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AUGREY POWERT I

IN THE FIRST JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA IN AND FOR CARSON CITY

RORY REID, AN INDIVIDUAL.

BEVERLY ROGERS, AN INDIVIDUAL, CASE NO.: 22-0C-00028 1B

Plaintiffs,

DEPT. NO. I

Vs.

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BARBARA CEGAVSKE, in her Official capacity as NEVADA SECRETARY OF STATE,

Defendant.

EDUCATION FREEDOM PAC,

Intervenors, aligned as Defendant.

PART A

DISCUSSION OF DECISION
INVALIDATING PETITION TO
AMEND THE NEVADA
CONSTITUTION TO OFFER
SEQUESTERED FUNDING
ALTERNATIVES GOING OUTSIDE
SCHOOL DISTRICTS TO
PARENTS OF SCHOOL AGE
CHILDREN

PART B

ORDER ENJOINING PETITION

On March 29, 2022, this Court scheduled a priority hearing in

Carson City to address a recently filed Initiative to Amend the Nevada

Constitution. Present in Court were counsel for Plaintiffs Rory Reid and Beverly Rogers, Bradley S. Schrager and counsel for Education Freedom PAC, (hereinafter EFP) Lucas Foletta. Appearing by ZOOM was Craig Newby, Esq., representing the Secretary of State's Office, who has an administrative stake in the outcome, but properly took a neutral stance on the merits of the case.

The first order of business was the issue of a possibility of consolidating the instant case with Case No. 22 OC 00027 1B, BEVERLY ROGERS, an individual; RORY REID, an individual, Plaintiffs, vs. BARBARA CEGAVSKE, in her Official Capacity as NEVADA SECRETARY OF STATE, Defendant, and EDUCATION FREEDOM PAC, Intervenors, aligned as Defendant.

THE COURT DECIDED NOT TO MERGE THESE TWO CASES BUT TWO OTHER CASES PROBABLY MERGE

From here on out the case which is covered by this Decision may be informally referred to as "Reid/281B" and the companion case which goes in a separate direction, so it will be referred to as "Rogers/271B", containing the last digits of the case numbers.

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Counsel, in effect, has stipulated to maintaining the separateness of Reid/281B and Rogers/271B.

The latter, Rogers/271B, has features which are entirely missing in the first case, as it is an elaborate scheme for administering a major fund through the Department of the Treasurer with many different timelines for the signature gathering, and other provisions which touch and concern different sections of Article 19 of Nevada's Constitution.

Consolidating at this time would cause nothing more than additional confusion, so the cases will be separately adjudicated, and this Decision pertains only to Reid/281B: the Constitutional route.

THE COURT WILL NOT DISMISS THE COMPLAINT ON PROCEDURAL GROUNDS

The will defer whether to consolidate "REID I" with "REID II".

A motion has been made by Intervenor/Defendant to summarily decide the case based on procedural grounds such as the Intervenors Complaint that states they have been deprived of the time necessary

under NRS 295.061 to deal with the Complaint which challenges the Petition with Secretary of State.¹

The two Carson City judges were off the case by the time this Court received the file (and that file was incomplete until the end of last week).

The Court immediately saw the priority, closed the pleadings and set the matter for hearing within ten days.

The spirit if not the letter of the rule was observed and even if Plaintiffs didn't first join the Intervenors in their Complaint, there is insufficient cause or proof of improper gamesmanship to grant dismissal.

The Motion to dismiss may be and hereby is DENIED.

THE PETITION MUST BE INVALIDATED BECAUSE LACK OF CLARITY

OF CONSEQUENCES IN THE DECLARATION OF EFFECT (WHIZZY,

WHIZZY, WHIZZY HOW TO HIDE THE FUNDING ISSUE)

The Intervenors are playing the great old Western shell game with walnut husks and a single, hard, green pea, when they fail to

¹ As soon as this case was received by this Judge, after the recusal of the Carson City Judges and served, the oral arguments hearing was set for Tuesday, Marcy 29, 2022, at 1:00 p.m., and thus the spirit, if not the letter, of the calendar priority was observed.

describe the enormous fiscal impact of this Initiative on the budget of most, if not all, of the school districts in the State of Nevada.

In this allegory, funding is the "pea", and "there you see it; there you don't."

And it is ingenious, because the funding used for the program could theoretically be taken from other budgets for road, prisons, law enforcement, motor vehicles, etc., because it is <u>not</u> designated funding as that term has bas become to be known.

Two decisions by our Supreme Court inform this Decision as primary authority and contravene the Intervenor's standing.

The controlling cases are *Herbst Gaming, Inc. v. Heller,* 122 Nev 877, 890, 141 P.3d 1224, 1232-33 (2006) and *Rogers v. Heller,* 117 Nev. 169, 173, 18 P.3d 1034, 1036 (2001).

A third case, *Schwartz v. Lopez*, 132 Nev. 732, 738, 382 P.3d 886, 891 (2016), offers a valuable precedent, but is probably more applicable to the companion case where the Initiative, once passed, creates a new statute instead of a Constitutional Amendment.

 In Schwartz, the High Court examined the constitutionality of a Senate bill establishing an educational savings account not all that dissimilar to the one under discussion in the companion case.

So, the *Schwartz* discussion will be reserved for the companion opinion but is cited here for its reinforcement of the other precedents.

Before addressing the two earlier controlling precedents, the Court needs to sit back and define a few terms which are peculiar to this area of jurisprudence.

The most scrutinized term for the purposes of this Decision is contained in a sheaf of documents that are shown the prospective signatory, called a "Declaration of Effect" (sometimes hereinafter referred to as a "DOE"). The citizens are asked to consider joining others in starting a process of amending the Constitution of the State of Nevada for the purpose of establishing education accounts called "Education Freedom Accounts", which, when funded, may then be used at the parents' discretion to educate children outside the public school system.

Obviously, this would be the first phase of two referendums before this amendment is authorized to change the Constitution.

 The Declaration of Effect is the key document because it is read just before the proponent hands a page for signature to a prospect who can then peruse the language in its two paragraphs at his or her leisure.

But the issue most often discussed when these initiatives have been challenged, is, that however terse the description, it MUST contain sufficient clarity to put the prospective signatories in such a state of mind where they comprehensively, if not necessarily perfectly, understand the ramifications of the passage.

Sometimes in these cases, confusing language in the DOE is actually changed by the Court for clarity; sometimes counsel will work together with the Court for the purpose of altering the Declaration of Effect (DOE) effect for that same purpose.

In this case, this Court holds that there is a material <u>omission</u> in the Declaration of Effect by reason of its failure to set forth a clean and understandable impact statement of direct and collateral fiscal ramifications that a normal voter should know about before he or she affixes a signature to the petition.

To help expand upon this finding, the Court is going to embellish upon the hypothetical it posed during the oral arguments.

Please presume, hypothetically, that the rancher's wife, who we will call Norma L. Goodman, along with her husband, together have a small alfalfa farm in Lyon County, stops at a Yerington grocery store.

A pleasant young proponent of the initiative shows her the requisite documents and Norma asks him to explain what is meant by the Declaration of Effect.

She tells the proponent that she and her husband have not 1, but three children; the two older children are enrolled in the public schools in Lyon County and the six year old is getting ready for matriculation into the public elementary school, but he has special needs and is currently the subject of Individual Educational Plan, referred to as an "IEP", because he has been placed on the autism spectrum.

This wife, mother and taxpayer reveals that she and her husband are just delighted with the education the older children are receiving, but they are looking into a church affiliated group which has created a special program for autistic children, to help her youngest son as they approach decisions, they have no expertise to deal with.

 She asks the following questions:

1. Norma: "If I sign this petition and it becomes law, are my husband and I going to be required to pay the amounts set forth in in the Declaration?

The Pleasant Responder: "The answer to that question is No, it is free to your family; you guys get direct control over the per-pupil calculation at the time which may be higher than the amounts suggested in this Declaration. Congrats."

In any given fiscal year, as noted by Plaintiffs' counsel, Brad Schrager, the actual amounts <u>are</u> likely to be higher than the amounts quoted as they are subject to any number of adjustments to account for variables in the "per pupil" calculation.

To its credit, the Declaration states clearly that the program doesn't commence until 2025 and that the numbers quoted are just "examples" of base level funding, but the examples are misleadingly low, and that could be easily corrected.

But, the omission that is fatal to this initiative, in the Court's opinion, is that it is misleading when it comes to answering the mother's second question:

2. Norma: "Since we are so happy with the schooling for our two older children, this initiative won't have any effect on the revenues to support their school, will it?"

The Pleasant Responder: "Well it is hard to say, and it is entirely too speculative at this point in time."

The truth, of course, is that outcomes can spread all over the board.

If Lyon County has few citizens electing to receive the benefit, the impact may be minimal. But if the County were to eventually go 60% in favor of the alternative schooling, the effect might seriously affect the programs, teachers, custodians, physical environment, electives, and the rest of the infrastructure for the entire School District.

However, the DOE altogether sidesteps the important issue, and try as it might, the Court cannot come up with alternate language that isn't equally confusing.

The Pleasant Proponent should add, "Well Norma, it could be zero, or something small, or it could have a major effect as far as your older children go."

If this initiative were to pass muster and send the matter to the electorate, and if a significant number of people were to exercise their rights to vote for it, in some cases it might have a <a href="https://example.com/huge-effect-

Later, it says, "generating the revenue to fund the accounts could necessitate a tax increase or a reduction in government services."

But the notice is too tepid.

For one thing, it talks about "could" when the truth is that if the initiative gets traction at the ballot box, the verb should be "will".

Again, to their credit, the DOE states that the Initiative "will result in the expenditure of state funds...".

Later, it says "generating the revenue to fund the account could necessitate a tax increase or a reduction in government services".

The Court holds that it is absolutely essential for the people to know that if a sufficient number of voters have chosen to appropriate monies otherwise going to the School District, then once becoming the Law, the amendment to the Constitution has a most solemn and powerful effect on the public education system.

However, clothed in a topcoat of bright colors or in camouflaged colors; the operator manipulating the "funding pea" is still whizzing it around the table topped with poker felt.

The proposed initiative will have a pronounced effect on the education system in the State of Nevada and it would leave a future Legislature with a harness around its neck and shoulders that would prevent it from exercising its discretion to fulfill its duties to see to the education of children in our state. Thus, it illegally usurps the function from a future Legislature.

The description of effect is deemed legally misleading.

Thus, the Court holds that to pass constitutional muster, the

Declaration of effect must articulately set forth language that the

funds distributed into EFA account may diminish the revenues

available to the State for funding of public schools and/or other public

works in major way.

Every dollar that is sent to an EFP to give parents the right to choose programs outside the School District for their children, reduces, dollar by dollar, the funds available to the School Districts or other Public Work to achieve their mission.

In other words, if enough people opt for the outcome suggested by this initiative, then are the School Districts, statewide, in major trouble in being able to balance their books?

Let's say that the proponents, who are the Intervenors and

Defendants in this case, are able, under the time frame, to get at least

140,777 signatures to open the gates to a process which would

substantially change public education three years from now.

Let's also say that 10% of the people who sign the petition are just interested. Maybe 90% are committed; they wait the three years and become a part of the constituency that makes the alternate schooling availability the Law of the Land. Simple math says that just that slice of voters approving final rendition will cost upward of a
BILLION DOLLARS, using the approximate \$7,000.00 per pupil figure. (Rough average of fictional figures used by Intervenors of \$6,980.00 and \$7,074.00).

ALTERNATIVELY, THE SCHEME IS AN UNFUNDED MANDATE

The Court, as an alternative remedy, rules in part B that the Intervenors' Petition and Initiative is just the kind of unfunded mandate which under strong authority is prohibited in Nevada.

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In Rogers v. Heller, supra, 63,000 voters signed Initiative Documents, called, generally, "Nevada Tax and Fairness and Quality School Funding Accountability Act".

A group of business entities, afraid of the fiscal consequences, challenged the Initiative, as was done here.

In no uncertain terms, our Supreme Court made the following pronouncement, *Rogers, <u>supra,</u>* 117 Nev. 169 @ p. 173 (2001):

"Nevada Constitution article 19, section 2(1) provides that the Initiative process is "subject to the limitations of [article 19 section 6]." Article 19, section 6, in turn "does not permit the proposal of any statute or statutory amendment which makes an appropriation or otherwise requires the expenditure of money, unless such statute or amendment also imposes a sufficient tax, not prohibited by the constitution, or otherwise constitutionally provides for raising the necessary revenue." Section 6 applies to all proposed initiatives, without exception, and does not permit any initiative that fails to comply with the stated conditions. Consequently, section 6 is a threshold content restriction, under which we must address the Initiative's validity. If the Initiative does not comply with section 6, then the Initiative is void.

In Rogers, the High Court was asked to examine whether proposed funding sources would "do the trick," so to speak and provide fair revenues to sustain the Initiative.

A 4% tax in that case would have generated more than a quarter of a BILLION dollars for the program, but even that amount was deemed deficient.

Thus, the law in the State of Nevada precludes Constitutional Initiatives that don't set forth a viable funding mechanism.

In accord with the holding in *Rogers*, is the more recent case of *Herbst*, *Id.*

Herbst is, factually and in some part, legally, a very different case from Rogers, supra:

It involves how and whether smoking in business establishments, not schooling alternatives;

A previous decision affirming a broad scope of preelection challenges was overturned;

Pre-election challenges that reach Constitutional Mandates are eliminated;

[NOTE: this refers to claims of Constitutional <u>substance</u>, gone awry, not challenges made through initiative process as to whether it is valid in the first instance.]

Herbst tells us: as different as they are factually and even though Reid/281B relies on Constitutional Article 19, Section 4, while

Rogers/271B relies upon Section 3, they are <u>both</u> governed by Section 6 – the revenue mandate.

So, the Reid/281B Petition is judicially determined to be nonviable for two separate, albeit related, reasons.

- 1. The DOE is short of crucial information regarding funding impacts;
- 2. The Initiative represents an unfunded mandate prohibited by Nevada Law. Article 19, Sec. 6 is quoted in full:

"Sec. 6. Limitation on initiative making appropriation or requiring expenditure of money. This Article does not permit the proposal of any statute or statutory amendment which makes an appropriation or otherwise requires the expenditure of money, unless such statute or amendment also imposes a sufficient tax, not prohibited by the Constitution, or otherwise constitutionally provides for raising the necessary revenue." (emphasis supplied)

Anytime a legislature enactment is needed to fund a Bill, traditionally all bills with fiscal import have to specify the exact source of revenue.

PART B ORDER

This Judge has historically encouraged attorneys who prevail in a given matter to suggest language for the Order they will have to defend on appeal.

So, in that connection, the Court acknowledges and adopts much of the proposed order proffered by Plaintiffs' counsel as follows:

This matter having come before this Court pursuant to Plaintiffs, Rory Reid and Beverly Rogers ("Plaintiffs") Complaint for Declaratory and Injunctive Relief Challenging Initiative Petition C-04-2022, and Plaintiffs' Memorandum of Points and Authorities in Support of the Complaint, and having considered Intervenor Defendant, Education Freedom PAC ("Intervenor"), Answer and Answering Brief in Response to Plaintiffs' Memorandum of Points and Authorities in Support of the Complaint, Plaintiffs' Reply in Support of the Complaint, and oral argument from counsel for both Plaintiffs and Intervenor, the Court finds as follows:

STATEMENT OF FACTS

On January 31, 2022, Erin Phillips, on behalf of Education

Freedom PAC, filed Initiative Petition C-04-2022 (the "Petition") with

the Secretary of State of Nevada, proposing to amend Article 11 of the Nevada Constitution to require the Nevada Legislature to create an education saving account program, known in the Petition as "education freedom accounts" ("EFA"), for K-12 students to attend schools and educational programs outside the uniform system of common public schools established pursuant to the Nevada Constitution. The Petition seeks to add a new section to Article II, which reads, in full:

No later than the school year commencing in 2025, and on an ongoing basis thereafter, the Legislature shall provide by law for the establishment of education freedom accounts by parents of children being educated in Nevada. Parents shall be authorized to use the funds in the accounts to pay for the education of their child in full or in part in a school or educational environment that is not a part of the uniform system of common schools established by the Legislature. The Legislature shall appropriate money to fund each account in an amount comparable to the amount of funding that would otherwise be used to support the education of that child in the uniform system of common schools. The Legislature shall provide by law for an eligibility criteria for parents to establish an education freedom account.

The Petition includes a description of effect as required by NRS 295.009(1)(b), which reads, in full:

The initiative will provide parents with the ability to use

funds appropriated by the Legislature to pay for the education of their child in a school or educational environment that is not a part of the public school system. The initiative requires the Legislature to establish an education freedom account program under which parents may spend money appropriated by the Legislature into those accounts to pay for some or all of their child's education outside the public school system. The Legislature must establish an eligibility criteria for parents to establish an account.

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The initiative will result in the expenditure of state funds to fund the accounts in an amount comparable to the public support that would be used to support the education of the child for whose benefit the account has been established in a public school. For Fiscal Year 2021-2022, the Legislature determined the statewide base per pupil amount to be \$6,980 per pupil. For Fiscal Year 2022-2023, that amount is \$7,074 per pupil Generating the revenue to fund the accounts could necessitate a tax increase or a reduction in government services. The Legislature must establish the program by the start of the school year that commences in 2025. (emphasis supplied)

STANDARD OF LAW

Nevada law requires that any initiative petition "[e]mbrace but one subject and matters necessarily connected therewith and pertaining thereto." NRS 295.009(1)(a). Additionally, Article 19, Section 6 of the Nevada Constitution prohibits any initiative that "makes an appropriation or otherwise requires the expenditure of

money, unless such statute or amendment also imposed a sufficient tax, not prohibited by the Constitution, or otherwise constitutionally provides for raising the necessary revenue." Nev. Const. Art. 19, Sec. 6. Finally, initiatives description of effect "must be straightforward, succinct, and nonargumentative, and it must not be deceptive or misleading." Edu. Initiative PAC v. Comm. To Protect Nev. Jobs, 129 Nev. 35, 37, 293 P.3d 874, 876 (2013) (internal quotation marks and citation marks omitted).

ANALYSIS AND CONCLUSIONS OF LAW

The Petition violates NRS 295.009(1)(b) because it does not inform voters of the effects of the Petition. A description of effect must present enough information for a potential signer to make an informed decision about whether to support the initiative; the failure to meet this requirement renders an initiative invalid. See e.g., Nev. Judges Ass'n v. Lau, 112 Nev. 51,59 (1996) (rejecting initiative's description of effect for "failure to explain [certain] ramifications of the proposed amendment," which "renders the initiative and its explanation potentially misleading").

The description of effect is invalid because it is confusing, misleading, and omits discussion of many of the Petition's most significant ramifications. For example, the description incorrectly conflates "the public support that would support the education of the child" with the statewide average base per-pupil amount, a completely different figure describing only a portion of per-pupil "public support." The most recent K-12 funding legislation describes "total public support as:

"[A]II money appropriated directly for the support of the public schools in this State, including, without limitation, the statewide base per pupil funding amount, adjusted base per pupil funding, additional weighted funding and all money appropriated for a specific program or purpose in support of the public schools, and all other money projected to be received for the support of the public schools from taxes, fees and other revenues authorized by state law, excluding any money provided by the Federal Government directly to a public school or school district or otherwise provided on a one-time basis in response to an emergency."

SB458, Sec. 2(2)(2021)/

The Legislature calculated the average total public support per pupil at \$10,204 for FY 2020-2021 and \$10,290 for FY 2022-2023. The description of effect provides signatories with significantly smaller per-pupil figures, \$6,980 and \$7,074, respectively. It cites the

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statewide average base per-pupil funding levels despite the initiative requiring EFA accounts fund an amount comparable to "public support that would support the education of the child for whose benefit the account has been established in a public school," which would include funding beyond the statewide base per pupil amount. Likewise, the description of effect completely omits the variable per-pupil funding support that any given student might receive in determining a comparable per-pupil funding amount for the EFA. The description of effect incorrectly describes "the public support that would support the education of *the child*" in narrow terms that does not reflect the actual funding that an individual student might receive, and consequently, the actual financial impact to taxpayers and local district budgets. The Petition's description of effect states that "[g]enerating the revenue to fund the accounts could necessitate a tax increase or a reduction in government services[,]" and misleadingly fails to disclose that any funding appropriated for the contemplated program would inevitably reduce the funding available for Nevada's public school system.

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Secondly, the Petition is invalid because it mandates expenditures without providing reciprocal revenues in violation of Article 19, Section 6 of the Nevada Constitution. An initiative need not "by its terms appropriate money" to violate the prohibition. Herbst Gaming, Inc. v. Heller, 122 Nev. 877, 890 n.40, 141 P.3d 1224, 1233 n.40 (2006) (citing State ex rel Card v. Kaufman, 517 S.W.2d 78, 80 (Mo. 1974)). Rather, "an initiative makes an appropriation or expenditure when it leaves budgeting officials no discretion in appropriating or expending the money mandated by the initiative -the budgeting official must approve the appropriation or expenditure, regardless of any other financial considerations." Id. At 890. "If the Initiative does not comply with section 6, then the Initiative is void" in its entirety, and the offending provision cannot be severed to render it constitutional. Id. at 173, 177-78. This is what the Petition does. The Petition mandates the Nevada Legislature appropriate money to fund each EFA in an amount comparable to the amount of funding that would otherwise be used in the public school system. The very first sentence of the second paragraph of the Petition's description declares that "[t]he initiative will result in the expenditure of state

funds[.]" The Petition fails to impose any taxes or otherwise raise the necessary revenue to either fund the EFAs contemplated by the Petition, or to pay for the administrative expenses that would necessarily have to be incurred in creating, maintaining, and administering the EFA program.

Finally, the Petition impermissibly commands the Nevada Legislature to enact a statute or set of statutes effecting its terms, which violates the inherent deliberative functions of the Nevada Legislature. The Petition's command to the Nevada Legislature is purportedly binding, and Nevada legislators would not be free to deliberate and vote their own considered judgment, being responsible to their own considered judgment, being responsible to their own constituents, and they would no longer be part of a deliberative body acting independently in exercising their individual best judgments on the matters that come before them. The outcome of the specific action mandated by the Petition – passage of a statute or statutes effecting the term of the initiative - would be predetermined. No initiative may compel such a result.

IT IS THEREFORE ORDERED and declared that Initiative Petition
C-04-2022 is legally deficient because it violates the description of
effect requirement of NRS 295.009; the Petition constitutes an
impermissible unfunded governmental mandate; and the Petition
impermissibly commands the Nevada Legislature to enact a statute or
set of statutes effecting its terms.

IT IS FURTHER ORDERED and declared that Intervenor-Defendant Education Freedom PAC, its proponents, officers, or agents, are hereby enjoined from collecting signatures in support of the Petition and from submitting any signatures for verification pursuant to NRS 293.1276, and any signatures previously collected are declared invalid.

IT IS FURTHER ORDERED and declared that Defendant Secretary of State Barbara Cegavske is enjoined from placing the Petition on the ballot.

DATED THIS _____ day of April, 2022.

CHARLES M. McGEE

SR. Judge on Assignment

CERTIFICATE OF MAILING

I hereby certify that on this day, April ______, 2022, I emailed a copy of DECISION INVALIDATING PETITION TO AMEND THE NEVADA CONSTITUTION TO OFFER SEQUESTERED FUNDING ALTERNATIVES GOING OOUTSIDE DISTRICTS TO PARENTS OF SCHOOL AGE CHILDREN to:

Lucas Foletta, Esq. Ifoletta@mcdonaldcarano.com

Bradley S. Schrager, Esq. bschrager@wrslawyers.com

John Samberg, Esq. jsamberg@wrslawyers.com

Daniel Bravo, Esq. dbravo@wrslawyers.com

Craig Newby, Esq. CNewby@ag.nv.gov

JACKIE TUCKER
Assistant to Sr. Judge McGee