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DEPARTMENT OF TAXATION

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NOTICE OF WORKSHOP

To Solicit Comments on Proposed Regulations

To: To All Interested Parties

From: Jeffrey Mitchell, Deputy Director, Department of Taxation

Date: March 3, 2020

Re: Workshop on Proposed Regulations to be adopted by the Committee on Local Government Finance

The Department of Taxation will hold two workshops on behalf of the Committee on Local Government Finance, first to receive input on proposed language changes to the Nevada Administrative Code Chapter 354. The proposed permanent regulation will amend NAC 354.660 to bring it current with recent legislation that was passed.

Second, there will be promulgation of new regulations to include reference to NRS 354.675(1) and establish procedures and guidelines for fiscal watch.

Date and Time of Meeting: April 1, 2020 at 1:00 p.m.

The workshop will be held at the following locations:

Place of Meeting:
Nevada State Legislative Building
401 South Carson Street
Room 2134
Carson City, Nevada

Video Conference To:
Grant Sawyer State Office Building
555 East Washington Avenue
Room 4412
Las Vegas, Nevada

This meeting will also be part of a teleconference. Please call the Department at (775) 684-2100 for the teleconference number. Contact the Department at the Carson City address listed above, or Jeffrey Mitchell at (775) 684-2095 for questions about the workshop and for copies of materials that will be part of the record.

All interested parties will have the opportunity to present their ideas for suggested language at this workshop. The Department encourages you to provide your suggestions in writing. Although the Department requests interested parties submit written suggestions at least one week in advance so the ideas can be disseminated to others, written comments may be accepted at any time.

NOTE: We are pleased to make accommodations for members of the public who are disabled. Please notify the Department of Taxation in writing, at 1550 College Parkway, Carson City, Nevada, 89706 or call (775) 684-2100 prior to the meeting.

Persons who wish to continue to receive notice of meetings must renew the request every six months after the first request is made because "[a] request for notice lapses 6 months after it is made." NRS 241.020(3)(c).

Notice of this meeting was posted in the following Carson City, Nevada location: Department of Taxation, 1550 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 also posted on the Internet through the Department of Taxation website at www.tax.nv.gov, on the Legislative website at www.leg.state.nv.us and on the Department of Administration website at 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 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 of the local government 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.