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SENATE BILL NO. 4—COMMITTEE ON GOVERNMENT AFFAIRS

(ON BEHALF OF THE STATE CONTROLLER)

PREFILED NOVEMBER 15, 2016

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Referred to Committee on Government Affairs

SUMMARY—Provides for the designation and operation of state agencies as charter agencies. (BDR 18-427)

FISCAL NOTE: Effect on Local Government: No.  
Effect on the State: No.

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

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AN ACT relating to State Government; authorizing the Governor to designate, or rescind the designation of, any department within the Executive Department of the State Government as a charter agency; providing that all employees of a department designated as a charter agency become employees in the unclassified service of the State; requiring the Governor and the director of a charter agency to enter into annual performance agreements; authorizing the removal of the director of a charter agency under certain circumstances; authorizing the payment of bonuses to the director and employees of a charter agency; providing a limitation on annual appropriations to a charter agency; authorizing a charter agency to retain for its use certain unobligated balances remaining at the end of a fiscal year; exempting a charter agency from certain provisions governing state buildings and state purchasing; authorizing a charter agency to propose a waiver or suspension of an administrative rule or regulation, subject to approval or disapproval by the Legislative Commission; requiring certain reports concerning a charter agency to the Legislature or Legislative Commission; and providing other matters properly relating thereto.



**Legislative Counsel's Digest:**

1 **Section 2** of this bill: (1) authorizes the Governor to designate, or rescind the  
2 designation of, any department within the Executive Department of the State  
3 Government as a charter agency; (2) provides that all employees of a department  
4 designated as a charter agency become employees in the unclassified service of the  
5 State 1 year after the effective date of the designation; (3) requires the Governor  
6 and the director of a charter agency to enter into an annual performance agreement  
7 which sets forth measurable organizational and individual goals for the director in  
8 key operational areas of the charter agency; (4) authorizes the Governor to remove  
9 the director of a charter agency for misconduct relating to the operation of  
10 the charter agency or failure to achieve the performance goals set forth in the  
11 performance agreement; and (5) authorizes the payment of annual bonuses to the  
12 director and employees of a charter agency based on performance. **Section 3** of this  
13 bill provides a limitation on annual appropriations to a charter agency and  
14 authorizes a charter agency to retain for its use certain unobligated balances  
15 remaining at the end of each fiscal year. **Section 4** of this bill exempts a charter  
16 agency from provisions governing state buildings and state purchasing. **Section 5**  
17 of this bill authorizes a charter agency to propose a waiver or suspension of an  
18 administrative rule or regulation and provides that no such waiver or suspension  
19 may become effective unless approved by the Legislative Commission. **Section 6**  
20 of this bill requires: (1) a charter agency to report annually to the Legislature or the  
21 Legislative Commission concerning the expenditures and actions of the charter  
22 agency; and (2) the Governor to report to the Legislature concerning the operation  
23 and effectiveness of this bill.

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

1 **Section 1.** Chapter 232 of NRS is hereby amended by adding  
2 thereto the provisions set forth as sections 2 to 6, inclusive, of this  
3 act.

4 **Sec. 2. 1. *The Governor, by executive order, may designate***  
5 ***or rescind the designation of any department established by law***  
6 ***within the Executive Department of the State Government as a***  
7 ***charter agency. Such a designation or rescission must not become***  
8 ***effective until the next following July 1.***

9 **2. *One year after the effective date of the designation of a***  
10 ***department as a charter agency, all employees of the department***  
11 ***become employees in the unclassified service of the State.***

12 **3. *Before the date on which the designation becomes***  
13 ***effective, and before the beginning of each subsequent fiscal year,***  
14 ***the Governor and the director of the department that is designated***  
15 ***as a charter agency shall enter into a performance agreement***  
16 ***which must set forth measurable organizational and individual***  
17 ***goals for the director in key operational areas of the charter***  
18 ***agency. The period of the performance agreement must be the***  
19 ***next following fiscal year.***

20 **4. *The charter agency shall:***



1 (a) *On or before July 1 of each fiscal year, provide a copy of*  
2 *the performance agreement to the Director of the Legislative*  
3 *Counsel Bureau for transmittal to the Legislative Commission;*  
4 *and*

5 (b) *Make a copy of the performance agreement available on an*  
6 *Internet website maintained by the charter agency during the*  
7 *period of the performance agreement.*

8 5. *The Governor may remove the director of the charter*  
9 *agency for:*

10 (a) *Misconduct relating to the operation of the charter agency;*  
11 *or*

12 (b) *Failure to achieve the performance goals set forth in a*  
13 *performance agreement.*

14 6. *Notwithstanding any provision of law to the contrary:*

15 (a) *The Governor may authorize the payment of an annual*  
16 *bonus to the director of a charter agency in an amount of not*  
17 *more than 15 percent of the annual salary of the director, based*  
18 *upon the Governor's evaluation of the performance of the director*  
19 *in relation to the goals set forth in the performance agreement;*  
20 *and*

21 (b) *The director of a charter agency may authorize the*  
22 *payment of an annual bonus to any employee of the charter*  
23 *agency in a total amount of not more than 15 percent of the*  
24 *annual salary of the employee, based upon the director's*  
25 *evaluation of the performance of the employee.*

26 **Sec. 3. 1.** *Appropriations from the State General Fund for*  
27 *the operation of a department that is designated as a charter*  
28 *agency for any fiscal year must not exceed 95 percent of such*  
29 *appropriations for the fiscal year immediately preceding the*  
30 *effective date of the designation. Any such appropriation that is*  
31 *inconsistent with the provisions of this subsection is void to the*  
32 *extent of the inconsistency.*

33 2. *Notwithstanding any provision of law to the contrary, 50*  
34 *percent of all remaining balances of appropriations made for the*  
35 *operation of a department that is designated as a charter agency*  
36 *for each fiscal year that are not obligated for expenditure on or*  
37 *before June 30 of that fiscal year:*

38 (a) *Must not revert to the State General Fund; and*

39 (b) *Must be retained by the charter agency and may be used*  
40 *for any purpose within the scope of the responsibilities of the*  
41 *charter agency.*

42 **Sec. 4.** *Notwithstanding any provision of law to the contrary,*  
43 *the provisions of chapters 331, 333, 333A, 334 and 336 of NRS do*  
44 *not apply to a charter agency or any action taken by a charter*  
45 *agency.*



1       **Sec. 5. 1. A charter agency may, in accordance with the**  
2 *provisions of this section, propose the waiver or suspension, with*  
3 *regard to the charter agency, of the provisions of any*  
4 *administrative rule or regulation adopted in this State if the*  
5 *charter agency determines that:*

6       *(a) Strict compliance with the administrative rule or regulation*  
7 *will negatively affect the ability of the charter agency to perform*  
8 *its duties in a more cost-efficient manner;*

9       *(b) The application of the administrative rule or regulation*  
10 *poses an undue financial hardship on the charter agency;*

11       *(c) The waiver or suspension of the administrative rule or*  
12 *regulation will not prejudice the substantial legal rights of any*  
13 *person;*

14       *(d) The administrative rule or regulation provides protection of*  
15 *the public health, safety or welfare and that substantially similar*  
16 *protection of the public health, safety or welfare will be provided*  
17 *by a means other than that prescribed in the administrative rule or*  
18 *regulation; and*

19       *(e) The waiver or suspension will not result in a violation of*  
20 *due process, a violation of any statute of this State or any federal*  
21 *law, or a violation of the Nevada Constitution or the United States*  
22 *Constitution.*

23       **2. The charter agency shall draft the waiver or suspension in**  
24 *such a manner as to provide the narrowest exception possible to*  
25 *the provisions of the administrative rule or regulation and may*  
26 *place any condition on the waiver or suspension that the charter*  
27 *agency determines necessary to protect the public health, safety*  
28 *and welfare. The charter agency shall submit the proposed waiver*  
29 *or suspension to the Director of the Legislative Counsel Bureau*  
30 *for transmittal to the Legislative Commission for consideration at*  
31 *its next scheduled meeting.*

32       **3. No proposed waiver or suspension of an administrative**  
33 *rule or regulation may become effective unless the waiver or*  
34 *suspension is approved by the Legislative Commission. The*  
35 *Legislative Commission may approve a proposed waiver or*  
36 *suspension of an administrative rule or regulation if the*  
37 *Legislative Commission:*

38       *(a) Makes the determinations set forth in subsection 1; and*

39       *(b) Determines that the suspension or waiver will not result in*  
40 *an adverse financial effect on this State.*

41       **4. The Legislative Commission shall provide written notice to**  
42 *the charter agency of its approval or disapproval of the proposed*  
43 *waiver or suspension, and the reasons therefor.*

44       **5. The charter agency shall post a copy of the written notice**  
45 *on an Internet website maintained by the charter agency.*



1     **Sec. 6. 1. Each charter agency shall, on or before**  
2 *December 31 of each year, submit a written report which*  
3 *summarizes the activities of the charter agency for the*  
4 *immediately preceding fiscal year to the Director of the Legislative*  
5 *Counsel Bureau for transmittal to the Legislature, if submitted*  
6 *during an even-numbered year, or the Legislative Commission, if*  
7 *submitted during an odd-numbered year. The report must include*  
8 *information:*

9     **(a) Concerning the expenditures of the charter agency and the**  
10 *number of persons employed by the charter agency during the*  
11 *immediately preceding fiscal year; and*

12     **(b) Relating to the actions taken by the charter agency**  
13 *pursuant to the provisions of sections 2 to 6, inclusive, of this act.*

14     **2. On or before February 1, 2023, the Governor shall submit**  
15 *a written report to the Director of the Legislative Counsel Bureau*  
16 *for transmittal to the Legislature on the operation and*  
17 *effectiveness of sections 2 to 6, inclusive, of this act and the costs*  
18 *and savings associated with the implementation of those sections.*

19     **Sec. 7. NRS 284.140 is hereby amended to read as follows:**

20     **284.140** The unclassified service of the State consists of the  
21 following state officers or employees in the Executive Department  
22 of the State Government who receive annual salaries for their  
23 services:

24     1. Members of boards and commissions, and heads of  
25 departments, agencies and institutions required by law to be  
26 appointed.

27     2. Except as otherwise provided in NRS 223.085, 223.570 and  
28 223.600, all persons required by law to be appointed by the  
29 Governor or heads of departments or agencies appointed by the  
30 Governor or by boards.

31     3. All employees other than clerical in the Office of the  
32 Attorney General and the State Public Defender required by law to  
33 be appointed by the Attorney General or the State Public Defender.

34     4. Except as otherwise provided by the Board of Regents of the  
35 University of Nevada pursuant to NRS 396.251, officers and  
36 members of the teaching staff and the staffs of the Agricultural  
37 Extension Department and Experiment Station of the Nevada  
38 System of Higher Education, or any other state institution of  
39 learning, and student employees of these institutions. Custodial,  
40 clerical or maintenance employees of these institutions are in the  
41 classified service. The Board of Regents of the University of  
42 Nevada shall assist the Administrator in carrying out the provisions  
43 of this chapter applicable to the Nevada System of Higher  
44 Education.



1       5. *All employees of a department designated as a charter*  
2 *agency pursuant to section 2 of this act.*

3       6. All other officers and employees authorized by law to be  
4 employed in the unclassified service.

5       **Sec. 8.** The provisions of subsection 1 of NRS 218D.380 do  
6 not apply to any provision of this act which adds or revises a  
7 requirement to submit a report to the Legislature.

8       **Sec. 9.** This act becomes effective on July 1, 2017.

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