

**Minutes of the Sub Committee Meeting
COMMITTEE ON LOCAL GOVERNMENT FINANCE
February 3, 2022, 9:00 a.m.**

The meeting was held at the Department of Taxation, 1550 College Parkway, Carson City, Nevada with teleconference to the Department of Taxation, 2550 Paseo Verde Parkway, Henderson, Nevada as well as via zoom.

COMMITTEE MEMBERS PRESENT:

Paul Johnson
Jim McIntosh
Tom Ciesynski

**DEPT OF TAXATION STAFF
PRESENT:**

Jeffrey Mitchell
Cheryl Erskine
Kelly Langley
Kellie Grahmann
Keri Gransbery
Christina Griffith
Chali Spurlock

MEMBERS OF THE PUBLIC PRESENT:

Name	Representing
Ken Jones	
Kristin Marshall	NCSD
Christi	
Stefani Hogan	
Andrew Feuling	Carson City School District
Dillon Kay	Clark County School District
Steve Osburn	Clark County School District

ITEM 1. ROLL CALL AND OPENING REMARKS

Member Paul Johnson opened the meeting at 9:03 a.m.

ITEM 2. PUBLIC COMMENT

There was no public comment.

ITEM 3. FOR POSSIBLE ACTION: DISCUSSION AND CONSIDERATION OF EFFECTS OF SECTION 32.5 OF SB 439 OF THE 81ST SESSION ON POSSIBLE GUIDANCE AND REGULATIONS FROM THE COMMITTEE ON LOCAL GOVERNMENT FINANCE IN RELATION TO CURRENT FUND BALANCE PERCENTAGES FOR SCHOOL DISTRICTS WHICH IS NOT SUBJECT OF COLLECTIVE BARGAINING.

Member Paul Johnson explained when SB 439 was approved some of the language was changed which made the NAC inaccurate.

Jeff Mitchell with the Department of Taxation (the Department) explained the percentage was previously changed from 25% to 16% under SB543. The Committee on Local Government Finance (CLGF) developed regulations approved by LCB to change the NAC to match SB543. SB439 then changed it from the 16.6% to 12% and added caveats if the fund exceeded that. He asked if the subcommittee thinks they should also issue a guidance letter or provide clarification to the school districts.

Member Ciesynski asked when a county miscalculates sales or property tax, how the Department handles that in terms of ending fund balance (EFB). Mr. Mitchell asked if he knows whether they augment their budget to address that. Member Ciesynski noted in his past experience they would set aside fund balance not knowing if they would have to pay that back or not. This was under the old version. The most recent event at that district was in the last year and he is unsure how that was handled.

Mr. Mitchell noted that is likely a wider issue. He is unsure if they should try to elaborate with in the regulation, how to deal with adjustments during the year to make sure it's still within the 12% as it will affect those percentages.

Member Paul Johnson noted this is not likely something they can accomplish in this meeting, may be something for a separate meeting. He added that Member Ciesynski's example would affect the actual fund balance, but perhaps not the budgeted. He is confused about which final budget will be used. Member Ciesynski

respectfully disagrees, he thinks the impact of sales and property tax does have an impact on both budgeted and actual fund balance. He noted maybe they can't address that today, but he thinks it needs to be addressed because it is an issue.

Member Paul Johnson agrees. Member Ciesynski explained that if the revenue does not come in as expected because the county miscalculated, the fund balance could go down, or be above the 16.6%, different scenarios based on timing. Member Johnson is not sure how that would be codified. Mr. Mitchell suggested that may be an issue where we bring this language into compliance with NRS and provide a guidance letter on some of the mechanics and where we provide examples. That guidance letter would also be brought up to CLGF for approval.

Member Ciesynski thinks that would be helpful. It has happened, some form of guidance would be helpful to all school districts and the department of education.

Member Paul Johnson noted he appreciates that, it has happened in Elko.

Member McIntosh asked if it actually impacted the fund balance, and if it hit these percentages. Member Paul Johnson noted it could affect fund balance, he does not know on these percentages. He does not know many school districts that have above a 16.6%, maybe a handful. It would affect it once they hit 16.6%.

Member McIntosh thinks they need to codify what has been changed in NRS, that is their job here. He understands what Member Ciesynski mentioned and agrees with a guidance letter to provide that information. He is also confused as to which budget will be used, and that needs to be clearer.

Regarding the Education Stabilization Fund, Member McIntosh wanted to know what the mechanism was to transfer to that fund. Member Johnson noted there is a meeting on that today. He understands if one budgets 16.6% or more than the 2020, the excess would go to the education stabilization account.

Kelly Langley, with the Department, asked if that is something that will be discussed with the Department of Education, Member Johnson explained that meeting is this morning. He added that they may want to discuss some changes to the forms.

Member Paul Johnson clarified for now the administrative code includes the 16.6% but does not reflect the 12% for collective bargaining. Mr. Mitchell confirmed. Member Paul Johnson clarified the administrative code needs to be changed to match the NRS.

Member McIntire asked if that is just changing the 16.6% to 12%. Member Paul Johnson explained only 12% of that is exempt from collective bargaining. Schools can still have a 16.6% fund balance, only 12% is exempt. Member McIntire asked how they would write that. Member Johnson replied it would be the same language the bill has.

Mr. Mitchell noted it affects Section 3 of NAC 354.660, he can have that section mirror what is in the senate bill that just passed then bring it forward for comment.

Member Ciesynski clarified the bill language refers to budgeted EFB. Mr. Mitchell confirmed. Member Johnson read the change, noting they have to make sure it still has the exemptions, so to use the same language and plug it into the administrative code.

Member Ciesynski asked if this affects other funds that could have a fund balance. Member Paul Johnson is not sure there is an answer for that yet. Education has been having those discussions. It is possible there could be fund balances in funds that used to be grant based. He questioned if those would be included.

Ms. Langley does not think so. Member Johnson clarified with Member McIntire that the Commission of Education also discussed and concluded everything should be measured by the general fund. Member McIntire agreed.

Ms. Langley added those are special revenue funds. Member Paul Johnson explained they are now.

Member Paul Johnson questioned the department if they have the direction from this workgroup to align the statute with the NAC so they say the same, and then the department will draft language to be at another subcommittee meeting. Ms. Langley noted it would be workshopped. Member Paul Johnson clarified at that meeting they could approve it and then it would go to the full committee. Mr. Mitchell agreed. He noted at this meeting the subcommittee cannot vote on the language but can direct the department to draft the language to bring to the subcommittee to workshop. The department would draft the language, bring to the subcommittee, then to the full committee for approval.

Member Paul Johnson asked what direction the subcommittee can provide regarding the guidance they discussed. Mr. Mitchell explained it could be in the same motion to have the department undertake drafting the guidance letter. The department would compose that and bring to the subcommittee and workshop it before bringing it to the full committee.

Member Paul Johnson asked Member Ciesynski if the guidance letter should be handled as an agenda item for the full committee, or a motion today for that. Member Ciesynski is on board with lining the NRS to the NAC, he thinks preliminary guidance language would be helpful. Member Paul Johnson noted a lot of this is new turf and thinks that is a topic of discussion perhaps separate from this, and maybe this should be on the full committee agenda. Ms. Langley agreed it should be at the full committee.

Member Ciesynski agrees it needs to be addressed and is fine with that being at the full committee.

Member McIntire motioned to direct the department of taxation to align the administrative code with consideration of the effects of Section 2.5 of SB39 of the 81st session of the Nevada Legislature. Member Ciesynski seconded the motion. Motion passed unanimously.

ITEM 4. FOR POSSIBLE ACTION: SCHEDULE DATE AND REVIEW AGENDA TOPICS FOR THE NEXT MEETING

Mr. Mitchell explained he will draft the language and forward it to the Legislative Counsel Bureau (LCB), they would return the draft back to the department. Normally they do not workshop the language until it is received back from LCB. He would like to schedule this meeting before the next CLGF. He hopes to have it to LCB in the next couple of days.

Member Paul Johnson noted the next meeting date will be determined but will be before the next CLGF meeting.

Member Mitchell asked if the guidance would be at the next CLGF meeting, Member Paul Johnson thinks it would be best to bring it to the full committee.

ITEM 5. PUBLIC COMMENT

There was no public comment.

ITEM 6. FOR POSSIBLE ACTION: ADJOURNMENT

Meeting was adjourned at 9:37 a.m.