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POSTED – July 9, 2020

NOTICE OF TELECONFERENCE PUBLIC HEARING FOR THE ADOPTION OF PERMANENT REGULATION OF THE COMMITTEE ON LOCAL GOVERNMENT FINANCE

The Committee on Local Government Finance (CLGF) will hold a teleconference public hearing on August 12, 2020 at 9:00 a.m. The call in number is 1-877-810-9415, Access code 6725598. CLGF will receive testimony from all interested persons and consider and take action on proposed permanent adoption of amendments, additions and deletions to the Nevada Administrative Code as identified in **LCB File Nos. R002-20 and R003-20**. If no person who is directly affected by the proposed action appears to request time to make an oral presentation, CLGF may proceed immediately to act upon any written submissions:

1. The Need for and Purpose of the Proposed Permanent Regulations.

The need and purpose of the proposed permanent regulation, **LCB File No. R002-20**, is to amend NAC 354.660 regarding provisions governing the exclusion of certain money from collective bargaining negotiations and from consideration in determining the ability of local governments to pay compensation and monetary benefits; and providing other matters relating thereto.

The need and purpose of the proposed permanent regulation, **LCB File No. R003-20**, is to revise Chapter 354 of NAC to require the Department of Taxation to include a request for documentation in the notice that a local government has been placed on fiscal watch; authorizing the Department of Taxation and the Committee on Local Government Finance to request certain documentation from a local government that has been placed on fiscal watch; authorizing a local government to object to a request for documentation; and providing other matters properly relating thereto.

2. Terms or Substance of the Proposed Permanent Regulation or Description of the Subjects and Issues Involved.

R002-20: This regulation removes the exclusion of capital outlay from total budgeted expenditures of such local government special revenue funds when determining the percentage of the budgeted ending fund balance excluded from collective bargaining negotiations and removes language excluding such funds from negotiations with other local governments. This regulation also incorporates the statutory language to provide that beginning with the 2021-2022 Fiscal Year, for a school district, a budgeted ending fund balance of not more than 16.6 percent of the total budgeted expenditures for a county school district fund is not subject to collective bargaining negotiations and must not be considered by a fact finder or arbitrator in determining the financial ability to pay compensation or monetary benefits.

R003-20: This regulation requires the notice of fiscal watch to include a request for any documentation necessary for the Department to monitor and determine the extent of the financial conditions which warranted placing the local government on fiscal watch. This regulation also authorizes the Department and the Committee to make additional written requests for documentation during the period of the fiscal watch. This regulation requires a local government to prepare and provide any requested documentation as soon as practicable after receiving the request and establishes a procedure for a local government to object to all or part of a request for documentation.

3. Estimated Economic Effect of the Proposed Permanent Regulation on the Business which it is to Regulate, and the Public.

A. Adverse and Beneficial Effects.

The proposed permanent regulations present no reasonably foreseeable or anticipated adverse economic effects to businesses or to the general public. Beneficial effect will be the ability to provide better oversight and direction through the Committee on Local Government Finance to local governments.

B. Immediate and Long-Term Effects.

R002-20: The impacts of this legislation are to bring regulation in compliance with Statute which was passed during the legislative session. There is not any immediate or long term economic effects on business, for local governments the regulatory change in R002-20 brings statute and regulation into compliance and provides for clearer instruction.

R003-20: This regulation will provide the Committee on Local Government Finance the tools needed to more effectively administer their oversight duties of local government entities which have been placed on fiscal watch. The long term effect of R003-20 would be stabilization of the oversight of local entities on fiscal watch which would lead to more fiscally sound local entities.

4. The Methods Used by the Agency in Determining the Impact on a Small Business.

The Department mailed or emailed a Small Business Impact Statement and Questionnaire on July 7, 2020 to persons and businesses on the Department's interested parties list. No responses were received as of posting of this notice. Disclosures of the responses of the Small Business Impact Statement will be made at the hearing August 12th. Because of the nature of the regulation, the Department believes there is no impact on a small business.

5. Estimated Cost to Agency for Enforcement of the Proposed Permanent Regulation.

The estimated cost to the Department of Taxation is minimal, as the changes will be incorporated into existing procedures for review of local government budgets.

6. Regulations of Other State or Local Governmental Agencies which the Proposed Permanent Regulation Overlaps or Duplicates and the Necessity Therefore.

The proposed permanent regulation does not overlap or duplicate regulations of other state or local governmental agencies.

7. Establishment of New Fee or Existing Fee Increase.

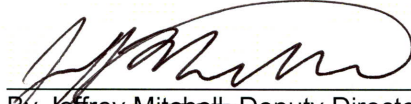
None.

Persons wishing to comment on the proposed action of the Committee on Local Government Finance may appear at the above scheduled public hearing or may address their comments, data, views, or arguments, in written form, to the Department of Taxation, 1550 College Parkway, Suite 115, Carson City, Nevada 89706. **Written submissions must be received at least two weeks prior to the above scheduled public hearing.**

A copy of this notice and the proposed permanent regulations to be adopted and amended will be on file at the Nevada State Library, 100 Stewart Street, Carson City, Nevada, for inspection by members of the public during business hours. Additional copies of the notice and the proposed permanent regulations to be adopted and amended will be available at the Department of Taxation, at the addresses listed below and on the Department of Taxation website, <http://tax.nv.gov/> and in all counties in which an office of the Department of Taxation is not maintained, at the main public library, for inspection and copying by members of the public during business hours. The text of the proposed permanent regulations will include the entire text of any section of the Nevada Administrative Code, which is proposed for amendment or repeal. Copies will be mailed to members of the public upon request. A reasonable fee may be charged for copies if deemed necessary.

Under NRS 233B.064(2), when adopting any regulation, the Agency, if requested to do so by an interested person, either prior to adoption or within 30 days thereafter, shall issue a concise statement of the principal reasons for and against its adoption and incorporation, and its reason for overruling the consideration urged against its adoption.

Marvin Leavitt, Chairman



By Jeffrey Mitchell, Deputy Director
Department of Taxation
July 13, 2020

Note 1: We are pleased to make reasonable accommodations for members of the public who are disabled and wish to attend the workshop. If special arrangements for the meeting are necessary, please notify the Department of Taxation in writing, at 1550 E. College Parkway, Carson City Nevada, 89706 or call (775) 684-2180 prior to the meeting.

Note 2: Materials and files for items on this notice are maintained in the offices of the Department of Taxation located in Carson City, Nevada. Requests for copies of materials and files for items on this notice may be made to:
Jeffrey Mitchell, Deputy Director, Department of Taxation, 1550 College Parkway, Suite 115, Carson City, NV 89706

Note 3: Notice of this meeting was posted in the following Carson City, Nevada locations: Department of Taxation, 1550 E. College Parkway; Legislative Building, 401 South Carson Street; and Nevada State Library, 100 Stewart Street. Notice of this meeting was emailed for posting to the following locations: Department of Taxation, 4600 Kietzke Lane, Building L, Suite 235, Reno; Department of Taxation, 2550 Paseo Verde, Suite 180, Henderson; Department of Taxation, 555 E. Washington Street; Las Vegas; Clark County Office, 500 South Grand Central Parkway, Las Vegas. Notice of this meeting was posted on the Internet through the Department of Taxation website <http://tax.nv.gov/> and on the Internet website maintained by the Legislative Counsel Bureau <http://leg.state.nv.us/> and the Department of Administration website <https://notice.nv.gov/>.

**PROPOSED REGULATION OF THE
COMMITTEE ON LOCAL GOVERNMENT FINANCE**

LCB File No. R002-20

February 4, 2020

EXPLANATION – Matter in *italics* is new; matter in brackets ~~[omitted material]~~ is material to be omitted.

AUTHORITY: §1-3, NRS 354.107.

A REGULATION relating to local government finance; amending provisions governing the exclusion of certain money from collective bargaining negotiations and from consideration in determining the ability of local governments to pay compensation and monetary benefits; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law provides that for a general fund of a local government other than a school district, a budgeted ending fund balance of not more than 16.67 percent of the total budgeted expenditures, less capital outlay, is not subject to collective bargaining negotiations and must not be considered by a fact finder or arbitrator in determining the financial ability to pay compensation or monetary benefits. (NRS 354.6241) Existing regulations contain similar language, but provide that a budgeted ending fund balance of not more than 25 percent of the total budgeted expenditures, less capital outlay, is not subject to negotiations and must not be considered by a fact finder or arbitrator in determining the financial ability to pay. (NAC 354.660) **Section 1** of this regulation adopts the percentage set forth in the statutory language to provide that for a local government other than a school district, a budgeted ending fund balance of not more than 16.67 percent of the total budgeted expenditures, less capital outlay, for a general fund, is not subject to negotiations and must not be considered by a fact finder or arbitrator in determining the financial ability to pay.

Existing regulations provide that a budgeted ending fund balance of not more than 8.3 percent of the total budgeted expenditures, less capital outlay, for a school district general fund or a local government special revenue fund which receives revenue from property taxes or the Local Government Tax Distribution Account is not subject to negotiations and must not be considered by a fact finder or arbitrator in determining the financial ability to pay. (NAC 354.660) **Section 1** of this regulation removes the exclusion of capital outlay from total budgeted expenditures of such local government special revenue funds when determining the percentage

of the budgeted ending fund balance that is excluded from collective bargaining negotiations and removes language excluding such funds from negotiations with other local governments.

Existing law provides that beginning with the 2021-2022 Fiscal Year, for a school district, a budgeted ending fund balance of not more than 16.6 percent of the total budgeted expenditures for a county school district fund is not subject to collective bargaining negotiations and must not be considered by a fact finder or arbitrator in determining the financial ability to pay compensation or monetary benefits. (NRS 354.6241; section 81 of Senate Bill No. 543, chapter 624, Statutes of Nevada 2019, at page 4253) **Sections 2 and 3** of this regulation incorporate the statutory language to provide that beginning with the 2021-2022 Fiscal Year, for a school district, a budgeted ending fund balance of not more than 16.6 percent of the total budgeted expenditures for a county school district fund is not subject to collective bargaining negotiations and must not be considered by a fact finder or arbitrator in determining the financial ability to pay compensation or monetary benefits.

NEW FIRST
PARALLEL
SECTION

Section 1. NAC 354.660 is hereby amended to read as follows:

354.660 1. Except as otherwise provided in this section, for the purposes of chapter 288 of NRS, a budgeted ending fund balance of not more than ~~25~~ **16.67** percent of the total budgeted expenditures, less capital outlay, for a general fund:

(a) Is not subject to negotiations with an employee organization; and

(b) Must not be considered by a fact finder or arbitrator in determining the financial ability of the local government to pay compensation or monetary benefits.

2. ~~[A]~~ ***For the purposes of chapter 288 of NRS, a*** budgeted ending fund balance of not more than 8.3 percent of the total budgeted expenditures ~~[, less capital outlay,]~~ for a school district general fund or a local government special revenue fund which receives revenue from property taxes or the Local Government Tax Distribution Account:

(a) Is not subject to negotiations with ~~[other local governments or]~~ ***an*** employee ~~[organizations;]~~ ***organization;*** and

(b) Must not be considered by a fact finder or arbitrator in determining the financial ability of the local government to pay compensation or monetary benefits.

Sec. 2. NAC 354.660 is hereby amended to read as follows:

354.660 1. Except as otherwise provided in this section, for the purposes of chapter 288 of NRS, a budgeted ending fund balance of not more than 16.67 percent of the total budgeted expenditures, less capital outlay, for a general fund:

(a) Is not subject to negotiations with an employee organization; and

(b) Must not be considered by a fact finder or arbitrator in determining the financial ability of the local government to pay compensation or monetary benefits.

2. For the purposes of chapter 288 of NRS, a budgeted ending fund balance of not more than 8.3 percent of the total budgeted expenditures for ~~[a school district general fund or]~~ a local government special revenue fund which receives revenue from property taxes or the Local Government Tax Distribution Account:

(a) Is not subject to negotiations with an employee organization; and

(b) Must not be considered by a fact finder or arbitrator in determining the financial ability of the local government to pay compensation or monetary benefits.

3. For a school district, for the purposes of chapter 288 of NRS, a budgeted ending fund balance of not more than 16.6 percent of the total budgeted expenditures for a county school district fund:

(a) Is not subject to negotiations with an employee organization; and

(b) Must not be considered by a fact finder or arbitrator in determining the financial ability of the local government to pay compensation or monetary benefits.

Sec. 3. 1. This section and section 1 of this regulation become effective on the date on which this regulation is filed by the Legislative Counsel with the Secretary of State.

2. Section 2 of this regulation becomes effective:

(a) On the date on which this regulation is filed by the Legislative Counsel with the Secretary of State for the purpose of creating each school district's budget for the fiscal year which begins on July 1, 2021; and

(b) On July 1, 2021, for all other purposes.

**PROPOSED REGULATION OF THE
COMMITTEE ON LOCAL GOVERNMENT FINANCE**

LCB File No. R003-20

January 31, 2020

EXPLANATION – Matter in *italics* is new; matter in brackets ~~[omitted material]~~ is material to be omitted.

AUTHORITY: §1, NRS 354.107.

A REGULATION relating to local government finance; requiring the Department of Taxation to include a request for documentation in the notice that a local government has been placed on fiscal watch; authorizing the Department of Taxation and the Committee on Local Government Finance to request certain documentation from a local government that has been placed on fiscal watch; authorizing a local government to object to a request for documentation; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law requires the Department of Taxation, upon determining that certain financial conditions exist in a local government and after giving consideration to the severity of each such condition, to provide written notice to the local government, the Nevada Tax Commission and the Committee on Local Government Finance that the local government has been placed on fiscal watch by the Department. (NRS 354.675) This regulation requires the notice of fiscal watch to include a request for any documentation necessary for the Department to monitor and determine the extent of the financial conditions which warranted placing the local government on fiscal watch. This regulation also authorizes the Department and the Committee to make additional written requests for documentation during the period of the fiscal watch. This regulation requires a local government to prepare and provide any requested documentation as soon as practicable after receiving the request and establishes a procedure for a local government to object to all or part of a request for documentation.

Section 1. Chapter 354 of NAC is hereby amended by adding thereto a new section to read as follows:

1. The written notice of the Department that a local government has been placed on fiscal watch provided pursuant to NRS 354.675 must include, without limitation, a request for any documentation necessary to monitor and determine the severity of the conditions identified in paragraphs (a) to (aa), inclusive, of subsection 2 of NRS 354.685 which the Department has found to exist in the local government. During the period the local government is on fiscal watch, the Department and the Committee may make additional written requests for documentation as needed to monitor such conditions or to provide technical financial assistance. The documentation which the Department and the Committee are authorized to request includes, without limitation:

- (a) A projected timeline for the submittal of reports and documentation;*
- (b) Amended final budgets, including, without limitation, budgets impacted by recent legislation;*
- (c) Monthly projected expenditures and revenues by fund and fund type for a period of not less than 2 years;*
- (d) Monthly historical expenditures and revenues by fund and fund type for a period of not less than 2 years;*
- (e) Projected monthly cash flows for a period of not less than 2 years after the date that the local government is placed on fiscal watch;*
- (f) A projected timeline for an annual audit;*
- (g) A projected timeline for corrective actions on any audit findings as addressed in the final audit of the local government;*
- (h) Quarterly budget compared to actual revenues and expenditures by fund and fund type;*

(i) Monthly bank reconciliations;

(j) A plan of action to correct the conditions noted in the written notice of fiscal watch;

(k) Proof, in the form of submitted minutes, that the notice of fiscal watch and a plan of corrective action were presented to the governing body of the local government as reflected in the minutes of the governing body;

(l) Live testimony of the officers, including elected officers of the local government, to appear before the Committee, if requested; and

(m) Other reports or documentation as deemed necessary by the Department or the Committee.

2. The written notice of the Department that a local government has been placed on fiscal watch provided pursuant to NRS 354.675 and any request for documentation from the Department or the Committee must be presented to the governing body of the local government at the next feasible meeting of the governing body after it is received, as reflected in the minutes of the governing body.

3. Except as otherwise provided in subsection 4, a local government which has been placed on fiscal watch shall prepare and provide any documentation requested pursuant to subsection 1 as soon as practicable after the receipt of the request.

4. Within 30 days after the receipt of a request for documentation pursuant to subsection 1, a local government may submit a written objection to the Department or the Committee, as applicable, stating the grounds upon which the local government objects to providing the requested documentation. Based upon the written objection, the Department or the Committee, as applicable, may modify or uphold the original request for documentation. The local government shall provide documentation based on the modified or upheld request as soon as

practicable after the Department or the Committee decides on the objection. The decision of the Department or the Committee, as applicable, is a final decision for the purposes of judicial review.