

REPORT ON LOCAL GOVERNMENT
FISCAL NOTES AND
THEIR CONTENTS



Bulletin No. 85-15

LEGISLATIVE COMMISSION
OF THE
LEGISLATIVE COUNSEL BUREAU
STATE OF NEVADA

August 1984

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AND THEIR CONTENTS

9 --

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Senate Concurrent Resolution No. 2—Senator Jacobsen

FILE NUMBER.....126

SENATE CONCURRENT RESOLUTION—Directing the legislative commission to study the development and contents of the fiscal notes for local governments on bills introduced in the legislature.

WHEREAS, Each bill and joint resolution introduced in the legislature contains a fiscal note to indicate its fiscal effect, if any, on local governments; and

WHEREAS, These fiscal notes do not presently contain sufficient information for local governments to evaluate the bills; now, therefore, be it

Resolved by the Senate of the State of Nevada, the Assembly concurring, That the legislative commission is hereby directed to study the development and contents of the fiscal notes for local governments used on bills introduced in the legislature; and be it further

Resolved, That the results of the study and any recommendations for legislation be reported to the 63rd session of the legislature.

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REPORT OF THE LEGISLATIVE COMMISSION

TO THE MEMBERS OF THE 63RD SESSION OF THE NEVADA LEGISLATURE:

This report is submitted in compliance with Senate Concurrent Resolution No. 2 of the 62nd Session which directed the Legislative Commission to study the development and contents of the fiscal notes for local governments on bills introduced in the legislature.

The Legislative Commission appointed Senator Lawrence E. Jacobsen, Chairman and Assemblyman Leonard Nevin as the subcommittee to make the study.

The Legislative Commission accepts the subcommittee's report with the suggested legislation and transmits the report to the members of the members of the 1985 Legislature for their consideration and appropriate action.

Respectfully submitted,

Legislative Commission
Legislative Counsel Bureau
State of Nevada

Carson City, Nevada
September 1983

* * * * *

LEGISLATIVE COMMISSION

Senator James I. Gibson, Chairman

Senator Thomas J. Hickey	Assemblyman Louis W. Bergevin
Senator Robert E. Robinson	Assemblyman Joseph E. Dini, Jr.
Senator Randolph J. Townsend	Assemblyman John E. Jeffrey
Senator Sue Wagner	Assemblyman Michael O. Malone
	Assemblyman David D. Nicholas
	Assemblyman John M. Vergiels

SUMMARY OF RECOMMENDATIONS

1. NRS 218.2723 SHOULD BE AMENDED TO REFLECT THAT THE REQUIREMENT FOR A FISCAL NOTE IS BASED ON THE EXISTENCE OF AN "ADVERSE" FISCAL EFFECT. (BDR 17-274)
2. A SPACE SHOULD BE PROVIDED ON THE BILL DRAFT REQUEST (BDR) FORM TO INDICATE IF THE BILL DRAFT REQUESTER IS AWARE OF ANY ADVERSE FISCAL EFFECT.
3. EVERY CITY AND COUNTY SHOULD IDENTIFY ONE PERSON WITHIN THEIR ORGANIZATION TO COORDINATE THE DEVELOPMENT AND TRANSMITTAL OF FISCAL NOTE DATA.
4. THE LEGISLATIVE COUNSEL BUREAU SHOULD DEVELOP PROCEDURES WITH THE NEVADA LEAGUE OF CITIES AND THE NEVADA ASSOCIATION OF COUNTIES TO FACILITATE THE TIMELY AND ACCURATE DEVELOPMENT OF DATA FOR LOCAL GOVERNMENT FISCAL NOTE PREPARATION.

REPORT TO THE 63RD SESSION OF THE NEVADA LEGISLATURE BY
THE LEGISLATIVE COMMISSION'S SUBCOMMITTEE ON LOCAL
GOVERNMENT FISCAL NOTES AND THEIR CONTENTS

A. INTRODUCTION

The 1983 session of the Nevada legislature adopted Senate Concurrent Resolution No. 2 directing the legislative commission to study local government fiscal notes and their contents. This directive was adopted to address perceived inadequacies in local government fiscal notes and the process by which they were prepared. Many local government representatives felt that some types of fiscal effects were not included in the legal requirements for a fiscal note and that the fiscal note did not address the comprehensive fiscal effects of some bills. Legislative counsel bureau staff perceived a great deal of misunderstanding on the part of local governments regarding the fiscal note procedures and a subsequent under-utilization of the fiscal note process.

B. SUBCOMMITTEE METHODOLOGY

The legislative commission appointed Senator Lawrence E. Jacobsen chairman and Assemblyman Leonard Nevin as a subcommittee to study local government fiscal notes and their contents. The legislative commission allocated a budget of \$780 to provide for the cost of the meetings and the printing of the final report.

The subcommittee recognized that although local governments fiscal notes apply to all local government entities in the State of Nevada, the perceived problems focused on the city and county governments. Local school district fiscal notes are handled very efficiently through the department of education and other miscellaneous local government fiscal notes were rare and could be handled on an individual basis. Therefore, as a first step of the study, a letter signed by the chairman was sent to the chief elected executive (board chairman, mayor, etc.) and the chief appointed executive (county manager, city manager, etc.) in each of the state's 17 counties and 16 cities (Appendix A). The letter informed the public officials of the existence and purpose of the study and requested comments and suggestions regarding the development and contents of local government fiscal notes. The letter also included a copy of NRS 218.2723, which requires local government fiscal notes, and an invitation to the first subcommittee meeting. The executive directors of the Nevada league of cities and the Nevada association of counties were notified and provided copies of the chairman's letter.

The chairman scheduled the first subcommittee meeting for April 25, 1984, in Carson City. The meeting was attended by the subcommittee, legislative counsel bureau staff and representatives from Nevada cities and counties. Counsel bureau staff from the legal and fiscal divisions explained the background and legal definitions of fiscal notes and described the process by which local government fiscal notes are prepared. The responses from the cities and counties to the chairman's letter were presented (Appendix B), and after discussion with the city and county representatives, staff was directed to prepare a bill draft request (BDR) and draft recommendations in accordance with the findings of the study committee.

A final meeting was held on Wednesday, July 18, 1984, in Carson City, at which the findings and recommendations of the subcommittee were further discussed and finalized. The meeting was attended by the subcommittee, Legislative counsel bureau staff and representatives from the cities and counties. The subcommittee and Legislative counsel bureau staff from the legal and fiscal divisions accepted an invitation from the Nevada league of cities to lead a panel discussion on fiscal notes at the league of cities' state convention in Elko, Nevada, on August 10, 1984. The subcommittee then accepted a similar invitation from the Nevada association of counties for their state convention, also in Elko, on November 13 through 16, 1984.

C. SUBCOMMITTEE FINDINGS AND RECOMMENDATIONS

1. FISCAL NOTES--Legislation requiring a fiscal note for any bill or joint resolution having an adverse financial effect on a local government came before the Nevada state legislature during the 1969 session. The requirement is now contained in NRS 218.2723 (Appendix C). The state legislature, during the 1983 session, amended the statute so that a fiscal note is also required for any bill or joint resolution "which increases or newly provides for a term of imprisonment in a county or city¹ jail or makes release on probation therefrom less likely".

The legislative counsel makes the determination if a bill or joint resolution will require a fiscal note based on any adverse effect (increase in expenditures or decrease in revenues) as a direct result of the proposed legislation.

¹ NRS 218.2723

Indirect financial effects resulting from local ordinances, contracts or agreements or any other action not directly mandated by the proposed legislation would not necessarily require a fiscal note.

A fiscal note is required on the original bill or joint resolution only. If an amendment to a bill introduces an adverse financial effect that was not in the original bill or, if an amendment significantly changes the fiscal note that was prepared for the original bill, the presiding officer of the house or committee in which the bill is being heard can request that a fiscal note or an amended fiscal note be prepared. Further, if the indirect financial effects are deemed to be significant, the presiding officer can again request that a fiscal note be prepared.

2. LOCAL GOVERNMENT FISCAL NOTE PREPARATION--After the legislative counsel determines that a local government fiscal note is required, the bill draft request (BDR) is sent to the fiscal division with the name of the requester. If the BDR is not public record--an introduced bill or a bill accompanying a subcommittee study--or if the fiscal note cannot be prepared without divulging the contents of the BDR, the requester is contacted and asked for permission to divulge the contents of the BDR to the appropriate local government or agency for information for the preparation of the fiscal note. If the requester says "no", nothing else is done until the bill becomes public record. If the requester says "yes", the contents of the BDR is divulged, a fiscal note is prepared and held in file until the bill is introduced. At no time is the requester's name divulged. Upon completion of the fiscal note and introduction of the bill, the fiscal note is sent to the printer to be attached to the bill.
3. SUBCOMMITTEE HEARINGS--The most significant revelation that surfaced during the discussions with the subcommittee, legislative counsel bureau staff and local government representatives during the subcommittee hearings was the widespread misunderstanding by local governments of the fiscal note process. After legislative counsel bureau staff finished their presentations on the contents of fiscal notes and the process by which fiscal notes are prepared, it was found that most of the perceived problems could be solved within the existing statutes and procedures. As a result, the subcommittee and legislative counsel bureau staff were invited to make similar presentations to local government officials in the form of a panel discussion at both the Nevada league of cities' and the Nevada association of counties' state conventions.

The subcommittee did identify four areas where modifications should be made. One area requires clarification of statutory language and three require administrative and procedural changes resulting in the following recommendations.

4. SUBCOMMITTEE RECOMMENDATIONS

- a. NRS 218.2723 SHOULD BE AMENDED TO REFLECT THAT THE REQUIREMENT FOR A FISCAL NOTE IS BASED ON THE EXISTENCE OF AN ADVERSE FISCAL EFFECT. The change in statutory language is being recommended to reflect more clearly how the statute is being interpreted.
- b. A SPACE SHOULD BE PROVIDED ON THE BILL DRAFT REQUEST (BDR) FORM TO INDICATE IF THE BILL DRAFT REQUESTER IS AWARE OF ANY ADVERSE FISCAL EFFECT. This recommendation will require a simple modification of the BDR forms and result in two benefits. First, the legislative counsel will know if a requester anticipated any adverse financial effect, and if a misunderstanding becomes apparent, the requester can be so notified. Second, if a requester anticipates that a fiscal note will be prepared and no fiscal note is required, the requester again can be notified.
- c. EVERY CITY AND COUNTY SHOULD IDENTIFY ONE PERSON' WITHIN THEIR ORGANIZATION TO COORDINATE THE DEVELOPMENT AND TRANSMITTAL OF FISCAL NOTE DATA. As a result of the wide variety of services provided by local governments in Nevada and the organizational structures utilized, it is difficult to insure that the appropriate local government official is consulted for fiscal data. Therefore the Nevada league of cities and the Nevada association of counties have agreed to identify one liaison in each of their member government organizations to act as a coordinator in the development and transmittal of fiscal note data.
- d. THE LEGISLATIVE COUNSEL BUREAU SHOULD DEVELOP PROCEDURES WITH THE NEVADA LEAGUE OF CITIES AND THE NEVADA ASSOCIATION OF COUNTIES TO FACILITATE THE TIMELY AND ACCURATE DEVELOPMENT OF DATA FOR LOCAL GOVERNMENT FISCAL NOTE PREPARATION. Relying on the United States mail for the transmittal of fiscal note data appears to be the biggest impediment in insuring that the local governments have an opportunity to thoroughly investigate the fiscal effects and transmit that information

to the counsel bureau in a timely manner. Therefore, the legislative counsel bureau, the Nevada league of cities and the Nevada association of counties are currently developing procedures by which the two local government organizations will use their own electronic communications systems to notify and collect fiscal note data.

V. PROPOSED LEGISLATION

BDR 17-274--Clarifies requirements for fiscal notes.

SUMMARY--Clarifies requirements for fiscal notes. (BDR 17-274)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial
Insurance: No.

AN ACT relating to fiscal notes; clarifying the provisions that a fiscal note is required only if the effect on expenditure or revenue is adverse; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE
AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 218.272 is hereby amended to read as follows:

218.272 1. The fiscal analysis division shall obtain a fiscal note on:

(a) Any bill which makes an appropriation or [changes] increases any existing appropriation;

(b) Any bill or joint resolution which creates or [changes] increases any fiscal liability or decreases any revenue which appears to be in excess of \$2,000; and

(c) Any bill or joint resolution which increases or newly provides for a term of imprisonment in the state prison or makes release on parole or probation therefrom less likely, before it is considered at a public hearing of a committee of the assembly or the senate, or before any vote is taken thereon by

the committee. The fiscal note must contain a reliable estimate of the anticipated change in appropriation authority, fiscal liability or state revenue under the bill or joint resolution, including, to the extent possible, a projection of such changes in future biennia.

2. Except as otherwise provided in NRS 218.272 to 218.2758, inclusive, or in the joint rules of the senate and assembly, the estimates must be made by the agency receiving the appropriation or collecting the revenue.

3. The fiscal note is not required on any bill or joint resolution relating exclusively to the executive budget.

Sec. 2. NRS 218.2723 is hereby amended to read as follows:

218.2723 Before any bill or joint resolution which [has a financial effect on] reduces the revenues or increases the expenditures of a local government or any bill which increases or newly provides for a term of imprisonment in a county or city jail, or makes release on probation therefrom less likely , is considered at a public hearing of a committee of the assembly or the senate or before a vote is taken thereon by the committee, the fiscal analysis division shall prepare a fiscal note after consultation with the appropriate local governments or their representatives.

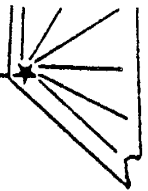
Sec. 3. This act becomes effective upon passage and approval.

D. APPENDICES

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APPENDIX A

Sample Copies of Chairman's Letters to all Local
Governments Explaining the Purpose of the
S.C.R. 2 Committee and Requesting Input.



Lawrence E. Jacobsen
Senator
Western District
28 Mono Avenue
Reno, Nevada 89423
Phone 782-7600

March 23, 1984

COMMITTEES
Member
Commerce and Labor
Natural Resources
Transportation

John Serpa
Churchill County Commissioner
P. O. Box 789
Fallon, NV 89406

Dear Mr. Serpa:

During the 1983 Legislative Session you and several elected/appointed officials in your organization received requests from the Legislative Counsel Bureau for information regarding legislative bills to be used in the preparation of local government fiscal notes. As a result of several suggestions and questions we received from local government officials, the legislature passed Senate Concurrent Resolution No. 2 directing the Legislative Commission to study the development and contents of local government fiscal notes.

As chairman of the subcommittee that will accomplish this study, I am very interested in your opinions regarding the fiscal note process and have enclosed a copy of NRS 218.2723 which defines local government fiscal notes and the process by which they are prepared. I would appreciate it if you would review the statute and your experiences in the last legislative session with staff and forward your comments and suggestions regarding the development and contents of local government fiscal notes to the Legislative Counsel Bureau before Friday, April 13, 1984.

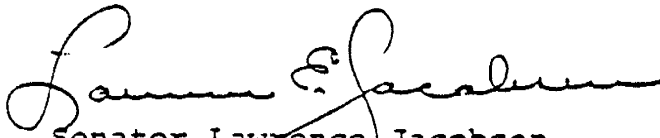
Please forward your responses to:

Kevin D. Welsh, Deputy Fiscal Analyst
Fiscal Analysis Division
Legislative Counsel Bureau
Capitol Complex
Carson City, NV 89710

The Local Government Fiscal Note Subcommittee is tentatively scheduled to meet on April 25, 1984, at 9:30 a.m. in Room 234 of the Legislative Building in Carson City, Nevada. You or your representative is invited to attend the meeting.

I appreciate your cooperation in this matter. If you have any further questions, please contact Kevin at 885-5640.

Sincerely,


Senator Lawrence Jacobsen
Subcommittee Chairman

ca
MISCC8

(a) Any bill which makes an appropriation or changes any existing appropriation;

(b) Any bill or joint resolution which creates or changes any fiscal liability or revenue which appears to be in excess of \$2,000; and

(c) Any bill or joint resolution which increases or newly provides for a term of imprisonment in the state prison or makes release on parole or probation therefrom less likely,

before it is considered at a public hearing of a committee of the assembly or the senate, or before any vote is taken thereon by the committee. The fiscal note must contain a reliable estimate of the anticipated change in appropriation authority, fiscal liability or state revenue under the bill or joint resolution, including, to the extent possible, a projection of such changes in future biennia.

2. Except as otherwise provided in NRS 218.272 to 218.2758, inclusive, or in the joint rules of the senate and assembly, the estimates must be made by the agency receiving the appropriation or collecting the revenue.

3. The fiscal note is not required on any bill or joint resolution relating exclusively to the executive budget.

(Added to NRS by 1969, 1004; A 1973, 641; 1975, 192, 1389; 1977, 342; 1979, 389; 1983, 1046)

218.2723 Fiscal note required for bills and joint resolutions having financial effect on local governments. Before any bill or joint resolution which has a financial effect on a local government or any bill which increases or newly provides for a term of imprisonment in a county or city jail, or makes release on probation therefrom less likely is considered at a public hearing of a committee of the assembly or the senate or before a vote is taken thereon by the committee, the fiscal analysis division shall prepare a fiscal note after consultation with the appropriate local governments or their representatives.

(Added to NRS by 1975, 191; A 1975, 1391; 1977, 342; 1979, 389; 1983, 1047)

218.2725 Fiscal note required for bills and joint resolutions affecting industrial insurance premiums or state insurance fund.

1. Before any bill or joint resolution which affects the premiums charged to employers as provided in chapters 616 or 617 of NRS or the state insurance fund established by chapter 616 of NRS is considered at a public hearing of a committee of the assembly or the senate or before a vote is taken thereon by the committee, the fiscal analysis division shall obtain a fiscal note in the manner and form, to the extent applicable, provided for in NRS 218.272 to 218.2758, inclusive, showing the financial effect on the premiums charged employers by the state industrial insurance system or on the state insurance fund.

2. The state industrial insurance system shall provide such information upon request of the fiscal analysis division.

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710



LEGISLATIVE COMMISSION (702) 885-5627
JAMES I. GIBSON, Senator, Chairman
Arthur J. Palmer, Director, Secretary
INTERIM FINANCE COMMITTEE (702) 885-5637
ROGER BRENNER, Assemblyman, Chairman
Daniel G. Miles, Fiscal Analyst
Mark W. Stevens, Fiscal Analyst

ARTHUR J. PALMER, Director
(702) 885-5627

FRANK W. DAYKIN, Legislative Counsel (702) 885-5627
JOHN R. CROSSLEY, Legislative Auditor (702) 885-5622
DONALD A. RHODES, Research Director (702) 885-5637

March 26, 1984

MEMORANDUM

TO: G. P. Etcheverry, Executive Director
Nevada League of Cities

FROM: Kevin Welsh, Deputy Fiscal Analyst
Fiscal Analysis Division

SUBJECT: Subcommittee on Local Government Fiscal Notes
(S.C.R. 2)

Senator Jacobsen has tentatively scheduled the meeting of the Local Government Fiscal Note Subcommittee for 9:30 a.m. on April 25, 1984, in Room 234 of the Legislative Building. I expect you will receive inquiries from your member cities and have, therefore, enclosed a letter sent to all elected and appointed chief city executive officers regarding this matter.

You are invited to attend the meeting and testify if you wish. If you wish to testify or submit written documents, please contact me before April 13 so I can place you on the agenda and provide backup materials to the subcommittee members.

If you have any questions, please contact me at 885-5640.

KDW/ca
MISC11
enclosure

APPENDIX B

Letters in Response to Chairman's Letters Requesting
Comments and Suggestions Regarding the Development
and Contents of Fiscal Notes.

APPENDIX B

CITIES AND COUNTIES RESPONDING TO THE CHAIRMAN'S REQUEST

Cities

Ely
Henderson
Las Vegas
Reno

Counties

Carson City
Clark County
Douglas County
Elko
White Pine

Nevada League of Cities

D. GEORGE CORNER G.P. ETCHEVERRY
XXXXXXXXXXXXXXXXXXXX Executive Director
President COLLEEN SCHULTZ
Administrative Assistant

April 23, 1984

Mr. Kevin D. Welch
Fiscal Analysis Division
Legislative Counsel Bureau
Capitol Complex
Carson City, NV 89710

Dear Mr. Welch:

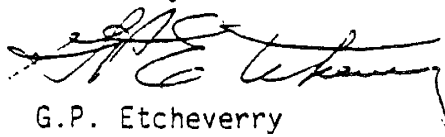
The request for comment from cities in Nevada regarding fiscal notes on legislative bill drafts is and has been a concern to our association. The Nevada League of Cities concur with the need of fiscal notes attached to bills, particularly when first presented and follow up when amendments are made concerning these bills. We have found two major obstacles in responding to fiscal note requests. One, the timeliness of the request in getting responses back to the legislative counsel bureau quickly and two, the opportunity during the legislative session of local boards meeting in an open council meeting to discuss the multitude of bills that require fiscal note responses. This is especially true in the smaller cities where the elective body is the acting city administrators.

The \$2,000 limit requiring fiscal notes in NRS 218.2754 (b) should be modified to something somewhat less because of the amount of bills that do affect cities that in conglomeration is a devastating effect in local government budgets during the austere times.

In NRS 218.2757, printing of fiscal notes, it is our feeling that local governments should also obtain copies of these notes so that comparisons can be made as to the effect on some cities versus others. Some legislation that has significance to some local governments have no immediate effect to others, such as collective bargaining, retrofitting, paid or volunteer fire departments, etc.

If the Nevada League of Cities may be of any assistance to the (SCR-2) study committee please do not hesitate to call upon us.

Sincerely,



G.P. Etcheverry
Executive Director
Nevada League of Cities

GPE/cs

cc: President D. George Corner

21.

POST OFFICE BOX 2307

CARSON CITY, NEVADA 89702-2307

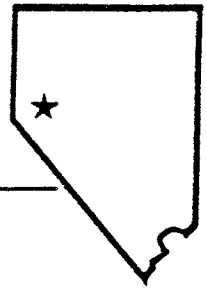
TELEPHONE (702) 882-2121

BOULDER CITY
CALIENTE
CARLIN
CARSON CITY
ELKO
ELY
FALLON
GABBS
HENDERSON



NEVADA ASSOCIATION OF COUNTIES

208 NORTH FALL STREET • CARSON CITY, NEVADA 89701 • (702) 883-7863



RECEIVED

April 27, 1984

APR 30 1984

LEGISLATIVE COUNSEL BUREAU
FISCAL ANALYSIS DIVISION

Kevin Welsh
Deputy Fiscal Analyst
Legislative Counsel Bureau
Legislative Building
Carson City, NV 89701

Dear Kevin:

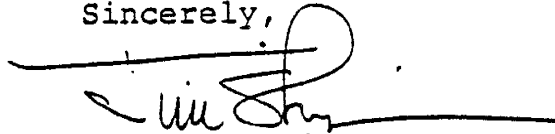
Reference is made to your letter of March 23, 1984 in which you requested NACO's views regarding fiscal notes and the process by which they are prepared: The following comments are offered:

- I. NRS 218.2723 - Based on discussions with Frank Daykin, it was our understanding that the term "financial effect on local government" is interpreted as a reduction in revenue or an increase in expenditure. We believe that the law should be amended to read:

"Before any joint bill or joint resolution which reduces revenue or increases expenditures of a local government...."
- II. Central County Contact for Fiscal Notes - NACO would support the designation of one person in each county who would be designated to receive all bills that require the preparation of a fiscal note. NACO would be glad to work with your office to assist in such a designation process.
- III. Indirect Costs - Since county government is an administrative arm of the state, many laws that are passed by the Legislature impose an administrative cost, or indirect cost to the county for their implementation. In many instances there is an administrative cost to the county in responding to the cumulative affect of amending existing statutes. These changes may require changing of county operating procedures, forms, retraining of employees, etc. It is very difficult to determine the administrative or indirect cost associated with making these changes. We would support that fiscal notes at least a notation that these changes. We would suggest that fiscal notes contain a notation of administrative costs.

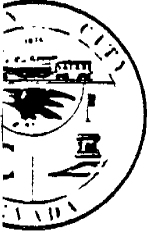
Please feel free to contact me in reference to any of these comments.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Jim Shipman', with a long horizontal line extending to the right.

James C. Shipman
Executive Director

JCS/ds



CARSON CITY, NEVADA

CONSOLIDATED MUNICIPALITY AND STATE CAPITAL

RECEIVED

April 9, 1984

APR 12 1984

LEGISLATIVE COUNSEL BUREAU
FISCAL ANALYSIS DIVISION

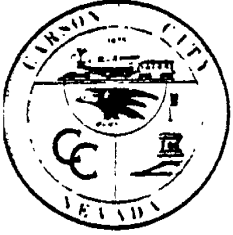
Mr. Kevin D. Welsh, Deputy Fiscal Analyst
Fiscal Analysis Division
Legislative Counsel Bureau
Capitol Complex
Carson City, Nevada 89710

Dear Mr. Welsh:

Reference is made to the letter dated March 23, 1984 from Senator Lawrence Jacobsen concerning the Local Government Fiscal Note Subcommittee of the State Legislature and his request for input on suggestions Carson City might have for improving the fiscal note process. Listed below you will find the suggestions we offer to the Subcommittee on this matter.

1. It should initially be emphasized that there is an obligation on the part of the local government officials to respond with as much detail as possible to all inquiries from the Legislative Counsel Bureau (LCB) concerning local fiscal impacts. In order to insure a response, however, requests from LCB should be made in a timely manner. The timeliness question would obviously be dictated by the magnitude or complexity of the issue at hand, but any issue should be given adequate time for the local government to address the impact.
2. The major problem we have encountered during previous Legislative sessions has related to the modifications that occur in a bill after the initial draft has been reviewed and returned by the local government. Said subsequent modifications/amendments sometimes cause increased impacts and thus, some mechanism should be established in order to maintain an ongoing tracking system.
3. In regard to an ongoing review process, it is suggested the Legislature consider the establishment of an

Page One



CARSON CITY, NEVADA

CONSOLIDATED MUNICIPALITY AND STATE CAPITAL

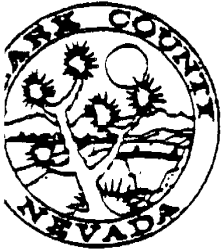
- Oversight Review Committee comprised of local government officials who would meet on a periodic basis with LCB staff to analyze local fiscal impacts.
- 4. Past practices of determining fiscal impacts have been a one way street in that the State has requested feedback from individual cities and counties, but we have never received the final report which would be valuable to us in order to determine if the complete picture was addressed. Thus, in the future we suggest the final fiscal note provided to the Legislature also be sent to local governments.
- 5. Finally, there are a number of situations where identical bills, or portions thereof, are submitted during a Legislative session and it is recommended LCB try to consolidate all proposals dealing with the same subject matter. This step would, in our opinion, allow for an easier review by the Legislature including the impact on local governments. It is confusing for a Legislator to review several bills with the same or similar wording and ultimately get the impression the fiscal impact is larger than what it really would be.

I hope this letter provides you with the information you seek on this. If you have any questions concerning the points raised, please feel free to contact me.

Sincerely,

Don W. Hataway
Don W. Hataway
City Manager

cc: Nevada League of Cities
Nevada Association of Counties



Clark County

Office of the County Manager

BRUCE W. SPAULDING
COUNTY MANAGER

JOSEPH C. DENNY
ASSISTANT COUNTY MANAGER
CLARK COUNTY BRIDGER BLDG.
225 BRIDGER AVENUE
LAS VEGAS, NEVADA 89155
(702) 383-3500

RECEIVED

APR 17 1984

April 13, 1984

LEGISLATIVE COUNSEL BUREAU
FISCAL ANALYSIS DIVISION

Mr. Kevin D. Welsh
Deputy Fiscal Analyst
Fiscal Analysis Division
Legislative Counsel Bureau
Capitol Complex
Carson City, NV 89710

Dear Kevin:

Thank you for your recent correspondence regarding the Legislative Commission intent to study the development and contents of local government fiscal notes.

Let me say at the outset that I favor the inclusion of fiscal notes for bills to be considered by the Legislature. Law makers should have the best information possible regarding the dollar impact of any measure they are deliberating. I do, however, have concerns with the uniformity of the information given, particularly by the fiscal note summary which appears on the front of each bill.

At the present time, we at Clark County review each bill individually to determine whether or not there is a fiscal impact. If there is a fiscal impact, either positive or negative, a more thorough analysis is done to determine the extent. All of this requires a tremendous dedication of staff time given the number of bills handled during the legislative session. The fiscal notes and fiscal note summaries would be most useful if the development process incorporated the following suggestions:

1. Standard criterion should be established for the yes/no designation of the Fiscal Note Summary. If there are mandated increases or decreases in expenditures or any revenue source, the Fiscal Note Summary would be "yes."
2. Measures which would in any manner limit local governments' control or flexibility over any expenditures or revenue sources would receive the "yes" Fiscal Note Summary.

27.

COMMISSIONERS

Thelia M. Dondora, Chairman • Jack R. Pettit, Vice-Chairman
Manuel J. Cortez, Karen Hayes, R.J. "Dick" Ronzone, Woodrow Wilson, Bruce L. Woodbury

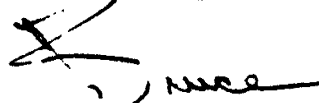
Kevin D. Welsh
April 13, 1984
Page 2

3. The fiscal note should identify impacts which are regional in nature. Often, legislation is designed with specific needs which would not affect the entire state.

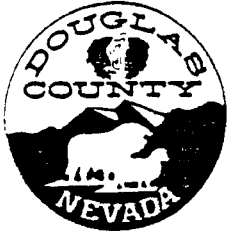
In summary, it would be most helpful to us if we could rely upon the Legislative Counsel's Fiscal Notes and Summaries to indicate whether additional research and analysis is necessary on our part. If the criterion mentioned above set the parameters for the Fiscal Note Summary development and designation, the initial screening could be eliminated and our efforts could be directed to detailed analysis of those measures which do have fiscal impacts.

I do hope these suggestions are helpful. If you have any further questions, please contact Guy Hobbs, Director of Budget and Financial Planning.

Sincerely,


Bruce W. Spaulding
County Manager

BWS:bjw



BOARD
OF
COUNTY
COMMISSIONERS

ROBERT S. HADFIELD
County Manager

(702) 782-9821

COMMISSIONERS

Herbert P. Witt
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M.D. Meyer
Vice - Chairman
Barbara J. Cook
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April 13, 1984

RECEIVED

APR 13 1984

Kevin D. Welsh, Deputy Fiscal Analyst
Fiscal Analysis Division
Legislative Counsel Bureau
Capitol Complex
Carson City, Nevada 89710

LEGISLATIVE COUNSEL BUREAU
FISCAL ANALYSIS DIVISION

Dear Mr. Welsh:

I thank you for the opportunity to comment on NRS 218.2723
and offer the following observations.

It has been my experience over the last three sessions of the Legislature that fiscal notes are often inaccurate and are seldom referred to in the hearing process. The State is always more concerned about their own fiscal integrity first, which limits perspective. Much of the problem results from the inability of local government to respond in a timely and meaningful way. Bills are often obscure defying fiscal analysis and even worse amended in Committee to have a detrimental impact on local government. This problem is further aggravated by a general lack of understanding on the part of most legislators on how local government is financed and the differences between the various forms of local government. There is a tendency to forget the diversity of local government financing and dependence on the State for money. Further, the State often changes State programs which do not without real analysis, appear to effect local government when in reality they transfer financial burden to local government.

In summary, the whole issue of financial impact requires an informed Legislature and responsive local government information network. I will attend the April 25, 1984 Subcommittee meeting to answer questions and elaborate on this critical problem.

Sincerely,

Robert S. Hadfield
County Manager

RSH/tk

29.

COMMISSIONERS

WILLIAM B. GIBBS
ERNIE HALL
ROY F. SMITH

GEORGE R. E. BOUCHER
COUNTY MANAGER
(702) 738-6398

Board of County Commissioners

ELKO COUNTY COURTHOUSE
ELKO, NEVADA 89801

April 6, 1984

RECEIVED

APR 9 1984

LEGISLATIVE COUNSEL BUREAU
FISCAL ANALYSIS DIVISION

Mr. Kevin D. Welsh
Deputy Fiscal Analyst
Fiscal Analysis Division
Legislative Counsel Bureau
Capitol Complex
Carson City, NV
89710

RE: NRS 218.2723

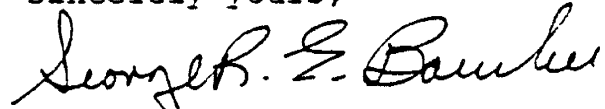
Dear Mr. Welsh:

This response relates to the recent letter received from Senator Lawrence E. Jacobsen regarding local government fiscal notes.

This office agrees with the concept of the fiscal note requirement for proposed legislation that could have a fiscal effect on local governments. However, there have been instances when a local government representative such as myself individually, and collectively with other officials, could not properly respond to a particular BDR fiscal note request. Hopefully, every fiscal note request will receive valid and quantitative response from enough areas to provide a valid analysis.

Please advise if there are additional questions relating to fiscal notes.

Sincerely yours,



GEORGE R.E. BOUCHER
Elko County Manager

GREB/jw

MARY SUE JOHNSON, Clerk
P.O. Box 659
Ph. 289-2341

JO ANNE AMBROSE
Chief Deputy

OFFICE OF

White Pine County Clerk

CLERK OF THE SEVENTH JUDICIAL DISTRICT COURT
EX-OFFICIO CLERK OF THE BOARD OF COUNTY COMMISSIONERS
ELY, NEVADA 89301

April 12, 1984

RECEIVED

APR 13 1984

LEGISLATIVE COUNSEL BUREAU
FISCAL ANALYSIS DIVISION

Kevin D. Welsh,
Deputy Fiscal Analyst
Fiscal Analysis Division
Capitol Complex
Carson City, NV 89710

Re: Fiscal Note Process

Dear Mr. Welsh:

In response to your request for comments regarding the fiscal note process, the following was discussed at the regular meeting of the White Pine County Board of Commissioners, April 11, 1984.

It was the consensus of the Board that they did not feel the fiscal notes were complete, often there was not enough research done to accurately indicate the impact of whatever entity happened to be impacted.

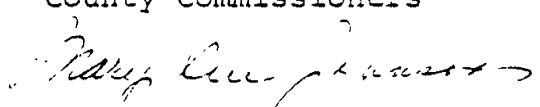
At the last NACO meeting, the taxation subcommittee went over some of the items they desired to bring up at the Legislature; one item was to improve the fiscal notes they put on the bills in order to know the impact on budgets, the committee did not feel they were adequate at the last session.

The Board felt that possibly, those people doing the research were not cognizant of the needs of local government. The fiscal notes were not complete, often there was an impact that was not identified in the fiscal notes.

On behalf of the Board of Commissioners, I would like to extend their appreciation for requesting their opinions and input.

Sincerely,

For the Board of
County Commissioners


33. Mary Sue Johnson
Clerk of Said Board

CITY OF ELY

BOX 299
ELY, NEVADA 89301

March 29, 1984

RECEIVED

APR 1 1984

LEGISLATIVE COUNSEL BUREAU
FISCAL ANALYSIS DIVISION

Kevin D. Welsh, Deputy Fiscal Analyst
Fiscal Analyst Division
Legislative Council Bureau
Capitol Complex
Carson City, Nevada 89710

Dear Mr. Welsh,

Regarding your letter dated March 23, 1984 concerning NRS 218.2723. I feel the statute the way it is written has given Ely a chance to see what the legislature has planned for local government. If the letter asking for comments from you did not come, I'm afraid the bills might have been overlooked in the large stacks we receive everyday.

Very truly yours,



Robert Spellberg
City Clerk

RS/pr



CITY OF HENDERSON

CITY HALL

243 WATER STREET

702/565-8921

HENDERSON, NEVADA 89015

Gateway to Lake Mead Resorts

April 3, 1984

RECEIVED

APR 11 1984

LEGISLATIVE COUNSEL BUREAU
FISCAL ANALYSIS DIVISION

Mr. Kevin D. Welsh
Deputy Fiscal Analyst
Fiscal Analysis Division
Legislative Counsel Bureau
Capitol Complex
Carson City, Nevada 89710

Dear Mr. Welsh:

The theory behind asking local government for input on legislative bills having a fiscal impact is excellent. Hopefully, through the natural progression of this system, legislators will develop a better understanding of the needs of local government as well as obtaining greater knowledge of how their actions impact such entities.

One suggestion I would have is for a much closer screening of bills in order to determine whether there is a fiscal impact on local governments. There were many instances during the 1983 session where bills had a significant financial effect but the fiscal note reflected to the contrary. An example of this was A.B. 449 which in effect was the "tax package" for fiscal years 1984 and 1985. Next to fiscal note there was supposedly no effect on local government. Attached is a memo related to a proposed amendment to A.B. 449 showing a great effect on the City of Henderson.

Small entities such as Henderson spend very little time at the legislative sessions. When there is a request for information from it, I would like to see some follow-up by your subcommittee. I would like to see correspondence stating that you have received the information, it has been reviewed by legislators and as a result certain actions were either taken or not taken or the information was not considered.

I appreciate the opportunity to work with you as chairman of the subcommittee. If you have any comments or questions, please feel free to call or write.

Sincerely,

Leroy Zike, Mayor
City of Henderson

LZ:lw

M E M O R A N D U M

April 19, 1983

TO: Robert G. Anselmo
City Manager

FROM: Robert M. Kasner
Finance Director

SUBJECT: Proposed Amendment to A.B.449

A meeting was held April 13 discussing A.B.449 at a legislative session in Carson City. The meeting took place in front of the sub-committee of the Assembly Taxation Committee. This bill in some amended form will quite likely become the State's tax package for at least the next two years. In general, the City should concur with most of the proposed amendments. However, near the end of the meeting Assemblyman Bergevin proposed an amendment which had not been discussed. This proposal would redistribute the supplemental city/county relief tax (SCCRT) in order for all entities to receive SCCRT and ad valorem in a six to four ratio.

A redistribution for the City of Henderson would have the following effect assuming it chose to raise property taxes to reach the maximum allowable revenue:

Tentative budget -

without 4½% ad valorem)				
cap removal)	Property Tax	\$89,000	SCCRT \$1,836,000
potential with 4½% cap)		Property Tax	\$353,000	SCCRT \$1,836,000
removal)	(additional .09¢ on		
		tax rate)		
Cap removal with)	Property Tax	\$875,000	SCCRT \$1,314,000
redistribution)	(additional .29¢ on		
		tax rate)		

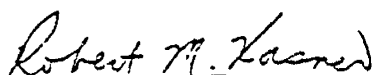
A further question arises if the City chooses not to raise the property tax rate in order to achieve the maximum allowable revenue. With \$89,000 in ad valorem taxes for the general fund, would the City only receive \$133,000 in SCCRT (a reduction of \$1,703,000 or over 20% of the budget) in order to maintain a six to four ratio?

Most entities in Clark County would be adversely affected by the redistribution. Tax rates could increase in Boulder City by 15¢, Henderson by 20¢, North Las Vegas by 6¢, East Las Vegas by 12¢, Sunrise Manor by 18¢, and so on. Only four of nineteen Clark

County entities would benefit, with by far the biggest beneficiary being the City of Las Vegas whose tax rate would drop by nearly 15¢.

During the past two years the City of Henderson has been supported by property taxes in the amount of 1% of its budget and 18-20% from SCCRT. Due to this heavy reliance on sales tax during two years of an extremely depressed economy, the City suffered major revenue shortfalls. The City has been forced to lay off employees and is currently unsettled on a July 1, 1982 contract with the Fire Fighters, Police and three Teamster bargaining units in an attempt to freeze wages. The dramatic growth in assessed valuation in the City has increased its share of SCCRT to the point that if the legislature passes a law allowing property taxes to float in order for governmental entities to receive their maximum allowable revenue, only a nine cent per \$100 of assessed value tax rate would be needed.

In conclusion, the City has suffered the past two years due to the amount of reliance it has on sales tax. If a redistribution of SCCRT were allowed, the citizens of Henderson would suffer an unnecessary 20¢ increase in tax rates and the City government would be stripped of its increased portion of SCCRT it has achieved through rapid growth. The City should strongly support A.B.449 and all proposed amendments except for the one calling for a redistribution of SCCRT.

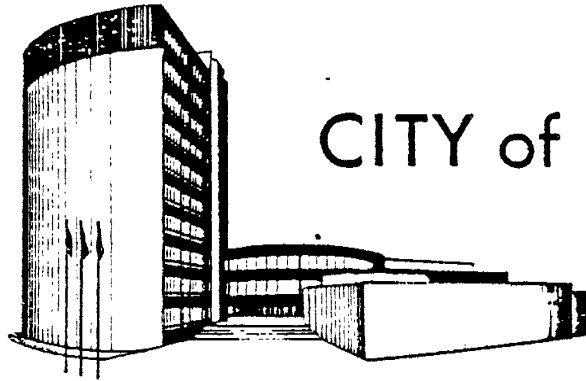

Robert M. Kasner
Finance Director

RMK:lw

MAYOR BILL BRIARE
COUNCILMEN
RON LURIE
PAUL J. CHRISTENSEN
AL LEVY
BOB NOLEN

CITY ATTORNEY
GEORGE F. OGILVIE

CITY MANAGER
ASHLEY HALL



CITY of LAS VEGAS

April 9, 1984

RECEIVED

APR 13 1984

Mr. Kevin D. Welsh, Deputy Fiscal Analyst
Fiscal Analysis Division
Legislative Counsel Bureau
Capitol Complex
Carson City, Nevada 89710

LEGISLATIVE COUNSEL BUREAU
FISCAL ANALYSIS DIVISION

Dear Mr. Welsh:

In reviewing the preparation process of fiscal notes on legislative bills over the last several sessions, the following problems and suggestions come to mind:

1. A bill is presented which may not have a direct fiscal effect on a local government and, as a consequence, there is an indication made that no fiscal note is required. However, there may be a very substantial indirect effect. For example:

During the 1983 legislative session, a bill was passed which increased retirement benefits for government employees and provided that those retiring before a certain date could take advantage of these increased benefits.

The effect of this legislation was to induce large numbers of government employees to retire before the deadline. Since these employees had large amounts of accumulated benefits, there was a cost to local governments in 1983-84 fiscal year of millions of dollars. This legislation had a \$350,000 immediate effect on the City in a year when governments were experiencing severe financial difficulties.



The solution to this problem would be a more careful analysis of the bill including the indirect, as well as the direct, effect upon a local government.

2. The second problem relates to bills which, when originally drafted, appear to have no fiscal effect. Subsequently, however, the bills are amended (whether once, twice, etc.) and, in that event, such amendments may drastically change the effect upon local government.

Many times bills are processed just one day after the amendment is adopted leaving little or no time for a local government not in attendance at the session to compute the fiscal effect of the bill. Likewise, this is not enough time for the Legislative Counsel Bureau to research and draft a fiscal note and then distribute that note to the various local governments.

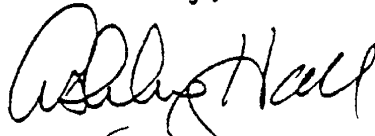
In the early part of a session, when there is plenty of time, a requirement could be made that not only the original bill but also an amendment to a bill that has a different fiscal effect must have a fiscal note. Toward the end of the session when bills are being processed very rapidly, there simply is not time to draft revised fiscal notes and there doesn't appear to be an easy solution to solve the problem.

3. The third problem relates to inaccuracies in computing the fiscal effects of a certain proposal. We recognize that even when local governments are contacted, there may be substantial differences in the computations made by the various local governments.

In many cases, however, when a bill is being proposed that enacts a program that has not been in prior existence, the local government simply does not have the research capabilities to adequately determine the financial effect of the proposed act. This is especially true of smaller governments but it may also be true of the larger governments. In such cases, perhaps the research division of the Legislative Counsel Bureau could assist in determining the effects of similar laws in other states, or pursue other research, to more adequately estimate the costs.

We appreciate this opportunity to comment on this matter which is of great importance to local governments and stand ready to provide you with any additional information which you require.

Sincerely,



Ashley Hall
City Manager

AH:jae



City of Reno

POST OFFICE BOX 1900 • RENO, NEVADA 89505 • (702) 785-2020

April 17, 1984

Mr. Kevin D. Welsh, Deputy Fiscal Analyst
Fiscal Analysis Division
Legislative Counsel Bureau
Capitol Complex
Carson City, Nevada 89710

Dear Mr. Welch:

The City of Reno is pleased to respond to Senator Jacobson's request for comment from local governments on fiscal note requirements. State legislative action frequently affects expenditures and revenues of State and local government and a review of the fiscal note regulations is supported by the City. The fiscal note requirements have served as an indication to our state lawmakers of what financial burden actions taken would have on the cost of providing necessary government services. While the fiscal note process has proven helpful, the City of Reno, along with the State Legislature sees a need to improve on the procedure.

Reno recognizes that thorough fiscal note investigation is sometimes difficult considering the time constraints imposed during the Legislative Session. However, given the severe financial constraints of local governments, it is imperative that the procedures be modified in order to ensure a more accurate accounting of the impact of State imposed regulations.

Occasionally, bills impacting local government move through the legislative process with no fiscal note attachment. Experience has shown that many of these bills indeed pose a financial burden. For example, SB241 was adopted by the legislature in 1981 mandating fire retrofitting, etc. The bill stated there was no fiscal impact to local government, and no fiscal note was prepared. Yet, the cost to the City of Reno in the first two years was approximately \$200,000 in expenses. This is not to say that the benefit of the legislation was not worth the expenditure. However, the legislature was not provided information necessary to make that decision and to ascertain the cost-benefit of the legislation. Nor were cities given the opportunity to comment about and prepare for the fiscal impact resulting from this legislation. Because the bill lacked a fiscal note, and given the austere times compounded by expenditure and revenue caps, the issue of funding for cities to carry out the state direction was not clearly and thoroughly examined.

Another example is that of additional holidays. In 1981 and 1983 bills were introduced to declare Columbus Day and the Martin Luther King, Jr. Day as State holidays. Neither bill carried a fiscal note; yet every special holiday costs the City of Reno a minimum of \$45,000. The City is currently compiling costs associated with the newly enacted DUI legislation which again, carried no fiscal note of impact to local governments.

The City is not opposed to legislation that improves the quality of life and promotes the health, safety and welfare of the State, such as the fire retrofit and DUI legislation. However, the cost impact to local governments responsible for enforcement of such State-mandated programs must be recognized and communities given an opportunity to recover the cost associated with such legislative imposed programs. The issue is whether local government can afford to carry out these mandates; and if not, what sources of funding can be provided by the State to do so. An effective fiscal note process which would allow and encourage in-depth examination of these fiscal problems will benefit State decision-makers and local governments alike.

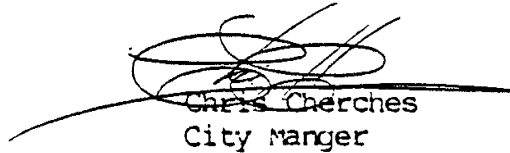
The City of Reno does not perceive to have the total solution to this problem. However, we offer some suggestions for review and incorporation into the Nevada Revised Statutes:

- (1) NRS 218.2723 should contain language explicit enough to provide the proper guidance necessary to insure compliance. For instance Chapter 218.272 regarding fiscal note requirements for State agencies details the process to be followed in determining the impact to the affected agency. Local governments should be considered in the same manner as State agencies.
- (2) Currently there is a \$2,000 limitation on the fiscal impact requirement. In the austere times that local governments are experiencing, this amount could have considerable impact, especially compounded by numerous bills of similar financial stature.
- (3) NRS 218.273 regarding amendments is unclear as to when a fiscal note is required. The City of Reno strongly feels that when any amendment is made to a bill, fiscal re-evaluation must be conducted. A bill was drafted for the 1983 Legislative Session (SB32) at Reno's request to address this issue. However, when it became apparent that SCR2 would provide for a study of the entire fiscal note process, it was agreed that this was the proper course to pursue.

The foregoing comments and suggestions are offered to assist in developing some appropriate amendments to the existing law in order to make the process function more effective and reflect an accurate account of the financial burden that is often imposed by legislative actions with no provision for funding.

Thank you for the opportunity to comment on this matter. If we can be of further assistance in helping solve this problem, please do not hesitate to contact us.

Yours truly,



Chris Cherches
City Manager

CC:ld

APPENDIX C

NRS 218.2723

NRS 218.2723 FISCAL NOTE REQUIRED FOR BILLS AND JOINT RESOLUTIONS HAVING FINANCIAL EFFECT ON LOCAL GOVERNMENTS. Before any bill or joint resolution which has a financial effect on a local government or any bill which increases or newly provides for a term of imprisonment in a county or city jail, or makes release on probation therefrom less likely is considered at a public hearing of a committee of the assembly or the senate or before a vote is taken thereon by the committee, the fiscal analysis division shall prepare a fiscal note after consultation with the appropriate local governments or their representatives.

(Added to NRS by 1975, 191; A 1975, 1391; 1977, 342; 1979, 389; 1983, 1047)