

LCB File No. R028-08

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

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; establishing certain requirements for the treatment of an unappropriated ending fund balance; providing for an exemption for adjusting debt rates; providing for a phase-in process for rate change; and providing other matters properly relating thereto.

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

**NAC 354.650 Explanation by local government.** (NRS 354.107)

1. If the ending fund balance in the general fund of a local government has been budgeted for less than 4 percent of the actual expenditures from the general fund of the local government for the previous fiscal year, the local government shall provide a written explanation to the Department that includes the reason for the low ending fund balance and the manner in which the local government plans to increase the fund balance.

2. If ~~[the]~~ *that portion of an* ending fund balance in a debt service fund of a local government *comprised of existing ad valorem taxes* exceeds the principal and interest *payable from ad valorem taxes to the fund* ~~[of the fund of]~~ *for* the *ensuing* year, the local government shall provide a written explanation to the Department that includes the reason and any authority for the excess. *Upon a finding there is no authority for the excess, the Department must require the local government to reduce the debt rate unless an exemption is made under subsection 4.*

3. *The local government may propose to the Department a plan for the reduction of the debt rate over a period of time not to exceed 3 years. The Department may consider the plan and incorporate a phase-in for the reduction of the debt rate in the order requiring the local government to reduce the debt rate.*

4. *The Department may exempt the local government from the requirement to reduce the debt rate if the local government demonstrates one or more of the following conditions exist:*

*a.) The estimated annual property tax revenues are not sufficient to pay the scheduled principal and interest of current outstanding and proposed bonds;*

*b.) Projects to be financed by bonds are delayed for a reasonable cause; or*

*c.) A temporary increase in assessed value caused an increase in property tax revenues.*

5. *In addition to the conditions listed in subparagraph 4 of this section, a local government must also show a need to issue bonds within the next three fiscal years, which will bring the debt service fund balance into compliance. The projects to be financed must be included in the local government Five Year Capital Improvement Plan and Debt Management Policy.*

6. *Upon a finding the local government meets one or more of the criteria in subparagraph 4 and the requirement of subparagraph 5 of this section, the Department may exempt a local government from the requirement set forth in subparagraph 2 of this section during the period it has voter authorization outstanding. The Department will specify the period of time for which the exemption is granted not to exceed three years. Upon issuance of all bonds or expiration of authorization, the tax rate for the debt service fund will be brought into compliance according to subsection 3.*

7. *A tax rate in excess of the rate used in the ballot question cannot be maintained under these provisions.*