

**LEGISLATIVE REVIEW OF ADOPTED REGULATIONS AS REQUIRED BY
ADMINISTRATIVE PROCEDURES ACT, NRS 233B.066**

LCB FILE R010-13

**Requiring local governments to provide a total discounted estimated actuarial liabilities
report concerning certain benefits; providing standards and requirements for actuarial
studies**

The following statement is submitted for amendments, additions and deletions, to Nevada Administrative Code (NAC) 354 adopted by the Committee of Local Government Finance.

1. The Need for and Purpose of the Permanent Regulation.

The need and purpose of the proposed permanent regulation, **LCB File No. R010-13**, is to provide for appropriate financial reporting and liability disclosures of health care and disability compensation required by NRS Chapter 617 for local government public safety employees.

2. A description of how public comment was solicited, a summary of public response, and an explanation how other interested persons may obtain a copy of the summary.

The Department of Taxation (Department), as staff to the Committee on Local Government Finance (CLGF), solicited comment from the public by sending notice of workshops and hearings by electronic or regular mail as follows:

Date of Representing Notice	Workshop/ Hearing Businesses	Date of Workshop	Number Notified	
07-22-13	Workshop	08-06-13	379	81
09-30-13	Subcomm.	10-16-13	379	81
10-15-13	Hearing	11-15-13	379	81

The mailing list included the interested parties list maintained by the Department, as well as officials of local jurisdictions subject to these regulations.

Most comments were received from subcommittee members and Department staff during the workshop, subcommittee meeting and adoption hearing. Others commenting included a representative from the Public Agency Compensation Trust (PACT) and local governments. A practicing actuary also commented on the proposed best practices for an actuarial study.

The comments addressed the type of information necessary to track the legal liabilities of local governments in complying with the requirements of NRS Chapter 617 on a reporting form. Comments addressed the differences in reporting between

self-insured local governments and those participating in an association of local government employers. Comments also addressed the compilation of information by the Department and the need to publish the information on the Department's website. Comments also addressed the best practices for inputs into actuarial valuations which provide the basis for estimating the liabilities of local governments. A copy of the audio taped comments or the record of proceedings may be obtained by calling the Nevada Department of Taxation at (775) 684-2100 or by writing to the Nevada Department of Taxation, 1550 East College Parkway, Carson City, Nevada 89706, or by e-mailing the Nevada Department of Taxation at ware@tax.state.nv.us.

The Legislative Counsel Bureau (LCB) completed its review of submitted revisions on November 5, 2013. CLGF adopted the regulation at the hearing held on November 15, 2013.

3. The number of persons who:

(a) Attended and testified at each workshop or subcommittee meeting:

<u>Date of Workshop or Subcommittee Meeting</u>	<u>Attended</u>	<u>Testified</u>
08-06-13	23	2
10-16-13	18	3

(b) Attended and testified at each hearing:

<u>Date of Hearing</u>	<u>Commission/ Public Attended</u>	<u>Public Testified</u>
11-15-13	21	1

(c) Submitted to the agency written comments:

<u>Date of Workshop / Hearing</u>	<u>Number Received</u>
08-06-13 Workshop	1
11-15-13 Hearing	None

The sign-in sheets for each workshop, subcommittee meeting, or hearing with names and addresses, if provided, are available at the phone and address of the Department listed above.

4. A description of how comment was solicited from affected businesses, a summary of their response, and an explanation how other interested persons may obtain a copy of the summary.

Comments were solicited from affected and interested local governments, businesses and persons, by notices posted at the Nevada State Library; various Department of Taxation locations throughout the state; and at the Main Public Libraries in counties where an office of the Department of Taxation is not located. Comments were also solicited by direct email to county officials and other interested parties lists

maintained by the Department. Approximately 21.37% of the approximately 379 direct notices were sent to individuals or associations representing business.

Members of CLGF, local government officials, and members of the general public commented on some or all of the proposed language changes during the workshop process and during the Adoption Hearing of the Committee on Local Government Finance. A representative of the Nevada Taxpayers Association commented that the reporting form should be part of the tentative budget and the information thereon be available on the Department's website, including any reporting by PACT. The representative thanked CLGF for its work. No other comments from small businesses were made.

A copy of the audio taped comments or the record of proceedings may be obtained by calling the Nevada Department of Taxation at (775) 684-2100 or by writing to the Nevada Department of Taxation, 1550 East College Parkway, Carson City, Nevada 89706, or by e-mailing the Nevada Department of Taxation at ware@tax.state.nv.us.

5. If the regulation was adopted without changing any part of the proposed regulation, a summary of the reasons for adopting the regulation without change.

The permanent regulation was adopted with changes reflecting the verbal and written comments submitted to, or received by, the Nevada Department of Taxation primarily from the Public Agency Compensation Trust (PACT) during the workshop and hearing listed above. The comments received were regarding how best to obtain information from associations of self-insured public employers or private insurers. CLGF adopted the permanent regulation as revised in workshop and subcommittee meeting; and believed no changes other than those made were necessary.

6. The estimated economic effect of the adopted regulation on the businesses which it is to regulate and on the public. These must be stated separately, and each case must include:

(a) Both adverse and beneficial effects; and

(b) Both immediate and long-term effects.

LCB File R010-13 "heart-lung liability reporting" regulations concern how local governments should report the liabilities associated with providing the benefits to public safety employees required in NRS Chapter 617. NRS Chapter 617 provides disability insurance and compensation to eligible public safety employees and eligible non-current public safety employees for certain occupational diseases including heart and lung diseases, cancer and hepatitis. CLGF had previously adopted temporary regulations, LCB File No. T-003, on the same subject in November, 2012, which applied only to the 2013-2014 fiscal year.

Beneficial Effects

The regulation provides for the collection and dissemination of useful information regarding the amount of liability local governments experience in providing benefits required by NRS Chapter 617 to certain eligible public safety employees. The information collected in the reports will enable interested parties to better understand the nature of future liabilities associated with the benefit; enhances transparency in government and enhances planning by local governments to find resources to pay for the benefits.

Specifically, the regulation provides guidance on appropriate financial reporting and liability disclosure of health care and disability benefits required by NRS Chapter 617 for local government public safety employees. In addition, the regulation provides for consistent practices for preparing an actuarial study. The regulation requires the Department to compile the information into a statewide report for use by local governments and interested parties.

LCB File No. R010-13 requires information about how the benefit is funded, such as through a pre-funding plan or self-funded pay-as-you-go plan. If the local government is self-funded, the local government must provide information about historical claims paid, the estimated future liability, information about the actuarial study, information about the local government's reserves, and the current year funded ratio of the present value of contributions plus investment return compared to the present value of the accrued liabilities. If the local government participates in an association of self-insured public employers or through a private insurer, then the local government must instruct the association or private insurer to provide the information about historical claims, estimated future liability, the actuarial study, and the reserves. Those governments must provide a letter to the Department showing that they asked the Association or private insurer to provide this information. The regulation also provides some guidance as to how the actuarial studies should be prepared.

The Department concluded there is no substantial impact on small businesses based on the contents of the regulation.

Adverse Effects

The proposed permanent regulation presents no reasonably foreseeable or anticipated adverse economic effects to businesses or to the general public. The regulation provides a reporting process and does not directly affect small businesses.

Direct and Indirect Effects

The indirect effect is to provide a transparent process to determine the cost of NRS Chapter 617 benefits provided by local governments to public safety employees. The direct effect is to provide guidance with regard to the criteria for developing actuarial studies, provide for local government reporting, and publishing the results.

7. The estimated cost to the agency for enforcement of the adopted regulation.

The Department does not anticipate any cost to the agency for enforcement.

8. A description of any regulations of other state or government agencies which the proposed regulation overlaps or duplicates and a statement explaining why the duplication or overlapping is necessary. If the regulation overlaps or duplicates a federal regulation, the name of the regulating federal agency.

There are no other state or government agency regulations that the proposed amendments duplicate.

9. If the regulation includes provisions that are more stringent than a federal regulation which regulates the same activity, a summary of such provisions.

The Committee on Local Government Finance is not aware of any provision in this regulation which is also governed by federal regulation.

10. If the regulation provides a new fee or increases an existing fee, the total annual amount the agency expects to collect and the manner in which the money will be used.

The regulation does not provide for a new fee, and does not increase an existing fee.

11. Is the proposed regulation likely to impose a direct and significant economic burden upon a small business or directly restricted the formation, operation or expansion of a small business? What methods did the agency use in determining the impact of the regulation on a small business?

The Department determined that the proposed regulation does not impose a direct and significant economic burden upon a small business or restrict the formation, operation or expansion of a small business. In making this determination the Department considered the fact that the proposed amendment only applies to activity by local and state government officials and imposes no direct or indirect requirements on any private businesses. In addition, NRS 354.107 limits the regulatory authority of CLGF to the Local Government Budget and Finance Act in NRS chapter 354, which generally regulates the financial administration of local governments and does not apply to small businesses.