Guidance Letter 19-002

Effective Date: January 22, 2019

To: All Local Government Finance Officers

From: Committee on Local Government Finance
    Jeffrey Mitchell, Deputy Director, Local Government Services

CC: Melanie Young, Executive Director, Department of Taxation
    Kelly Langley, Supervisor, Local Government Finance

Subject: Percentage of Ending Fund Balance not Subject to Negotiations

SUMMARY: This Guidance Letter will include the actual language of NAC 354.660 along with an example of how the (non-school) local governments should calculate the (25%) amount not subject to negotiations as stated in NAC 354.660 paragraph 1.

APPLICABLE STATUTES:
NAC 354.660
This guidance is based upon current regulations as of the above effective date, and is subject to future legislative changes.

NAC 354.660 Certain percentage of ending fund balance not subject to negotiations.
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 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 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 employee organizations; 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.

DISCUSSION:
A budgeted ending fund balance of not more than 25% percent of the total budgeted expenditures, less capital outlay, for local governments general fund or a special revenue fund which receives revenue from property taxes or the Local Government Tax Distribution Account is not subject to negotiations as stated in NAC 354.660 paragraph 1.
The use of “budgeted fund balance” includes any legally authorized budgeted fund balance whether it was the original fiscal year budget or an augmented or amended budget.

An example of how to calculate the amount of budgeted fund balance which is not subject to negotiations is as follows:

A Local Government has total budgeted expenditures of $25 million and capital outlay of $5 million in its General Fund. Per NAC 354.660 (1), first subtract the $5 million in capital outlay from the $25 million in total budgeted expenditures which equates to $20 million. The $20 million will equal the total budget for salaries and wages, employee benefits and services and supplies but does not include capital outlay.

Secondly, multiply the $20 million in total budgeted expenditures less capital outlay by 25% to determine the amount of budgeted fund balance not subject to negotiations. $20 million x 25% is $5,000,000. The $5,000,000 is the amount of the entity’s budgeted fund balance not subject to negotiations.

If a local government had a budgeted fund balance of $4,500,000 and 25% of its total budgeted expenditures less capital outlay equates to $5,000,000, then the entire budgeted fund balance of $4,500,000 is not subject to negotiations.

If a local government had a budgeted fund balance of $5,500,000 and 25% of its total budgeted expenditures less capital outlay equates to $5,000,000 then only $5,000,000 is not subject to negotiations and the remaining $500,000 is subject to negotiations.

Additionally, NAC 354.650 states 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 of Taxation that includes the reason for the low ending fund balance and the manner in which the local government plans to increase the fund balance.

WEBSITE LOCATIONS:

Nevada Revised Statutes (NRS):  http://www.leg.state.nv.us/NRS/
Nevada Administrative Code:  http://www.leg.state.nv.us/NAC/CHAPTERS.html

Department of Taxation Guidance letters:  http://www.tax.state.nv.us; then select “Publications;” then select Local Government Services Publications and “Guidance letters.”