debt instrument that the business and industry is able to issue under this section. The director of the Department of Business and Industry is used throughout as essentially the gatekeeper reviewing and looking at these financings. Financing is the defining term which is used in the use of bonds to finance both real and personal property of a charter school.

Financings are done through the use of a financing agreement which is in section 5.5 which has been added. Through a loan and a financing agreement, the loan is made, repaid, and secured by either a mortgage and a loan agreement or a note.

Section 8.1 talks about the intent of this bill to allow charter schools to own, acquire, or use charter school facilities and to be able to finance them.

Subsection 2 gives the director all powers to accomplish the purposes set forth in sections 2 to 22, inclusive, of this act for the benefit of the state.

Section 8.3 goes through the process. It begins the process of how the Department of Business and Industry would start the financing of a charter school. They would first receive a request from a charter school to issue debt on their behalf, to finance one of their facilities. The Department of Business and Industry would not do that until they look at a facility and go through the following steps in section 8.5.

The Department of Business and Industry would look at a facility to see if it is suitable for a charter school financing; they would confirm with the sponsor of the charter school that there is no default by the charter school under the current charter; they would confirm there were sufficient safeguards to ensure all of the money provided by the financing will be expended solely for purposes of the charter school; make sure there are safeguards in place on an ongoing basis with respect to the project; then review all local and necessary approvals have been met for the construction and development of the project; and finally, make sure they have a request from the charter school to issue bonds to finance the project.

Section 8.7 then provides that the director of the Department of Business and Industry and the State Board of Finance must determine all of these things are in place and make the following determinations. These determinations are very similar to what is in the existing business and industry statutes for

other industrial development bonds. These standards are similar to what other conduit entities have to do also.

They are to determine the amount of money being requested to provide for these financings; confirm that there is a five-year operating history of the charter schools by looking at the financial statements, and to the extent there is not a five-year operating history, debt can still be issued if it is sold to sophisticated investors; those entities under the Securities and Exchange Commission's Security Act of 1933 Rule 144A, which are essentially high-net worth institutions that invest over \$100 million in securities; and the bonds are sold in minimum denominations of \$100,000 or that the debt itself is rated in one of the top four rating categories.

The next is to consider whether the contemplated charter school will have any guarantor on its payments that is rated. The next item to be considered is the extent to which the project is affected by any federal, state, or local government action, activity, or development. The last thing to consider is the length of time that the charter school has been operating within the state.

Further, this bill authorizes the director to adopt additional regulations and considerations in determining the ability of a charter school to issue debt.

Section 8.9 allows the director of the Department of Business and Industry to provide for the financing if the amount is limited to the project acquisition and construction costs and any cost of borrowing to build a project.

Once the director makes the findings in both sections 8.9 and 8.5, that debt can be issued. Then we go into section 9.3 which talks about the provisions of the bonds.

Section 9.3, subsection 1, deals with how bonds must be in denominations, which means they can be broken up into different amounts, and normal bond characteristics. I will note that they cannot exceed 40 years, which is the most specific bond provision in that section.

Section 9.3, subsection 2, talks about how bonds issued under this statute may be sold at par, or any price at or above par. However, bonds may not be required to obtain a credit rating.

In the charter school industry and the charter school market many bonds are sold without a credit rating. It is typical and standard for charter schools. The way that investees and other entities are comfortable with this is the

\$100,000 denomination and the requirement that the buyer of the bond must be a Rule 144A sophisticated investor.

The last requirement is that any bonds issued under this are intended to be fully negotiable under the *Uniform Commercial Code*, Article 8—Investment Securities.

Section 9.9, subsection 1, allows for refunding of bonds. Subsection 2 talks about how refundings may be carried out as far as the terms of the refunding bonds. Subsection 3 talks about the refunding may be payable out of the same revenues as the initial bonds. Subsection 4 provides that refunding is allowable if there is a savings or if there is another benefit determined by the Department of Business and Industry.

Section 10.7, subsections 1 through 8, deal with the fact that this statute is sole and exclusive authority by Business and Industry to issue debt. There is no need to look to other statutes or get other approvals. The authority to issue, under the statute and the follow-up provisions of the statute will take care of the necessary requirements to issue charter school debt. The remaining modifications to charter school law are dealt with in section 29 of this mock-up ([Exhibit D](#)).

Subsection 1 outlines the current provisions for how a charter school is to line up its business if it were to close either voluntarily or involuntarily.

This allows for appointment of an administrator giving notice, paying off any debts and obligations, and provides any remaining assets would go to the Department of Education and ultimately to the State.

Section 29.5 is a minor deletion that allows charter schools to issue bonds. The language deletes the prohibition against issuing bonds for charter schools.

The change in section 30 provides that a charter school cannot operate for profit, but allows a charter school to form itself as a nonprofit under *Nevada Revised Statutes* (NRS) Chapter 82, and to file for recognition as a 501(c)(3) under the *Internal Revenue Code*.

All of these things are desirable and necessary to issue tax-exempt charter school bonds. That is why the change is being made.

The next and final change is to section 31, subsection 4, that gives clear authority for charter schools to own their own property, enter into loans and lease purchase agreements to do so. That is the walk-through of the bill.

Assemblyman Stewart:

Is this bill patterned after neighboring states?

Ryan Warburton:

Yes.

Assemblyman Stewart:

Maybe like Utah?

Ryan Warburton:

Yes and no. The language of this bill is patterned after the Business and Industry statute allowing for issuance of conduit revenue bonds here in Nevada.

Assemblyman Stewart:

Have there been other states that have used this to finance charter schools?

Ryan Warburton:

Certainly. In fact, most states use this. They have a statewide issuer who will issue conduit debt. I think I accidentally missed a section in the summary that says that the debt is a special obligation of the State. It is not a general obligation of the State. It is limited solely to the revenues of the charter school and the property. That is how most states finance charter schools or allow charter schools to finance their own buildings. This bill will put Nevada in the same position as other states as relates to as charter schools.

Assemblyman Stewart:

This format has been successful in other states? Can you cite some states where it has been successful?

Ryan Warburton:

Yes. This model has been very successful in more than 500 charter schools of which most have been financed through this model, either through a state conduit entity such as Business and Industry here, or through a local government entity such as a county or a city. This model is being implemented in Utah, Arizona, Colorado, California, Pennsylvania, Texas, Michigan, and Idaho as well.

Assemblywoman Neal:

I have more concerns than questions. Section 8.7 lists the criteria of what ratings are needed, and some of these are going to be newly formed charters. That means they have no assets, and you want to pledge public money. How do you deal with that? What do they have invested?

Ryan Warburton:

The charter school bonds are secured by two things. One is the real property, so investors will typically come in after the facility is built and buy them. If they do it before the facility is built, they will take a lien on it. The second thing is they will secure them by our revenues at the charter school, but only to the extent that the charter school receives those revenues. They have no pledge from the State if the State stops making payments to the charter school. The investors do not get future revenues. They only get revenues the charter schools receives. That is why investors are willing to do this. They have the building and the promise of revenues of the charter school.

Assemblywoman Neal:

We have had a couple of bills come through where there is an ability to use a private school facility, meaning a lease arrangement. When you talk about someone having a property interest and using that as an asset, what if they do not own the building? What if they are just leasing the building? That means they do not have any extra rights associated, which may be a common play within this state.

Ryan Warburton:

If they are currently leasing their building, this bill is not for them. An investor will not buy these bonds or support the process. This actually allows the charter school to become the owner of the building. There is no reason to use this if they intend to lease from a private party.

Assemblywoman Neal:

My next question is regarding sections 10.3 and 10.5. What concerns me is that no action may be brought questioning the legality of the contract lease agreement or indenture. What was the purpose of adding that language?

Ryan Warburton:

That is standard language. I stated earlier that it is in the existing Business and Industry statute. The reason that language was put there is that there is a 30-day period, a short statute of limitation. It is done through an open resolution process, so if anyone wants to object or has a concern with the charter school financing, they can object up front and it will be open to the public. However, once the process has been consummated and it is complete and bonds have been issued, investors want to know the legality of that cannot be challenged—meaning that someone can come in and say the indenture is unenforceable. This is standard statutory language per most bonds. It gives bond investors comfort someone is not going to come in three years later and challenge their bonds.

Assemblywoman Neal:

Typically Business and Industry have used the bonding for housing. Right? They have not been in the business of financing charter schools. When I read sections 10.3 and 10.5 together on page 10 of S. B. 384 (R1), 10.5 says "The faith of the State is hereby pledged" It basically says that it will not impair any outstanding bonds or any revenues. In perpetuity I am pledging that I will not do anything, regardless of the outcome or changes associated. To me, a charter school is way different from a housing project that may have a tax credit, where there is a federal association where you have to make sure you maintain the structure for X number of years. What is the difference in the application? My concern is a school structure, which does not fall within the same perpetuity, has been placed in a section typically applied to housing.

Ryan Warburton:

Section 10.3 deals with how no action can be taken after the 30 days of approval, which gives bond holders comfort. Section 10.5 talks about how the State will not change this statute, meaning this particular act and sections we are putting into law after bonds have been issued, thus invalidating the bonds. I understand that Business and Industry normally issues housing bonds and these would be charter bonds, a different type of conduit. The investors want the same assurance, which is a promise that the State will not come in and change the validity of the bond after it has been issued. That is all this says, the State pledges not to change the statute and make the bond an invalid obligation after it has been issued. These are 30-year obligations. Investors want to know up front that no one is going to challenge the legality of that debt.

Assemblywoman Neal:

A quick follow-up to that before my last question. I read a 64-page report on bonding of charter schools and I am trying to understand why this new bonding issue has come about. I believe it was because there has been government reform, so they felt there was some certainty that charter schools would exist. When there is a performance mechanism as well as other things in play, why would we want a 30-year bond? Why would we put our money on the hook for that type of situation? That speaks to the provision at the end which was in section 31 of the mock-up, where we are using public money to assist. I have discomfort with using public monies, which are typically based on enrollment of students that a charter school receives and then putting that money at risk for a school, even though we are trying to create this new charter authority group, where there is no tracking mechanism in the bill. We have no expertise to even ask or answer the questions associated with the bond which may relegate to the school itself. It is a whole new purview where you have a different overseer. Why?

Robert Howell, Managing Member, Academica Nevada, Las Vegas, Nevada:

First of all, the person with the money on the line is the investor. They are the ones putting up the money to buy the facility. They have the exact same concerns you raised. They are going to make sure when they buy the bonds, that it meets the hurdles they see in other states. They are putting the money up and getting paid back over a 30-year period. They are going to assess that credit very quickly and strategically. That is why we sell to sophisticated investors.

Chairman Elliot Anderson:

I want to interject because I think it will help clarify what we are talking about. The way I understand bonding is that there are several types. There are general obligation, which are the ones backed by the full faith of the State tax revenues. There are revenue bonds which are those that may be done by user fees or other bonds that are not by revenue. Then there are conduit bonds, which is what we are talking about. Are you proposing a revenue bond the way it is written at the front? It does not seem to be exactly what is going on here. The language speaks more to a conduit bond. Can you expand on that, then talk about Ms. Neal's question regarding the perpetuity concerns and being on the hook?

Ryan Warburton:

Certainly. We see this as a conduit bond. Some people see conduit bonds and revenue bonds as potentially being the same depending on what the revenue is. In this situation, there are two items which will secure the bond holder. One is the property, the second is the Distributive School Account (DSA) payments to the charter school. However, those payments are only pledged to the investor to the extent made by the State. There is not a pledge or an appropriation or a general obligation of the State. That is clear on the bonds. That will be clear in the documentation that the State is not obligated to appropriate for these financings.

Think of it this way. It is similar to if a charter school were to lease its facilities, it pays lease payments to a private owner of the property. Those lease payments come in from the DSA payment. They get the DSA payment, then they make the lease payment. This is really no different. The charter school gets its DSA payment, they make a payment on the loan to pay back the investor. They get nothing more than essentially making a lease payment, other than the charter school owns the facility and has a loan to be paid off. They get security on that property until it is paid off. They are not getting anything beyond the property and promise to pay any revenues the school has received.

Assemblyman Eisen:

I am trying to understand the need for this specific legislation. Maybe I am misinterpreting something, but when I look at NRS 349.560, subsection 4, it seems to me it is already a provision allowing for the issuance of bonds by the director of Business and Industry for projects that will "Promote the educational, cultural, economic and general welfare of the public by financing civic and cultural enterprises, certain educational institutions and the preservation or restoration of historic structures." I am not clear on why these bonds could not be issued under that existing authority in Business and Industry now.

Senator Hammond:

One of the things that separates what the existing ability is for people to bond is a rating system. Charter schools do not fit inside that rating system. Usually, when they bond, they have to look at the longevity of who is asking for the bond and how well they have conducted business. You are looking at 10, 15, or 20 years of being in business sometimes. Charter schools are not like that. As Ms. Neal mentioned, a lot of these schools are relatively new, so you do not have triple-A rating systems for charter schools. You need a system that fits charter schools.

Ryan Warburton:

In discussing this same question with the Department of Business and Industry, we asked if we should use the existing language and modify it to fit charter school financing, or should we just take existing language and add a new section. Charter schools are different from manufacturing facilities and other conduit financings. They were very clear they preferred to do a new section since charter schools were unique, and that is the path we took based on their recommendation as the issuer of the debt.

It allows the Department of Business and Industry flexibility to create administrative code and other rules that apply specifically to charter schools that would not apply to a manufacturing facility or other entity.

Assemblyman Eisen:

I appreciate that explanation, but I am still confused as I look at section 8.7 of the bill. We have talked about the rating, in subsection 1, paragraph (b), subparagraph (2), where we see a rating within one of the top four rating categories of Moody's Investors Service, Inc., Standard and Poor's Rating Services, or Fitch IBCA, Inc., that is the identical language that is in NRS 349.595. I do not see what the difference is in terms of the rating. It seems as though we have listed the language and created a new category that specifically describes charter schools when there is already a provision for educational institutions within existing statute.

Ryan Warburton:

We did keep this language the same. That is correct. However, there are other provisions in the existing statute that do not apply or work for charter schools. After reviewing the existing statute, there were too many items that did not match up with issuing a conduit revenue bond for a charter school.

It is very close, you are correct. The processes and procedures in place for financing conduit bonds did not work for charter schools, so the Department of Business and Industry preferred to create a new chapter that was close, but not the same, as the existing statute.

Chairman Elliot Anderson:

Please explain again, who is on the hook if these bonds fail, if the charter school fails, and how that is going to be provided for in this bill.

Ryan Warburton:

If the charter school for some reason is closed, or cannot make its payment obligations, the investor and the charter school are on the hook. Essentially, it is a special limited obligation as it says in the bill which means it is secured only by the property and by any cash the charter school has at that time. There is no ability to look to the State for any further payments. Investors understand this and this is common when they buy charter school debt. That is why they are big institutional funds. They are not looking for the State to repay them, they want to know if the school is solid, what its enrollment numbers are, and how its academic performance has been. The underwrite is based on the strength of the school, and maybe a little bit on the property, but they really do not want to foreclose if they do not have to.

Assemblywoman Neal:

There is no consistency in the DSA payments. When you say the State is not on the hook, the State is on the hook because they pay the DSA payment. I did not see a provision in here that is related to enrollment. Enrollment drops—students shift from the charter, go to the public school—now the State is on the hook to the investor because the charter cannot make their payments. Their payments are derived from the DSA. You say investors do not want to foreclose. There is a whole other situation when you owe an investor. Why are we acting like that is not a big deal? It is a big deal that the DSA payments will be on the hook to take care of 15 or 20 charter schools that receive these investment dollars.

Ryan Warburton:

If enrollment drops, and the DSA payment drops, the State is not obligated to make the higher DSA payment. Investors essentially understand the per-pupil

payment for each student. Investors want a school where enrollment will stay high, but if it drops, they do not expect the State to keep making the higher payment. In fact, they know they will not. If the charter school can no longer sustain enrollment to cover its debt-service payment, they default on their debt and the investors take the school.

Assemblywoman Dondero Loop:

Do either one of you gentlemen live here?

Ryan Warburton:

I am from out of state.

Robert Howell:

I live in Salt Lake City, Utah, and in Las Vegas, Nevada.

Assemblywoman Dondero Loop:

Why is this bill important to you in particular?

Robert Howell:

I work with several charter schools in Las Vegas. We represent approximately 3,000 students in charter schools, and currently there are no mechanisms for which those schools can purchase their facilities. The advantage of issuing bonds is that over the long term, charter schools can own their facilities and their rent payments do not go up. It gives them more control over their futures. That is why it is important. Right now, the only option charter schools have is lease payments, and they tend to have consumer price index (CPI) escalators that increase every year. It is very disadvantageous over time. That is why giving them access to the capital markets and bond issues is advantageous to our clients.

Assemblywoman Dondero Loop:

Clients meaning your business?

Robert Howell:

Meaning charter schools that we represent.

Assemblywoman Dondero Loop:

As a clarification, I understand this is important to you because it is part of your business. In other words, you are not just a single owner where it would benefit you; it is benefiting your company.

Robert Howell:

It does not benefit my company. It benefits our clients. Our clients are the charter schools.

Assemblywoman Dondero Loop:

I just have some real questions about investors and charter schools. I am concerned that we are setting up some different rules from what our charter school council has set up. At some point, I am sure Mr. Canavero will talk to us about this also. I would like to know where they weigh in on that and what the actual pieces are that fit within this puzzle for us.

I have never been against charter schools, but I am always concerned when we start doing different financial pieces with charter schools. I have been in the education business my entire adult life and it is business. We can say it any way we want, but it is a business.

Robert Howell:

When school districts buy or build their facilities, they issue bonds. What we are looking for is pretty much the same mechanism for charter schools so they can enter the capital markets and be able to purchase their facilities and have equal standing as it relates to facilities.

Chairman Elliot Anderson:

With section 4, I am wondering about the choice and whether it is stylistic or not with revenue bonds. My understanding is that revenue bonds are based off user fees. I do not know what user fees a charter school is getting. What would you say to that? Is it better clarified to say conduit bond?

Ryan Warburton:

We could do that. With the revenue bond, the revenue is the loan revenue, the payment from the charter school to the issuer. If there is a concern that this is a revenue bond, typically used for a fee structure, we could say conduit bond certainly.

Chairman Elliot Anderson:

I want to go to section 8.1 on page 4 of S.B. 384 (R1). That may be existing language that the director of the Department of Business and Industry has all of the powers necessary to accomplish the purposes. I am wondering how that works with all of the other provisions we have in regulations written later in the bill. It almost seems as though we are giving a broader grant of power than we are allowing later in the bill when we say you have to go through the regulatory process. It is different if you put regulations in place because you have to go through the Legislative Commission. *Nevada Revised Statutes* (NRS)

Chapter 233B applies when creating those regulations and how they are adopted. Could you speak to that section?

Ryan Warburton:

This is language that is in the existing statute. The thought here is not to grant the director more power than what they are granted in the statute. It is to be clear that whatever power they have under the statute that may not be mentioned, the director still has to accomplish the purposes of the statute.

Chairman Elliot Anderson:

I know that the other chapter is written that way. I would feel more comfortable if it said, "not inconsistent with the provisions of this act" or something of that nature.

I am looking at sections 8.5 and 8.7 of the bill talking about some of the requirements prior to bonds being issued. It seems like there is no standard for reputation for academic performance. That is on my mind as well as this Committee's. We just had a charter bill, Assembly Bill 205, which includes an automatic closure provision in three years if they do not have that nominee. If I am an investor and there is an automatic closure provision, I am a little nervous about that. That is a lot different than buying public school bonds or general obligation bonds. Can you speak to why there is no requirement either for the reputation of a company that is operating charter schools or at least an approval by the Department of Education or the Charter Authority?

Ryan Warburton:

If we look at section 8.5, subsection 2, they are not in default under their written charter, which if they are meeting their charter requirements and are certified by the sponsor, then Business and Industry is confident they are complying with their academic and other standards set forth in their charter. That is the statutory requirement.

Chairman Elliot Anderson:

What is that provision again? What is the citation under this section you pointed out?

Ryan Warburton:

Section 8.5, subsection 2 of S.B. 384 (R1).

Chairman Elliot Anderson:

I worry about that default language because it is pulled from the Department of Business and Industry. Mr. Canavero, could you speak to that. I know we changed the charters to performance contracts in A.B. 205, and I understand

the performance framework would be part of the default on a contract or a charter.

Steve Canavero:

Specific to the provision in law, and practically speaking, every time a charter school bonds, it is through a separate organization. It is for the benefit of an organization that goes out as a nonprofit and bonds on behalf the school, and the school leases that space from that separate entity. Even in those cases where there is a distinct distance between the school and the entity issuing the bonds, we are always queried on the school's good standing, its academic performance, and its status related to renewal. We are always asked about at least the two different options or opportunities that I am aware of.

Chairman Elliot Anderson:

Could you also speak to the differences between sections 8.5 and 8.7? They both seem to be creating a lot of requirements. It looks like in section 8.5 there are prerequisites before starting the process. Is that correct? Section 8.7 is more requirements for the final approval. Is that correct?

Ryan Warburton:

The first requirements are what the director of Business and Industry does and then takes those requirements and his findings to the State Board of Finance in section 8.7. That is correct. It is structured on how they make their findings in other bond issues.

Chairman Elliot Anderson:

At the end of section 8.7, subsection 2 it talks about regulations for setting forth the additional factors to be considered. What provisions would you anticipate being put in to have a feeling for the intent on the record for what regulations would be needed outside of the statute?

Ryan Warburton:

In speaking with Business and Industry personnel and in discussing what regulations would be in place, there are models throughout the country for application and processes for financing charter schools. Not speaking for them, but my assumption, based on conversations with them, would be that they will take models that have worked successfully in surrounding western states and adopt those. Some of those might include, as you suggested, a look at the academic history as well as the history of enrollment at the school and at items they may be interested in to see the strength of a charter school before they issue bonds for that school.

Chairman Elliot Anderson:

In section 9.5, page 7, lines 41 and 42 of S.B. 384 (R1), for the record, what happens in the worst case? Say everything fails completely for whatever reason, what is the process for that? Some of it is spoken to in closing down the charter in the conforming sections of the bill, but I thought it would be good for the record to discuss how the collateral and the bond holders would possibly collect, and what the obligations, if any, would be to the State.

Ryan Warburton:

Fortunately, we have not seen a lot of this happen. There are not too many records of charter schools being closed and taken over by bondholders. Assuming everything worked per statute and there was no workout in between, the bondholders would expect to come in and take over the school, sell it, and realize whatever they could just as any investor would in real property. If a charter school were closed down, essentially the revenue is stopped, they cannot make their debt service, and there is a default. They would wind down and part of the winding down process would be they have obligations to the investors. They have this debt. That would be satisfied through the assets of whatever the charter school has. If there are not enough assets, the investors are not made whole.

Chairman Elliot Anderson:

In looking at section 29 on page 12 of S.B. 384 (R1), it talks about the closure provisions that I just referenced. If people are buying these bonds from across the country, does a federal bankruptcy court have jurisdiction over something like this? Can we put into the statute that this is the sole way to do it? What was your intent with this, and can we legally do that? I am not clear on those provisions. Could you explain that for the Committee?

Ryan Warburton:

This language is in other state's statutes. You are not alone in adding statute process to wind down a charter school. If there is a bankruptcy, you are correct, things can change as far as the winding down process subject to the bankruptcy court's rulings. The bankruptcy court generally would pay secured creditors first, then unsecured creditors, which is really what this does as well. The winding down provisions here are not much different from what a bankruptcy court would generally do.

Chairman Elliot Anderson:

Those are the questions I needed to have answered for the record. Before I move on to more support, Mr. Canavero, do you have anything else you need to say from the State Public Charter Authority standpoint?

Steven Canavero:

To address Ms. Dondero Loop's questions, the facility challenge presented to our charter schools across the state, to find and secure adequate and appropriate facilities, is one of the single largest hurdles for charter school growth or start-up.

For example, speaking directly to the need question, Coral Academy of Science Las Vegas is, by our account, a successful charter school and a quality school that we sponsor. When it is time to renew their initial six-year lease agreement in a very nice facility, a former private school, they would love to stay there. However, the leverage they have in the negotiation is minimal. They have a landlord who could raise lease rates, and where would they go? Are they going to move their entire school to another facility?

In discussing this with a number of schools, the option in S.B. 384 (R1) is "a" solution. It is not "the" solution to resolving the issue of access to adequate facilities for our schools, but it certainly presents the first step to a solution. It is a step the Authority had presented to the Legislative Committee on Education during the interim. We had people from Colorado present, and one of the issues was the access to facilities.

Chairman Elliot Anderson:

Mr. Kirner, do you have a question for Mr. Warburton, as he needs to catch a plane?

Assemblyman Kirner:

I have been listening intently. I am a personal investor and it would seem to me that if you were offering a bond, that I am the one at risk if I invest in you. I make the decision as an investor whether I want to invest in you. You had mentioned that there is not a big record of charter schools failing where there have been bond investments. Do you have any data regarding how many schools might have failed?

Ryan Warburton:

There is an excellent study put out by Local Initiatives Support Corporation, a nonprofit foundation that is on the Internet. It sounds as though Ms. Neal may have this study. It talks about the history of financing of charter schools. I hesitate to recite the numbers as I may get them wrong, but my recollection is of charter schools that have been rated, there has maybe been one out of the 500-plus financings that has defaulted. Of those that were nonrated, there has been less than 10 percent across the country. It is low considering these are unrated obligations. It is a record that is readable and investors understand. That is why these bonds go to certain investors that understand the risks and

understand what makes a good school. They are willing to make the decision to invest based on their review.

Assemblyman Kirner:

As an investor, that would be my obligation. If I have a broker, the broker and I will work to decide whether it is a good investment.

Ryan Warburton:

That is correct. They do not expect to get paid from the State, they would not have to do the research, and we could sell these bonds to other people. These are different bonds. They are conduit bonds not backed by the good faith of the State of Nevada.

Assemblyman Kirner:

Charter facilities, a regular school, gets funding for capital through any number of sources. In fact, we have a bill in terms of Washoe County trying to get money for capital. However, if a charter school gets no support and the only thing they have is a DSA and they have to lease or buy their buildings from the DSA, they do not receive the same level of support as a noncharter public school. Is that correct?

Ryan Warburton:

That is correct.

Robert Howell:

That is correct. In Nevada, charter schools get approximately \$62.50 per child and they are using approximately 15 percent of that to meet their lease obligations. That is why this is so important. It gives them the ability to use that money more efficiently in the capital markets.

Assemblywoman Fiore:

I have two daughters who have been through charter schools in the past 18 years and they have watched the charter schools grow from a trailer to a large structure in Clark County. My hat is off to charter schools. Thank you for being here.

Assemblyman Stewart:

Coral Academy of Science is in the district that I represent. It is a very successful charter school and it is a burden that they cannot buy that facility. It is a very nice facility.

Steven Canavero:

I will add that we will supply the Committee with the links to the report data and some bullet points regarding default rates for rated and nonrated issuance of charter school debt around the country.

Chairman Elliot Anderson:

How would this work if we were to put academic provisions into the statute? How would it fit in and can you talk about how you would be involved in any processes beforehand?

Steven Canavero:

That is certainly something we can do. When we looked at default in the criteria by which Business and Industry would review in its vetting of proposals from the school to go through with the conduit issuance, we looked at that as being relative to the charter school status, given its contract. If it was in default of its contract—it could be underperforming for our standards—it is not in breach of contract, which would be a revocation issue. If that were the case, it would never be going for a bond issue in the first place.

We could certainly work with a bond with Ryan Warburton and Senator Hammond to look at adding some language that would directly point at the academic performance of the school, and good standing thereof.

Chairman Elliot Anderson:

Senator Hammond, do you have anyone else you would like to come up in terms of your presentation?

Senator Scott Hammond:

No.

Chairman Elliot Anderson:

We will open the tables for support for S.B. 384 (R1) here in Carson City.

Julisa Saenz, Student, Carson Montessori School:

I am from Carson Montessori School, which has twice been named a high-achieving charter school. [Read from prepared testimony ([Exhibit E](#)).]

Ivan Ramirez, Student, Carson Montessori School:

Carson Montessori is a charter school that has been actively trying to find a new school site since we were in first grade. [Read from prepared testimony ([Exhibit F](#)).]

Denton Thom, Student, Carson Montessori School:

As a student-centered school that is hands-on and learns real-world purposeful lessons, we the students are actively involved in all of the activities regarding a new site. [Read from prepared text ([Exhibit G](#)).]

Gabriel Fanning, Student, Carson Montessori School:

Senate Bill 384 (1st Reprint) is exactly what we need to be able to continue our quest to secure a new site. [Read from prepared text ([Exhibit H](#)).]

Assemblywoman Fiore:

Can I ask how old each of you are?

Julisa Saenz:

I am 11 years old.

Ivan Ramirez:

I am 12 years old.

Denton Thom:

I am also 12 years old.

Gabriel Fanning:

I am 10 years old.

Assemblywoman Fiore:

I want to tell you that you are incredible. Thank you for being here.

Chairman Elliot Anderson:

Are there any further comments or questions? [There were none.] Thank you kids for getting up there and being brave. I know it is hard to get up here in front of this many people and speak publicly. Good job.

Do we have anyone else in support of S.B. 384 (R1) either in Carson City or Las Vegas? [There was no one.] Is there anyone opposed in either Carson City or Las Vegas? [There was no one.] Is there anyone neutral? [There was no one.] Senator Hammond, do you have any concluding remarks?

Senator Scott Hammond:

I do not. The children summed it up pretty well. There are several of us in Las Vegas, including many of those in the hallways, who have something to do with charter schools either on a board or lease charters. I have talked to many of them, and this is something we are all excited about in getting through the

Legislature. I appreciate your support for this. We will work diligently to make sure we address any concerns you have.

Chairman Elliot Anderson:

Thank you, Senator. Please get with the Committee members because I know there are a number of concerns that I have heard from our members. I would appreciate if you could do your due diligence and try to satisfy their concerns.

Senator Scott Hammond:

Yes, that will happen.

Chairman Elliot Anderson:

We will close the hearing on Senate Bill 384 (1st Reprint).

Meeting is recessed [at 4:38 p.m.].

Meeting reconvened [at 4:39 p.m.].

Chairman Elliot Anderson:

We will open the hearing on Senate Bill 392 (1st Reprint). We are working off of your mock-up. Is that correct, Senator?

Senate Bill 392 (1st Reprint): Directs the Legislative Committee on Education to conduct an interim study concerning gifts and bequests relating to education. (BDR S-147)

Senator Tick Segerblom, Clark County Senatorial District No. 3:

I think it is appropriate the Assembly Committee on Education cannot afford a screen. You have to show your slides on the wall ([Exhibit I](#)). Senate Bill 392 (1st Reprint) is a bill that I have brought at the request of, and in solidarity with, Nevada State Education Association (NSEA). It deals with a recent mini-scandal at the Clark County School District (CCSD) where outside groups with a particular agenda have given money to the school district and basically told the district that they have to hire a certain person to do a certain job. The school district itself may or may not want to have that agenda. We are trying to shine a light on those transactions and make sure the source of the money is disclosed. We can then determine whether the money is being used for the benefit of programs we think are appropriate and not for illegitimate purposes or personal agendas that do not correspond with ours.

By way of history, we had the original bill, but it was amended and became much more onerous and problematic as far as disclosure. When it came to the

last day of the deadline to cross over and get it out of the Senate, we had to reduce it to a study, which is common. Now we are trying to bring it back to the original bill which requires reporting, but does not prohibit certain things.

We have talked with the Senate Judiciary Chairwoman and she is agreeable with our desire to amend it back to the original proposal.

Chairman Elliot Anderson:

You said the Senate Judiciary Chairman. That does not quite work.

Senator Tick Segerblom:

He is in support too. The Senate Education Chairwoman.

Chairman Elliot Anderson:

We needed clarification. Thank you.

Craig Stevens, representing Nevada State Education Association:

We do have an amendment to this bill ([Exhibit J](#)). We, as well as CCSD, consider it friendly. After I give my presentation, they would like to come up and explain the changes they would like to see. Again, we find them friendly.

Chairman Elliot Anderson:

To be clear, Mr. Stevens, we are working off of this mock-up that you provided?

Craig Stevens:

Our mock-up basically does as Senator Segerblom said. It requires reporting for any gift over \$100,000 that is given to the school district or the State. That is the limit and we felt that was fair. We did not want to see \$20 to a parent-teacher association become a struggle. This is for significant gifts that are given to the school districts and to the State. Our amendment lists exactly what information we need: name, how much, what the gift is, what it is intended for, and any instructions on that gift.

One of the concerns on the Senate side was anonymity. There are those who like to give anonymously and do not want their information public. We want to respect that. There is an anonymity clause within the bill.

However, NSEA feels if you are going to be anonymous, there are certain things we need to make sure are happening. Our clause allows you to remain anonymous unless you have a contract with the State Board of Education or with school district. The donor cannot remain anonymous if they have a bid out with the state or the school district. We want to make sure that we know who

is giving the gift and that there is no other reason or advantage they are seeking for giving the gift.

This is basically what our bill does. We wanted to make sure there was a good amount of money, \$100,000, and we wanted to make sure folks could remain anonymous.

Another problem was PBS, Channel 10. A lot of the gifts they were given and the way it was written before, PBS would be harmed. We cut them out of this bill. We did not want to see anything happen to our PBS channel.

Assemblywoman Dondero Loop:

I am fairly sure that CCSD already has a donor regulation.

Craig Stevens:

I believe they do collect that data. However, it is not codified in statute. Other districts do not. We want to put exactly what they have to do and who they have to do it with into State law.

Assemblywoman Dondero Loop:

What this is saying is, tomorrow I am rich. I decide I want to give the school district \$200,000, and I want to hire Tick Segerblom for whatever job, and do not want anyone to know that I am paying him. Is that what we are preventing?

Craig Stevens:

We are not preventing anything. It is just the intention of the gift that is needed on the application to accept the gift.

Assemblywoman Dondero Loop:

I have not read the entire amendment, but does this include companies as well as lobbyists?

Craig Stevens:

The lobbyist issue is if they are a lobbyist, they have to disclose.

Assemblywoman Dondero Loop:

The Clark County School District already has this in place. Are you doing this for other school districts?

Craig Stevens:

I do not believe that CCSD delves as deeply as we are trying to do to get the information. I am sure they can tell you that. The general public should know

about the money flowing into their school districts. That is the one thing we are trying to capture here.

Assemblywoman Dondero Loop:

I agree with you 100 percent, but I would venture to say that CCSD has something in place.

Senator Tick Segerblom:

They do. But if you will recall, there was an incident where the superintendent's wife was hired under contract by the foundation, and then assigned to work with the school district and it was never disclosed. It was done to avoid the nepotism law, but it was not disclosed due to the loophole in the way the law works.

Assemblyman Stewart:

Ms. Dondero Loop, I am sure that Mr. Segerblom is worth more than \$200,000. I want to make sure this does not preclude General Motors, or other business entities, from donating specifically to an auto shop program at a specific school such as our career and technical schools or design programs. I want to ensure that will not preclude that from happening, correct?

Craig Stevens:

Correct. There is nothing in this bill that precludes anyone from giving a gift. However, in recording a gift of money deposited into the Education Gift Fund, there would have to be certain requirements spelled out. It does not deny any gift from being given.

Assemblyman Stewart:

I am concerned people might be hesitant to donate if the restrictions were too stiff.

Senator Tick Segerblom:

It would disclose that if General Motors said they were going to give you a gift, but in return you would have to use certain diagnostic tools and only work on General Motors cars, it tries to disclose the tie between the donation and what they are getting in return.

Assemblyman Eisen:

To clarify what you have already addressed, the principle is not that this would prohibit any gifts that can be give under the law currently, it would just require disclosure of the information as laid out here.

The other question I have, to be clear, you were talking about the anonymity clause. That is not on the mock-up that we have here. I want to be sure that we are all clear on what we are talking about. What you had described was that anonymity under an additional amendment to this, that an anonymous donation would be permissible unless the donor had a contract with the school or a bid, that would have to be disclosed in any circumstance. If such a thing existed, there could not be an anonymous donation. If it were someone who did not have any of these connections, then they could donate a \$10-million gift anonymously.

Craig Stevens:

If you look at section 1.7, subsection 3, line 18 of page 3, it says, "A donor may remain anonymous for purposes of the report prepared pursuant to subsection 2, unless the donor is required to provide information pursuant to paragraph (d) of subsection 2." This is where it will enable folks to remain anonymous should they desire. If they have a current bid out for a contract, further information would be required and they would have to state who they were.

Assemblyman Kirner:

If I were General Electric and I wanted to donate, not cash, but equipment, would I be subject to the same kind of disclosure?

Craig Stevens:

In section 1.7, subsection 2, paragraph (a), "The amount of the gift or bequest of money or the fair market value of the bequest of property, as applicable." The fair market value of such services would be \$100,000.

Assemblywoman Diaz:

I know that transparency is huge. It is something we owe to everyone, to show that we are doing things the right way and that we are utilizing the money to the best of our ability to continue furthering the academic achievement of our children and our districts. How does this bill make it a more transparent process? Is there a way people can retrieve this information? Does it have to be posted? How are we making it a more transparent process and more accessible to the public?

Craig Stevens:

Section 1.7, subsection 4 of this bill requires a board of trustees. "The board of trustees shall include the report prepared pursuant to subsection 2 on the agenda of the next regular meeting of the board of trustees held pursuant to NRS 386.330 and review all transactions involving a gift or bequest

listed on the report that have taken place since the previous meeting of the board of trustees."

They have to create a report and put that forward at their next meeting. There is a way the public can access this public record as well.

Assemblywoman Diaz:

Is this a yearly report? Is it every time contributions over \$100,000 are made? I want to know the mechanism by which this is going to happen for people to look for it.

Craig Stevens:

Again, the way the bill reads, the agenda of the next regular meeting of the board of trustees. It would be something continually put forward.

Assemblyman Duncan:

Do we know the percentage of anonymous donors in a given year? If a person gave five gifts of \$99,999.99, would that have to be reported within a time frame? Is it aggregate or discrete gifts?

Craig Stevens:

We have gone through so many iterations of this bill, it is my understanding that it is over a one-year period. If anybody donated over a one-year period, and reached that amount of money, they would be required to report it.

Assemblywoman Neal:

I reached out to the Office of Fiscal Accountability at the Department of Education and spoke to Ms. Julia Teska, director of Finance and Planning. She said that two things happen. When gifts or donations are referred to the Department of Education, all of those gifts and donations made to a state agency in excess of \$20,000 each are approved by the Interim Finance Committee, and they have to give an accounting. Ms. Teska sent me an example of what it looks like. It says who made the gift/donation, the amount, and what it was designated for.

She said that gifts and donations to districts and charter schools are much harder to track because they do not appear on the budget requests that come before the Legislature. However, *Nevada Revised Statutes* (NRS) 387.303 requires that a report be submitted each year by the school districts and charter schools in their gifts and donation funds report. I then asked her what happens if they do not say who is submitting. Are they anonymous? She answered that they are supposed to identify who is giving the gift. I am confused. Is someone not following the law, or is there a caveat in the law?

Ms. Teska sent me a list of the charter schools and school districts based on 2012 that had received donations. She also sent me a form as an example of how it should look. I would like to know what is not happening.

Chairman Elliot Anderson:

Could you repeat that citation?

Assemblywoman Neal:

It is NRS 387.303. It is supposed to apply to school districts and charter schools regarding their gifts and donations fund.

Craig Stevens:

The reason for the anonymity clause is because there was significant heartburn in that schools do have gifts that are given anonymously and we were trying to respect that. However, we felt the listing of if they had a contract or a bid out there was information that was not being captured. We felt donors should not remain anonymous if those circumstances were out there.

I was not aware of that citation and that their names were required and there was no anonymity. This is a request in order to get this bill to a place where people could support it with us.

Chairman Elliot Anderson:

The bill seems relatively easy to understand. Mr. Duncan brought up a good point about the aggregate gifts or donations. Could you tell me where the language is that talks about the calendar year?

Craig Stevens:

I apologize. It looks as though the language is not in there. We will be happy to put it in there. Our intention was that it would be within a year. The year begins when the first donation is given to when it reaches \$100,000. Then the report would need to be provided.

Chairman Elliot Anderson:

Let us make sure that plain text is clear. Mr. Duncan brought up a great point that you could very easily write a couple of \$99,999.99 checks and it would go through.

The other question I have is that I see it is going to an agenda meeting. Is it being reported just to the bodies that are accepting the gifts? Is there something more to be done to report somewhere else outside of the agenda? The reporting requirement seems odd to report to itself. I understand the public and stakeholders can see it, but maybe it could be sent to the Legislative

Committee on Education or the Standing Committee on Education when we are in session.

Craig Stevens:

We would certainly be in favor of something like that. We were trying to make it as easy as possible for the school district to do the reporting while not being onerous. We would agree with however you would like to proceed.

Chairman Elliot Anderson:

Are there any further questions from the Committee? [There were none.] We will invite those in support of S.B. 392 (R1) or in support of it with a friendly amendment.

Joyce Haldeman, Associate Superintendent, Clark County School District:

Before I talk about our friendly amendment, I would like to answer a couple of your questions. Assemblywoman Dondero Loop brought up a good point. We currently have Clark County School District Regulation 3241, which governs our acceptance of gifts. Any gift over the amount of \$1,000 is reported to the board.

To your question regarding notification, our agendas list all of those donations. It is part of the consent agenda. One of my favorite things to do is to look at the back-up material of the agenda while sitting in those long meetings and looking at the long list of people who have donated more than \$1,000. If a parent-teacher association holds a fundraiser and raises enough money to buy a coffee machine for the school they are supporting, it shows up on the consent agenda as part of the donations we have received. We are very transparent and it is done on an ongoing basis.

I would also like to point out that our district regulation that governs relationships with vendors prohibits us from accepting any donations from people with whom we have a contract or a vendor agreement. This is to the severity that at Christmas time, we have to send out a reminder to all of our employees that they may not accept any gifts. We recently tweaked that to if it is a gift of food that can be consumed within the next 24 hours, it can be accepted.

When this bill was on the other side of the Legislature, we were opposed. We would like to personally thank Mr. Stevens for the amount of work he was willing to do with us so we could be more supportive of the bill. I have a friendly amendment that is truly hot off the press. If it is accepted, the district can be supportive of this bill ([Exhibit K](#)) .

There are a couple of things we would like to remove entirely. In section 1.7, subsection 2, paragraph (d), subparagraph (2), "Any contract between the donor and the State Public Charter School Authority."

Also, section 1.7, subsection 2, paragraph (d), subparagraph (4) we are striking "Any bid by the donor for a contract with the State Public Charter School Authority." We do not think the school district can be responsible for donations and bids that are with the charter schools. Therefore, we would like to remove those.

Backing up, I missed these.

In section 1.7, subsection 2, paragraph (d), we would like to remove the words " . . . in this State" We would like to be responsible for things in the county that we have control over, not the state.

In section 1.7, subsection 2, paragraph (d), subparagraph (5), we would like to remove the words "interest to," and the phrase "relating to the system of public education in this State."

We think this makes it more palatable for the board as we cannot control all of the people who are lobbying in the interest of education. If someone is doing something independent of us and they want to make a donation to us, we do not want to be precluded from accepting their donation.

Finally, you can see at the bottom of the page, we would like to add a new subsection 4. "A board of trustees shall be in compliance with this Act if it requires a donor to provide the specific information mandated in this Act."

What we mean by that is we anticipate the bill, as it is written, could require the district to do a lot of research to make sure that none of the requirements of the bill were being violated. Instead, if someone makes a donation, we would like to supply a form to them and have them attest to the fact that they are not violating so we would not have to hire private investigators to find out if something has been violated by this law.

I would like to compliment Mr. Stevens for being willing to work with us and for his acceptance of this friendly amendment. With this amendment, we can stand in support of the bill.

Chairman Elliot Anderson:

Can you make sure that this is sent electronically to Mr. Butterworth? We did discuss some things that were not in the original mock-up in talking about the

aggregate provisions and also my concern that we report to someone outside of the entities that are accepting the gifts. Do you have any comment about either of those provisions?

Joyce Haldeman:

We are happy to have an aggregate clause in there. Currently, my board requires donations over \$1,000 to be reported. It is going to happen anyway. We have no problem with that. Remind me of the second part of the question.

Chairman Elliot Anderson:

I see that the reports would go to just the bodies that are accepting the gifts. Could we send that to the Legislative Committee on Education? We have some model language for reporting to the Legislature. Does that sound palatable?

Joyce Haldeman:

Absolutely. We report a lot of things to you, so we are happy to give you copies of our reports.

[Vice Chairwoman Dondero Loop assumed the Chair.]

Assemblyman Munford:

Andre Agassi has a charter school and has raised lots of money for the school. Could you accept a donation from him since he is operating a school? He is getting Clark County School District funding per pupil. Is he permitted to give you donations?

Joyce Haldeman:

Yes, we could accept that. My guess is he would probably make that donation directly to the charter school rather than to the school district to give to the charter school. In fact, I think that he does do that.

Assemblyman Eisen:

What is the rationale for proposing to strike language in paragraph (d)? You said it was information you might not have. If, in fact, subsection 4 is added that basically ensures the board of trustees is complying that they require the donor to provide that information, would there really be a need to strike that language? Could the donor simply be instructed by the board of trustees that sum of the information they are required to provide?

Joyce Haldeman:

Let me clarify what I meant to say. We think that we should not have to worry about whether or not they are influencing education someplace in the state. A very specific example is the chair of the State Board of Education is

a philanthropist who makes donations to CCSD. She certainly is working with things in the state, so we would like to make sure that does not get in the way of someone who might make a donation to the county.

Assemblyman Eisen:

Mr. Stevens has clarified this before, that this is not a prohibition on those donations. The issue to me is that I am trying to see the downside to having that information included in the report even if it is not within Clark County but somewhere else in the state. It is not the Clark County Board of Trustees' responsibility to research the information, but to require the donor to disclose that information both to the board of trustees of Clark County and subsequently to the State, if there is a problem with that.

[Chairman Anderson resumed the Chair.]

Joyce Haldeman:

I have to tell you that my attorney suggested that we strike "in this State" and I am doing my best to define what I think he is thinking. There may not be an argument with that.

Lindsay Anderson, representing Washoe County School District:

We would like to echo the comments of Ms. Haldeman. We certainly worked very hard with Craig Stevens to find a way to support this bill. We did oppose on the Senate side, but given the anonymity clause, and the fact that our school district receives fewer than five donations of more than \$100,000 annually, this will not be an onerous reporting requirement for us. We are in support of the bill.

Assemblyman Kirner:

Do you have a similar policy to CCSD with regard to reporting a \$1,000 donation?

Lindsay Anderson:

In fact, we do not. Our threshold is \$10,000. Anything over that is reported to our board of trustees.

Assemblywoman Fiore:

If a gift or donation is over \$10,000, it is just reported to the board of trustees? Does the public have access to that?

Lindsay Anderson:

Absolutely. It is posted public information. Any information that our trustees have access to is posted on our website.

Chairman Elliot Anderson:

To clarify, the heart of this bill is not so much about the gifts as it is about what the conditions are. Ms. Haldeman, correct me if I am wrong, but both school districts do not report any conditions that may be there or not? How does that currently work?

Lindsay Anderson:

Many times it is not specific to an individual person or vendor. An individual or an organization may donate to the Signature Academy at Reno High School for example, but they do not necessarily specify what the money has to be used for. We would disclose that the money has been donated on behalf of a Reno High School program. If there were further conditions, we would likely disclose those, but that rarely happens.

Joyce Haldeman:

In our agenda, when it lists the donations, it will say specifically whatever entity bought a copy machine. However, there is no requirement. We give as much information as we have. That is what this bill brings to the table, that those donations of \$100,000 or more, if there are strings attached to the donation, it would be required that those expectations be reported. That is what I see this bill doing that would be different for CCSD.

Chairman Elliot Anderson:

Thank you. I just wanted to clarify what is being added. Any further questions or comments? [There were none.] I will open up the table for those members of the public either in support here in Carson City or in Las Vegas. [There was no one.] Is there anyone in opposition? [There was no one.] Is there anyone in the neutral position? [There was no one.] We will invite Senator Segerblom up for any concluding remarks.

Senator Segerblom:

I am curious if Assemblywoman Neal was able to find an answer to her question.

Chairman Elliot Anderson:

Congratulations, Senator Segerblom. This has to be the least controversial Segerblom bill of the session.

Senator Segerblom:

I am losing my touch.

Chairman Elliot Anderson:

We will close the hearing on Senate Bill 392 (R1) and open up for public comment. [There was none.]

Meeting adjourned [at 5:14 p.m.].

RESPECTFULLY SUBMITTED:

Sharon McCallen
Committee Secretary

APPROVED BY:

Assemblyman Elliot T. Anderson, Chairman

DATE: _____

EXHIBITS

Committee Name: Committee on Education

Date: May 1, 2013

Time of Meeting: 3:20 p.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
S.B. 443	C	Steve Canavero	Presentation
S.B. 384 (R1)	D	Senator Scott Hammond	Proposed Amendment
S.B. 384 (R1)	E	Julisa Saenz	Testimony
S.B. 384 (R1)	F	Ivan Ramirez	Testimony
S.B. 384 (R1)	G	Denton Thom	Testimony
S.B. 384 (R1)	H	Gabriel Fanning	Testimony
S.B. 392 (R1)	I	Senator Tick Segerblom	PowerPoint
S.B. 392 (R1)	J	Senator Tick Segerblom	Proposed Amendment
S.B. 392 (R1)	K	Clark County School District	Proposed Amendment