

KATHY AUGUSTINE
State Controller

STATE OF NEVADA

JEANNINE COWARD
Assistant Controller

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Chief Deputy Controller



BARRY MORGAN
Data Processing Manager

OFFICE OF THE
STATE CONTROLLER

January 25, 2002

Guy Hobbs, Chairman
Governor's Task Force on Tax Policy in Nevada
c/o Legislative Counsel Bureau
401 South Carson St
Carson City, NV 89701-4747

Re: Solicitation of Comments

Dear Mr. Hobbs,

Attached is my response to your solicitation for comments from the State Executive Branch dated January 9, 2002. As requested, I have attached an executive summary and detailed explanation.

Please let me know if you require any further information.

Sincerely,

A handwritten signature in cursive script that reads "Kathy Augustine".

Kathy Augustine
State Controller

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Executive Summary:

Change the payment dates for the quarterly Distributive School Funds Account (DSA) from the 1st of August, November, February and May to the 15th of the month. This will allow sufficient time for sales tax receipts, used to pay the school disbursements, to be remitted to the State Controller's Office.

Details:

This suggestion is aimed primarily at the General Fund cash flow issues associated with payments to County School Districts for Aid to Schools, Class Size Reduction and High School Diploma programs (collectively the DSA payments). In seven of the last twelve quarters, the State Controller has been unable to make the full distribution on the first day of the prescribed quarter and has invoked subsection 3 of NRS 387.124.

The primary reason for the funding delay is that sales tax receipts are received and posted through the first several days of each month. However, the DSA payments are due to the school districts on the *first* of the month. The problem is compounded because the decision as to whether or not the full DSA payments can be made occurs four days prior to the actual electronic fund transfer to the districts. Therefore, the State Controller is forced to estimate the amount of cash that will be hand on the first of the month.

The inability to make timely DSA payments highlights a general shortcoming in the State's tax collection practices. Entities are required to *postmark* their sales tax remittances by the last day of the month following the month for which the taxes are collected (for example, sales tax for the month ending December 31st are due by January 31st). The Department of Taxation then prepares the monthly reports and distributes the taxes collected to the receiving entities by approximately the twentieth of the following month (including the DSA). This means tax distributions to beneficiaries are almost two months behind, not only for State programs, but also payments to local governments. For example, the first DSA payment is due to the school districts on August 1st, but the first sales tax distribution from the Department of Taxation is not received until August 20th.

While the State Controller recognizes there are limitations on how fast entities can prepare and remit their sales tax collections and how quickly the Department of Taxation can calculate the amounts owed beneficiaries, the fact is the government is trying to live on previously collected cash balances. While this may be sufficient in good economic times, it can create hardships during economic downturns.