

MINUTES OF THE
MEETING OF THE SENATE COMMITTEE
ON TAXATION

SIXTY-FIRST SESSION
NEVADA STATE LEGISLATURE
April 20, 1981

The Senate Committee on Taxation was called to order by Chairman Keith Ashworth, at 1:35 p.m., Monday, April 20, 1981, in Room 213 of the Legislative Building, Carson City, Nevada. There was no Meeting Agenda or Attendance Roster.

COMMITTEE MEMBERS PRESENT:

Senator Keith Ashworth, Chairman
Senator Norman D. Glaser, Vice Chairman
Senator Don Ashworth
Senator Virgil M. Getto
Senator James N. Kosinski
Senator Floyd R. Lamb
Senator William J. Raggio

STAFF MEMBERS PRESENT:

Mr. Ed Shorr, Deputy Fiscal Analyst
Colleen Crum, Committee Secretary

SENATE BILL NO. 411 (Exhibit A)

The chairman explained the purpose of the meeting was to take action on Senate Bill No. 411. Three questions must be addressed before action can be taken on the bill:

1. The six percent cap on page two, line 41, for the second year of the biennium;
2. The 115 percent cap on ad valorem taxes on page 12, line 24, for the first year of the biennium; and
3. The creation of a tax oversight committee.

Senator Don Ashworth explained the concern with the six percent cap was whether new property coming onto the roll is exempt from that limit.

Mr. Marvin Leavitt, task force member, stated if there is a situation where new property is equal to more than six percent, the tax rate on old property would not grow at all.

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Senator Don Ashworth asked whether new assessed property coming onto the rolls was growing at a faster rate than six percent per year. Mr. Leavitt stated new property was growing more than six percent annually.

The chairman stated he did not object to increasing the six percent limit to eight or nine percent. He objected to uncapping the additional growth allowed in the bill on new properties coming onto the roll.

The task force submitted an amendment to Section Three of the bill. (See Exhibit B.)

Senator Getto moved that Senate Bill No. 411 be amended on page two, line 41, to increase the cap from six percent to nine percent.

Senator Glaser seconded the motion.

Senator Raggio stated it is not necessary to raise the cap. The six percent is a realistic figure to meet the concerns of those advocating Question Six. The six percent cap will be accepted as good intent on the part of the legislature to realistically cap ad valorem revenues.

Senator Getto supported the increase in the cap to nine percent because he felt rapidly growing communities would be affected too adversely by the six percent cap.

The chairman stated the six percent cap will not impact Washoe County or Clark County. The cap would affect the smaller counties, however. The smaller counties would be forced to appeal for additional assistance under the escape valves set up in Senate Bill No. 411.

Senator Kosinski suggested changing the cap in the first year from 115 percent to 110 percent and raising the cap in the second year from six percent to nine percent. He stated that the efforts of the legislature will be wasted unless a tight cap is placed on the expenditures of cities and counties.

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Senator Getto amended his motion to change the cap on page two, line 41, to eight percent.

Senator Glaser amended his second.

Senator Kosinski amended Senator Getto's motion to decrease the cap on page 12, line 24, from 115 percent to 110 percent.

The motion failed because of a lack of a second.

Senator Getto's motion failed. (Senators Don Ashworth, Keith Ashworth, Lamb and Raggio voted "No".)

Senator Raggio moved that the cap on page 12, line 24 be amended from 115 percent to 112 percent.

Senator Don Ashworth seconded the motion.

The motion carried after the following discussion.
(Senators Getto, Glaser and Keith Ashworth voted "No".)

Senator Glaser stated reducing this cap would have a further compressive effect on the fast growing areas.

Senator Kosinski suggested setting the cap at 115 percent for smaller counties and setting the cap at 112 percent for larger counties. Senator Lamb opposed this suggestion because he was against creating two different types of taxation.

The chairman pointed out that fast growing counties could use the escape valves to appeal for additional help.

The chairman asked for suggestions on how to structure the tax oversight committee.

The issue of whether the tax oversight committee should be addressed in a separate bill was debated. Mr. Ray Knisley, a task force member, explained that the separate bill called for a committee of six to be appointed by the leadership of

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the legislature. The committee would consist of one member from the Senate Committee on Finance, two members from the Senate Committee on Taxation, one member from the Assembly Committee on Ways and Means, and two members from the Assembly Committee on Taxation.

Senator Raggio stated the consensus of the committee had been to create a tax oversight committee which was not dominated by legislators. A committee consisting of seven members, three legislators and four laymen, had been proposed.

Mr. Knisley explained Mr. Frank Daykin, Legislative Counsel, indicated that the committee, by necessity, must be composed of legislators. The committee could draw on outside technical advice, but these advisors would not hold the right to vote.

Senator Lamb supported the proposal for a committee consisting of legislators. He stated the legislature has created the tax problem and should handle its own problems. The chairman supported Senator Lamb's statement. He said it is important that the committee be made up of people knowledgeable on tax matters.

Senator Don Ashworth stated a committee consisting of all legislators would do violence to the separation of powers under the constitution.

Senator Getto suggested a committee consisting of four legislators and three laymen. He stated that politics should be taken out of this committee.

The chairman stated the committee should consist of an accountant qualified in tax matters, a county official, and a city official. Senator Raggio suggested that a school official be added to the committee.

Senator Lamb stated a good committee would call upon the help of qualified experts.

Senator Raggio moved that the tax oversight committee be appointed by the Governor and that it consist of

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four legislators, two from the Senate and two from the Assembly, who have served as members of their respective Committees on Taxation. The committee would also consist of three non-legislative members, with no qualifying criteria for membership.

Senator Raggio stated the Governor should appoint all seven members of the committee, including the legislators, to meet the constitutional objections which may be raised.

Senator Kosinski stated making the designation that the legislative membership consist of the chairmen of the Committees on Taxation would not harm the bill constitutionally.

Senator Raggio withdrew his motion.

Senator Kosinski made the same motion as Senator Raggio's motion, but changed the appointment qualification. The leadership of the legislature will appoint the legislative members and the Governor will appoint the laymen members.

Senator Getto seconded the motion.

Senator Raggio objected to the motion because the committee would not be bipartisan.

Senator Don Ashworth amended the motion to make the committee consist of three legislators and four laymen.

The motion failed because of a lack of a second.

The chairman called for a vote on Senator Kosinski's motion.

The motion carried. (Senator Don Ashworth voted "No".)

Senator Don Ashworth explained for the record that he voted against the bill because he did not feel the majority of the commission should be made up of legislators.

Senator Raggio disagreed with permitting the legislative leadership to appoint the legislative members of the committee.

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Senator Getto moved that the legislature leadership nominate the legislators to serve on the committee and that all seven members be appointed by the Governor.

Senator Glaser seconded the motion.

The motion carried.

Senator Getto suggested that Senate Bill No. 411 be amended to include private grants on page five, line 24. Mr. Leavitt agreed that Senator Getto's suggestion should be incorporated into the bill.

Senator Getto moved that page five, line 24, of Senate Bill No. 411 be amended to include private grants.

Senator Glaser seconded the motion.

The motion carried. (Senator Kosinski voted "No".)

The chairman asked for consideration on Senate Bill No. 411 as a whole.

Senator Glaser moved that Senate Bill No. 411 be amended and approved.

Senator Getto seconded the motion.

The motion carried. (Senator Kosinski voted "No".)

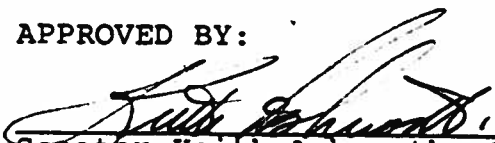
The chairman clarified that the tax oversight committee would be incorporated into Senate Bill No. 411.

There being no further business, the meeting adjourned at 2:13 p.m.

Respectfully submitted by:


Colleen Crum, Secretary

APPROVED BY:


Senator Keith Ashworth, Chairman

DATE: 4-28-81

(REPRINTED WITH ADOPTED AMENDMENTS)
FIFTH REPRINT

S. B. 411

SENATE BILL NO. 411—COMMITTEE ON TAXATION

MARCH 13, 1981

Referred to Committee on Taxation

SUMMARY—Makes substantial revisions in law relating to governmental finance. (BDR 32-1395)

FISCAL NOTE: Effect on Local Government: Yes.
Effect on the State or on Industrial Insurance: No.

EXPLANATION—Matter in *italics* is new; matter in brackets [] is material to be omitted.

AN ACT relating to governmental finance; fixing statutory limits on revenues of local governments derived from taxes ad valorem and the supplemental city-county relief tax and on the increase of fees imposed for regulation or revenue; creating a committee to oversee their application; removing statutory limits on expenditure by local governments; and providing other matters properly relating thereto.

The People of the State of Nevada, represented in Senate and Assembly, do enact as follows:

- 1 SECTION 1. Chapter 354 of NRS is hereby amended by adding
2 thereto the provisions set forth as sections 2 to 8, inclusive, of this act.
3 SEC. 2. "Supplemental city-county relief tax" means the fees, taxes,
4 interest and penalties which derive from that portion of the city-county
5 relief tax which exceeds the original tax levied at the rate of one-half of 1
6 percent.
7 SEC. 2.5. 1. There is hereby created an interim legislative committee
8 on local governmental finance, composed of:
9 (a) Three members of the senate, no more than two of whom may be
10 of the same political party, appointed by the majority leader; and
11 (b) Three members of the assembly, no more than two of whom may
12 be of the same political party, appointed by the speaker.
13 Each member serves during the remainder of the session in which he is
14 appointed, during the interim, and during the next session until a suc-
15 cessor is appointed.
16 2. The speaker of the assembly shall designate the chairman when
17 members are appointed in the 61st session of the legislature, the majority
18 leader of the senate shall designate the chairman when members are
19 appointed in the 62nd session, and the chairmanship must continue to
20 alternate between the houses of the legislature according to this pattern.
21 The director of the legislative counsel bureau shall provide a secretary for
22 the committee.

1 3. Except during a regular or special session of the legislature, each
2 member of the committee is entitled to a salary of \$80 for each day or
3 portion of a day during which he attends a committee meeting or is
4 otherwise engaged in the work of the committee, plus the per diem
5 allowance and travel expenses provided for state officers and employees.
6 All such compensation must be paid from the legislative fund.

7 SEC. 3. 1. The maximum amount of money which a local govern-
8 ment, except a school district, is permitted to receive from taxes ad
9 valorem, other than those levied for the payment of bonded indebtedness
10 and interest thereon incurred as a general or short-term obligation of the
11 issuer, or for the payment of obligations under a capital lease executed
12 before the date of passage and approval of this act, must be calculated by:

13 (a) First multiplying the tax rate certified for that local government for
14 the fiscal year ending on June 30, 1981, by its assessed valuation as
15 equalized for the collection of taxes during the fiscal year beginning on
16 July 1, 1981. For the purposes of this paragraph:

17 (1) A county whose actual tax rate, for purposes other than debt
18 service, for the fiscal year ending on June 30, 1981, was less than 50
19 cents per \$100 of assessed valuation is entitled to the use of a rate not
20 greater than 80 cents per \$100 of assessed valuation.

21 (2) A fire district in such a county whose tax rate was more than 50
22 cents per \$100 of assessed valuation is entitled to the use of a rate not
23 greater than \$1.05 per \$100 of assessed valuation.

24 (b) Then subtracting the estimated amount to be received by that
25 local government from the supplemental city-county relief tax for the
26 fiscal year for which the tax ad valorem is to be levied. For the fiscal
27 years beginning on and after July 1, 1982, the executive director of the
28 department of taxation shall provide this estimate to the local govern-
29 ment on or before December 1 preceding the fiscal year to which it
30 applies. A local government may, on or before March 1 preceding the
31 fiscal year to which the estimate applies, appeal in writing to the interim
32 legislative committee on local governmental finance, which may increase
33 or decrease the estimate as it finds the facts warrant.

34 (c) Then reducing the amount resulting from paragraphs (a) and (b) if
35 necessary to bring it within any applicable limit provided in this section.

36 2. For the fiscal years beginning on and after July 1, 1982, the max-
37 imum allowable revenue from the supplemental city-county relief tax and
38 taxes ad valorem, combined, must be calculated as follows:

39 (a) Assessed valuation for the preceding fiscal year, including net pro-
40 ceeds of mines, is added to an amount equal to the product of that
41 assessed valuation multiplied by the percentage increase in the Consumer
42 Price Index for the preceding calendar year. To this sum must be added
43 the assessed value of the new real property and mobile homes added to
44 the assessment rolls in the past year for that local government.

45 (b) The percentage increase that the total calculated pursuant to para-
46 graph (a) represents over the assessed valuation for the preceding year is
47 the maximum percentage by which the combined amount allowable
48 from the supplemental city-county relief tax and taxes ad valorem may
49 increase over the amount allowed for the preceding year.

1 *If the local government levies a tax ad valorem for debt service upon an*
2 *obligation which has previously been repaid from another source, the*
3 *combined amount which it may receive pursuant to this subsection is*
4 *reduced by the amount of that tax ad valorem. If a board of county*
5 *commissioners which during the fiscal year ending on June 30, 1981,*
6 *distributed all or part of the state gaming license fees received pursuant*
7 *to paragraph (b) of subsection 2 of NRS 463.320 to other local govern-*
8 *ments thereafter reduces or discontinues that distribution, the amount*
9 *that the county may receive from the supplemental city-county relief tax*
10 *is reduced by an equal amount.*

11 3. *For each fiscal year beginning on or after July 1, 1982, the reve-*
12 *nuce of the local government from taxes ad valorem, except those levied*
13 *for debt service, must not exceed by more than 6 percent the same reve-*
14 *nuce for the preceding fiscal year.*

15 4. *The local government may exceed the respective limits imposed*
16 *by this section upon combined amounts received and upon calculated*
17 *receipts from taxes ad valorem only as provided in section 3.3 of this*
18 *act or if its governing body proposes to its registered voters an additional*
19 *levy ad valorem, specifying the amount of money to be derived, the pur-*
20 *pose for which it is to be expended, and the duration of the levy, and*
21 *the proposal is approved by a majority of the voters voting on the ques-*
22 *tion at a general election or a special election called for that purpose.*
23 *The governing body may discontinue the levy before it expires and may*
24 *not thereafter reimpose it in whole or in part without following the pro-*
25 *cedure required for its original imposition.*

26 5. *To the maximum combined revenue otherwise allowable under*
27 *this section to a local government, the interim legislative committee on*
28 *local governmental finance may add its estimate of the cost to that local*
29 *government of any substantial program or expense required by legislative*
30 *enactment which was not in effect for all or part of the preceding fiscal*
31 *year.*

32 SEC. 3.3. 1. *A local government, other than a school district, whose*
33 *governing body determines that unforeseen or uncontrollable conditions,*
34 *existing or imminent, substantially impair its financial capacity to provide*
35 *the basic services for which it was created may apply through the execu-*
36 *tive director of the department of taxation to the interim legislative*
37 *committee on local governmental finance for a temporary exemption*
38 *from the limitations imposed by section 3 of this act. Such exemptions*
39 *must be for no more than 2 years and must not permit the rate of levy*
40 *for taxes ad valorem to increase by more than 50 cents per \$100 of*
41 *assessed valuation above the limitations otherwise established by section*
42 *3 of this act.*

43 2. *In evaluating such applications, the committee shall consider the*
44 *recommendation of the director of the department of taxation. The*
45 *executive director and the committee shall consider, without limitation,*
46 *the effect of a sudden and unusual change in population served, the con-*
47 *struction of major public works and facilities, a significant decrease in*
48 *one or more revenues from sources other than property taxes, excessive*
49 *increases in the unit cost of providing services, whether present or prob-*
50 *able, and events of an uncommon nature, such as judgments and other*

1 uninsured losses or natural disasters. The committee shall consider the
2 general economic condition of the community and of the state and the
3 effect of each proposal on the taxpayer, and make written findings of
4 the facts supporting the exemption if it allows one.

5 SEC. 3.6. For the purposes of section 3 of this act, the basic revenue
6 of any local government, as otherwise determined pursuant to paragraph
7 (a) of subsection 1 of that section, coming into being subsequent to the
8 date of passage and approval of this act, whether newly created, consoli-
9 dated or both, must be initially established and approved by the interim
10 legislative committee on local governmental finance acting after receiving
11 the advice of the executive director of the department of taxation.

12 SEC. 4. 1. If actual receipts from the supplemental city-county relief
13 tax for any fiscal year exceed the estimate previously made by the execu-
14 tive director of the department of taxation, the excess receipts must be
15 deposited in the reserve fund for the supplemental city-county relief tax
16 which is hereby created in the state treasury. There must also be depos-
17 ited in this fund any proceeds of that tax which became available when
18 for any local government the supplemental city-county relief tax other-
19 wise distributable to it exceeds the combined amount allowable to it from
20 the supplemental city-county relief tax and taxes ad valorem. Money in
21 this fund must not be used for any purpose other than distribution to local
22 governments pursuant to this section. The interest earned upon the money
23 in the fund must be added to the principal of the fund.

24 2. The money in this fund must be used to increase the distribution
25 to local governments when the actual receipts from the supplemental
26 city-county relief tax are less than the estimates previously made by the
27 director of the department of taxation. Whenever the money in the fund
28 at the beginning of any fiscal year exceeds 10 percent of the actual reve-
29 nues from the supplemental city-county relief tax in the preceding fiscal
30 year, this excess must be distributed to local governments in the following
31 fiscal year in the same proportion as current receipts are distributed for
32 that fiscal year. This distribution must be included in the executive direc-
33 tor's estimate of money to be received by each local government from the
34 supplemental city-county relief tax.

35 3. The interim legislative committee on local governmental finance
36 may direct the state controller to make a special distribution from the
37 fund if it determines that the conditions prescribed in section 3.3 of this
38 act for a temporary exemption exist, and makes written findings of the
39 facts supporting the distribution.

40 SEC. 5. 1. A local government shall not increase any fee for a license
41 or permit or adopt a fee for a license or permit or impose a service charge
42 not previously assessed, including without limitation every license or per-
43 mit issued for revenue or regulation or both, such as business licenses,
44 liquor licenses, gaming licenses, and building and zoning permits, except
45 as permitted by this section. This prohibition does not apply to service
46 charges made by hospitals or convention authorities.

47 2. The rate structure of any fee for a license or permit in effect on the
48 date of passage and approval of this act is the base from which any
49 increase in such license or permit fee must be calculated. On February 1
50 of each year the executive director of the department of taxation shall

1 certify the increase in the Consumer Price Index for the preceding calen-
2 dar year and shall furnish this information to each local government.
3 Subject to the further limitation imposed by subsections 3 and 4, no fee
4 for a permit or license may be increased more often than once in any
5 calendar year or by an amount greater than its amount for the preceding
6 calendar year multiplied by 80 percent of the increase in the Consumer
7 Price Index from the beginning of the preceding calendar year to the
8 beginning of the calendar year in which the increase is made.

9 3. A local government must submit any proposal to impose a new
10 charge for service and must submit a proposal to increase a fee for a
11 license or permit to the executive director of the department of taxation
12 for approval if:

13 (a) The method of computation of a fee for a license or permit is
14 changed;

15 (b) The method of computation existing on the date of passage and
16 approval of this act is a fraction or percentage of the gross revenue of the
17 business;

18 (c) The classification of a type of business is changed or new categories
19 of business are added; or

20 (d) The license fee for which increases are proposed has been increased
21 between July 1, 1979, and the date of passage and approval of this act.

22 A local government may appeal the decision of the executive director of
23 the department of taxation to the interim legislative committee on local
24 governmental finance. The executive director and the committee shall
25 evaluate the proposal to determine whether the proposed change is con-
26 sistent with the purpose of this section to limit increases in the rate struc-
27 ture for these revenues.

28 4. A local government may not increase any fee for a license or per-
29 mit which is calculated as a fraction or percentage of the gross revenue
30 of the business if its total revenues from such fees have increased during
31 the preceding calendar year by 80 percent or more of the increase in the
32 Consumer Price Index during that preceding calendar year.

33 5. A local government may submit an application for exemption from
34 the provisions of this section to the interim legislative committee on local
35 governmental finance, which may grant the exemption if it finds that:

36 (a) The conditions prescribed in section 3.3 of this act for a temporary
37 exemption exist, and makes written findings of the facts supporting the
38 exemption;

39 (b) The local government has not previously charged a fee for a license
40 or permit or imposed a service charge; or

41 (c) The last increase was not recent and the rates of the fees charged by
42 the local government are at a significantly lower level than those of other
43 similar local governments in the state.

44 6. The provisions of this section apply to any license or permit for
45 any purpose regardless of the fund to which the revenue from it is
46 assigned. An ordinance or resolution enacted by a local government in
47 violation of provisions of this section is void.

48 SEC. 6. Any ending balance of the general or a special revenue fund,
49 other than those established solely for the purpose of administering fed-
50 eral, state or private grants in aid, which exceeds the sum of the money

1 appropriated for the opening balance of that fund for the succeeding fiscal
2 year and one-twelfth of the expenditures from that fund for the fiscal year
3 just ended may only be used to augment the appropriations of the suc-
4 ceeding year upon the favorable vote of a majority of the members of
5 the governing body and upon the consent of the executive director of the
6 department of taxation. The executive director shall not approve such an
7 application for augmentation unless it is for the sole purpose of replac-
8 ing an identifiable appropriation for a specified purpose which lapsed at
9 the end of the preceding fiscal year and which has not been reappropri-
10 ated in the year in which the augmentation is to become effective, except
11 where the conditions prescribed in section 3.3 of this act for a temporary
12 exemption exist. The local government may appeal the decision of the
13 executive director to the interim legislative committee on local govern-
14 mental finance, whose decision is final. If the executive director or the
15 committee approves the augmentation, it must make written findings of
16 the facts supporting its action.

17 SEC. 7. 1. The department of taxation shall review each annual audit
18 to determine whether it complies with regulations adopted pursuant to
19 NRS 354.594. Any independent auditor's report, whether upon financial
20 position and results of operations or upon internal financial controls,
21 which the department believes may not comply with those regulations
22 must be referred by the department to the state board of accountancy for
23 investigation and such action in respect to the issuing accountant as the
24 board may find appropriate in the circumstances.

25 2. In its review of the annual audits submitted, the department shall
26 identify all violations of statute and regulation reported therein. Within
27 60 days after the delivery of the annual audit to the local government, the
28 governing body shall advise the department what action has been taken to
29 prevent recurrence of each violation of law or regulation or to correct
30 each continuing violation. The department shall evaluate the local gov-
31 ernment's proposed plan of correction and, if the plan is satisfactory,
32 shall so advise the governing body. If the plan is not satisfactory, the
33 department shall advise the governing body that it deems the plan inade-
34 quate and propose an alternative plan. Within 30 days thereafter the
35 governing body shall report its assent to the department's plan or request
36 a hearing before the Nevada tax commission. This hearing must be held
37 within 30 days of such request and the determination of the Nevada
38 tax commission is final.

39 3. If the executive director determines that the plan established is
40 not being complied with, he must, through the office of the attorney gen-
41 eral, seek a writ from a court of competent jurisdiction to compel the
42 correction of the violation.

43 SEC. 8. If a local government provides a fund for self-insurance of
44 property, for any form of insurance for the benefit of its employees, or
45 for any other risk that it is permitted by law to assume, the reserves or
46 balance of a fund thus provided must not be expended for any purpose
47 other than that for which the fund was established, except that when the
48 governing body deems the reserve or balance to be no longer required,
49 either in whole or in part, it shall transfer the excess balance to the gen-
50 eral fund of the local government. Any such transfer must be reported

1 to the department of taxation within 30 days. Money so transferred is
2 not available as a basis for augmentation of the local government's
3 budget during the year of transfer.

4 SEC. 8.8. NRS 354.430 is hereby amended to read as follows:

5 354.430 1. Upon the adoption of a short-term financing resolution,
6 as provided in NRS 354.618, by a local government as defined in NRS
7 354.474, a certified copy thereof [shall] must be forwarded to the exec-
8 utive director of the department of taxation. As soon as is practicable,
9 the executive director of the department of taxation shall, after considera-
10 tion of the tax structure of the political subdivisions concerned and the
11 probable ability of the political subdivision to repay the requested short-
12 term financing, unless the resolution provides for a special tax exempt
13 from the limitation on taxes ad valorem, either approve or disapprove
14 the resolution in writing to the governing board. No such resolution is
15 effective until approved by the executive director of the department of
16 taxation. The written approval of the executive director of the depart-
17 ment of taxation [shall] must be recorded in the minutes of the govern-
18 ing board.

19 2. If the executive director of the department of taxation does not
20 approve the short-term financing resolution, the governing board of the
21 political subdivision may appeal the executive director's decision to the
22 Nevada tax commission.

23 3. If the resolution provides for a special tax exempt from the limi-
24 tation on taxes ad valorem, the executive director shall recommend to
25 the interim legislative committee on local governmental finance whether
26 the resolution should be approved. The decision of the committee is final.

27 SEC. 9. NRS 354.470 is hereby amended to read as follows:

28 354.470 NRS 354.470 to 354.626, inclusive, and sections 2 to 8,
29 inclusive, of this act, may be cited as the Local Government Budget Act.

30 SEC. 10. NRS 354.598 is hereby amended to read as follows:

31 354.598 1. At the time and place advertised for public hearing, or
32 at any time and place to which the public hearing is from time to time
33 adjourned, the governing body shall hold a public hearing on the tenta-
34 tive budget, at which time interested persons [shall] must be given an
35 opportunity to be heard.

36 2. At the public hearing, the governing body shall indicate changes,
37 if any, to be made in the tentative budget, and shall adopt a final budget
38 by the favorable votes of a majority of all members of the governing
39 body. The final budget must be adopted on or before May 1 of each
40 year. Should the governing body fail to adopt a final budget that com-
41 plies with the requirements of law and the regulations of the department
42 of taxation on or before the required date, the budget adopted and
43 approved by the department of taxation for the current year, adjusted
44 as to content and rate in such manner as the department of taxation may
45 consider necessary, automatically becomes the budget for the ensuing
46 fiscal year. When a budget has been so adopted by default, the govern-
47 ing body may not reconsider the budget without the express approval
48 of the department of taxation. [If such a default budget exceeds the
49 expenditure permitted by NRS 354.5981, the Nevada tax commission
50 shall reduce the total expenditure to the permitted amount.] If the default

1 budget creates a combined ad valorem tax rate in excess of the limit
 2 imposed by NRS 361.453, the Nevada tax commission shall adjust the
 3 budget as provided in NRS 361.455.

4 3. The final budget must be certified by a majority of all members of
 5 the governing body and a copy of it, together with an affidavit of proof of
 6 publication of the notice of the public hearing, must be transmitted to
 7 the Nevada tax commission. If a tentative budget is adopted by default as
 8 provided in subsection 2, the clerk of the governing body shall certify the
 9 budget and transmit to the Nevada tax commission a copy of the budget,
 10 together with an affidavit of proof of the notice of the public hearing, if
 11 that notice was published. Certified copies of the final budget must be
 12 distributed as determined by the department of taxation.

13 4. Upon the adoption of the final budget or the amendment of the
 14 budget in accordance with NRS 354.606, the several amounts stated in
 15 it as proposed expenditures are appropriated for the purposes indicated
 16 in the budget.

17 5. No governing body may adopt any budget which appropriates for
 18 any fund any amount in excess of the budget resources of that fund.

19 **SEC. 11. NRS 354.599 is hereby amended to read as follows:**

20 354.599 1. In any year in which the legislature by law increases or
 21 decreases the revenues of a local government, and that increase or
 22 decrease was not included or anticipated in the local government's final
 23 budget as adopted pursuant to NRS 354.598, the governing body of any
 24 such local government may, before July 15 of the budget year, file an
 25 amended budget with the department of taxation increasing or decreasing
 26 its anticipated revenues and expenditures from that contained in its final
 27 budget to the extent of the actual increase or decrease of revenues result-
 28 ing from the legislative action.

29 2. In any year in which the legislature enacts a law requiring an
 30 increase or decrease in expenditures of a local government, which was
 31 not anticipated or included in its final budget as adopted pursuant to
 32 NRS 354.598, the governing body of any such local government may,
 33 before July 15 of the budget year, file an amended budget with the
 34 department of taxation providing for an increase or decrease in expendi-
 35 tures from that contained in its final budget to the extent of the actual
 36 amount made necessary by the legislative action.

37 3. The amended budget, as approved by the department of taxation,
 38 is the budget of the local government for the current fiscal year.

39 **[4. The provisions of this section do not increase the permissible
 40 expenditure of a local government from its general fund.]**

41 **SEC. 12. NRS 354.615 is hereby amended to read as follows:**

42 354.615 1. If resources actually available during a budget period
 43 exceed those estimated, a local government may augment a budget in the
 44 manner provided below:

45 (a) If it is desired to augment the appropriations of an appropriation
 46 fund, the governing body shall, by majority vote of all members of the
 47 governing body, adopt a resolution reciting the appropriations to be aug-
 48 mented, and the nature of the unbudgeted resources intended to be used
 49 for the augmentation.

1 (b) Before the adoption of [such] the resolution, the governing body
 2 shall publish notice of its intention to act thereon in a newspaper of
 3 general circulation in the county for at least one publication. No vote
 4 may be taken upon [such a] the resolution until 10 days after the
 5 publication of the notice.

6 (c) If it is desired to augment the budget of any other fund, the gov-
 7 erning body shall adopt, by majority vote of all members of the governing
 8 body, a resolution providing therefor at a regular meeting of the body.

9 2. A budget augmentation becomes effective upon delivery to the
 10 department of taxation of a certified copy of the resolution providing
 11 therefor.

12 [3. A governing body shall not increase the budgeted expenditures
 13 from its general fund beyond the amount permitted by NRS 354.5981.]

14 SEC. 12.5. NRS 354.618 is hereby amended to read as follows:

15 354.618 1. If the public interest requires short-term financing, the
 16 governing body of any local government, by a resolution unanimously
 17 adopted, may authorize short-term financing. The resolution [shall] must
 18 contain:

19 (a) A finding by the governing body that the public interest requires
 20 the short-term financing; and

21 (b) A statement of the facts upon which the finding is based.

22 2. Except as provided in subsection 3, before the adoption of any
 23 such resolution, the governing body shall publish notice of its intention
 24 to act thereon in a newspaper of general circulation for at least one
 25 publication. No vote may be taken upon such resolution until 10 days
 26 after the publication of the notice. The cost of publication of the notice
 27 required of an entity [shall be] is a proper charge against its general
 28 fund.

29 3. In school districts having less than 100 pupils in average daily
 30 attendance the publication of the resolution may be made by posting
 31 conspicuously, in three different places in the school district, a notice
 32 containing in full the short-term financing resolution with the date upon
 33 which the board of trustees of the school district is to meet to act upon
 34 the resolution. Posting of the notice [shall] must be made not less than
 35 10 days previous to the date fixed in the resolution for action thereon.

36 4. The governing body shall determine in its resolution whether the
 37 money required to retire such indebtedness and interest thereon is to be
 38 provided by:

39 (a) Revenues other than a special tax exempt from the limitations on
 40 levy of ad valorem taxes provided by section 3 of this act; or

41 (b) A special tax so exempt.

42 SEC. 13. NRS 354.624 is hereby amended to read as follows:

43 354.624 1. Each local government shall provide for an annual audit
 44 of all funds and separate accounts in banks or savings and loan associa-
 45 tions, established under NRS 354.603, of that local government, and may
 46 provide for more frequent audits as it deems necessary. Each annual
 47 audit [shall] must be concluded and the audit report submitted to the
 48 governing body as provided in subsection 4 not later than 5 months from

1 the close of the fiscal year for which the audit is conducted. An extension
2 sion of this time may be granted by the department of taxation to any
3 local government which makes application for such extension. If the
4 local government fails to provide for an audit in accordance with the
5 provisions of this section, the department of taxation shall cause such
6 audit to be made at the expense of the local government. All audits
7 [shall] *must* be made by a public accountant certified or registered or by
8 a partnership registered under the provisions of chapter 628 of NRS.

9 2. The governing body may, without requiring competitive bids, designate
10 [such] *the* accountant or firm annually. The accountant or firm
11 [shall] *must* be designated not later than 3 months [prior to] *before* the
12 close of the fiscal year for which the audit is to be made.

13 3. Each annual audit [shall] *must* cover the business of the local
14 government during the full fiscal year. It [shall] *must* be a comprehensive
15 audit of the affairs of the local government, including comment on
16 the balance sheets accounts, results of operations, compliance with
17 statutes and regulations, recommendations for improvements, and any
18 other comments deemed pertinent by the auditor, and including his
19 expression of opinion as to the adequacy of the financial presentation.
20 The form of the financial statements [shall] *must* be prescribed by the
21 department of taxation, and the chart of accounts [shall] *must* be as
22 nearly as possible the same as that used in the preparation and publication
23 of the annual budget. The audit [shall] *report must* compare
24 operations of the local government with the approved budget [.
25 Included shall be] *and include* a statement from the auditor that previously
26 noted deficiencies in operations and previously made recommendations
27 for improvements contained in previous audit reports have
28 been acted upon by adoption as recommended, adoption with modifications,
29 or rejection.

30 4. The recommendation and the summary of the narrative comments
31 of the audit report [shall] *must* be read in full at a meeting of the
32 governing body held not more than 15 days after the report is submitted
33 [.] *to it*. Immediately thereafter, the entire audit report [shall] ,
34 *together with any related letter to the governing body required by generally
35 accepted auditing standards or by regulations adopted pursuant to
36 NRS 354.594, must* be filed as a public record with:

- 37 (a) The clerk or secretary of the governing body;
38 (b) The county clerk; *and*
39 (c) The department of taxation; and
40 (d) In the case of school districts, the [state] department of education.
41

42 5. The governing body shall act upon the audit recommendations
43 *within 6 months following receipt of the audit report, except as prompter
44 action is required concerning violations of law or regulation*, by setting
45 forth in its minutes its intention to adopt the recommendations, to adopt
46 them with modifications or to reject them for reasons shown in the minutes.
47 [Such action shall be taken within 6 months following receipt of the
48 audit.]

49 SEC. 14. NRS 279.636 is hereby amended to read as follows:

1 279.636 1. An agency may issue such types of bonds as it may deter-
2 mine, including bonds on which the principal and interest are payable:

3 (a) Exclusively from the income and revenues of the redevelopment
4 projects financed with the proceeds of the bonds, or with such proceeds
5 together with financial assistance from the state or Federal Government
6 in aid of the projects.

7 (b) Exclusively from the income and revenues of certain designated
8 redevelopment projects whether or not they were financed in whole or in
9 part with the proceeds of the bonds.

10 (c) In whole or in part from taxes allocated to, and paid into a special
11 fund of, the agency pursuant to the provisions of NRS 279.674 to 279.-
12 680, inclusive.

13 (d) From its revenues generally.

14 (e) From any contributions or other financial assistance from the state
15 or Federal Government.

16 (f) By any combination of these methods.

17 2. Any of such bonds may be additionally secured by a pledge of any
18 revenues or by an encumbrance by mortgage, deed of trust or otherwise
19 of any redevelopment project or other property of the agency or by a
20 pledge of the taxes referred to in subsection 1.

21 3. *Amounts payable in any manner permitted by this section may be*
22 *additionally secured by a pledge of the full faith and credit of the com-*
23 *munity whose legislative body has declared the need for the agency to*
24 *function. Such additional security may only be provided upon the*
25 *approval of the majority of the voters voting on the question at a general*
26 *election or a special election called for that purpose. In its proposal to its*
27 *voters the governing body shall define the area to be redeveloped, the*
28 *primary source or sources of revenues first to be employed to retire the*
29 *bonds and the maximum sum for which the city may pledge its full faith*
30 *and credit in connection with the bonds to be issued for the project.*

31 SEC. 15. NRS 279.638 is hereby amended to read as follows:

32 279.638 1. Neither the members of an agency nor any persons exe-
33 cuting the bonds are liable personally on the bonds by reason of their
34 issuance.

35 2. ~~Unless the full faith and credit of a community is pledged,~~
36 ~~the bonds and other obligations of any agency are not a debt of the~~
37 ~~community, the state or any of its political subdivisions and neither the~~
38 ~~community, the state nor any of its political subdivisions is liable on~~
39 ~~them, nor in any event shall the bonds or obligations be payable out of~~
40 ~~any funds or properties other than those of the agency; and such bonds~~
41 ~~and other obligations shall so state on their face. ~~Unless the full~~~~
42 ~~faith and credit of a community is pledged, the bonds do not constitute~~
43 ~~an indebtedness within the meaning of any constitutional or statutory~~
44 ~~debt limitation or restriction.~~

45 SEC. 16. NRS 279.676 is hereby amended to read as follows:

46 279.676 Any redevelopment plan may contain a provision that taxes,
47 if any, levied upon taxable property in the redevelopment project each
48 year by or for the benefit of the state, any city, county, district or other
49 public corporation, after the effective date of the ordinance approving the
50 redevelopment plan, shall be divided as follows:

1 1. That portion of the taxes which would be produced by the rate
2 upon which the tax is levied each year by or for each of such taxing
3 agencies upon the total sum of the assessed value of the taxable prop-
4 erty in the redevelopment project as shown upon the assessment roll
5 used in connection with the taxation of such property by such taxing
6 agency, last equalized prior to the effective date of such ordinance,
7 shall be allocated to and when collected shall be paid into the funds of
8 the respective taxing agencies as taxes by or for such taxing agencies on
9 all other property are paid. For the purpose of allocating taxes levied
10 by or for any taxing agency or agencies which did not include the terri-
11 tory in a redevelopment project on the effective date of such ordinance
12 but to which such territory has been annexed or otherwise included
13 after such effective date, the assessment roll of the county last equal-
14 ized on the effective date of such ordinance shall be used in determining
15 the assessed valuation of the taxable property in the project on such effec-
16 tive date.

17 2. That portion of such levied taxes each year in excess of such
18 amount shall be allocated to and when collected shall be paid into a
19 special fund of the redevelopment agency to pay the principal of and
20 interest on loans, moneys advanced to, or indebtedness, whether funded,
21 refunded, assumed, or otherwise, incurred by such redevelopment agency
22 to finance or refinance, in whole or in part, such redevelopment project.
23 Unless and until the total assessed valuation of the taxable property in a
24 redevelopment project exceeds the total assessed value of the taxable
25 property in such project as shown by the last equalized assessment roll
26 referred to in subsection 1, all of the taxes levied and collected upon the
27 taxable property in such redevelopment project shall be paid into the
28 funds of the respective taxing agencies. When such loans, advances and
29 indebtedness, if any, and interest thereon, have been paid, all moneys
30 thereafter received from taxes upon the taxable property in such redevel-
31 opment project shall be paid into the funds of the respective taxing agen-
32 cies as taxes on all other property are paid.

33 3. *Taxes ad valorem distributable to the agency entitle the agency to*
34 *a share of supplemental city-county relief tax allocated to the municipality*
35 *in the same proportion as the supplemental city-county relief tax payable*
36 *to the municipality as a whole bears to the total of the ad valorem taxes*
37 *receivable by the municipality including those received for the agency.*

38 SEC. 17. NRS 354.5981, 354.5983, 354.5985 and 370.330 are
39 hereby repealed.

40 SEC. 18. 1. The executive director of the department of taxation
41 shall provide his estimate of the amount which each local government
42 is to receive from the supplemental city-county relief tax to that local
43 government as soon as feasible after the passage and approval of this act.

44 2. For the fiscal year beginning July 1, 1981, the combined amount
45 to be received by a local government from the supplemental city-county
46 relief tax and taxes ad valorem calculated to be collectible during the fis-
47 cal year beginning on July 1, 1981 must not exceed the smaller of:

48 (a) The product calculated pursuant to paragraph (a) of subsection 1
49 of section 3 of this act, but using the estimated assessed valuation before
50 equalization; or

1 (b) One hundred and twelve percent of the taxes ad valorem calcu-
2 lated to be collectible during the fiscal year ending on June 30, 1981, by
3 multiplying the tax rate certified for that year by the assessed valuation
4 certified for the same year, except taxes levied for debt service. Those
5 counties and fire districts for which provision is made in subparagraphs
6 (1) and (2) of paragraph (a) of subsection 1 of section 3 of this act
7 are entitled to use instead of the certified rate the rates respectively speci-
8 fied in those subparagraphs.

9 SEC. 19. Any city in which a redevelopment agency has issued and
10 sold bonds to whose payment a portion of the taxes collected upon prop-
11 erty in a redevelopment project has been pledged pursuant to NRS 279.-
12 676 may with the consent of the holder or holders of those bonds,
13 amend its ordinance adopting the redevelopment plan and require the
14 agency to amend its resolution authorizing the issuance of the bonds
15 so as to make them payable from taxes levied for the support of the
16 agency, as to both principal and interest.

17 SEC. 20. 1. Except as provided in subsection 2, the legislature
18 declares that this bill, Senate Bill No. 69 and Assembly Bill No. 369 con-
19 stitute an integrated plan for the relief of the residents of this state from
20 excessive property taxes while providing revenue for the necessary serv-
21 ices of local government, that their provisions are not severable. If any
22 provision of any of these bills which becomes law, or the application
23 thereof to any person, thing or circumstance is held invalid, the other
24 provisions of each of these bills become ineffective, and all statutes
25 repealed by any of these bills are revived.

26 2. If the interim legislative committee on local governmental finance
27 is held invalid as a whole or unable to perform any particular function, all
28 of its functions or that particular function, as the case may be, devolve
29 upon the Nevada tax commission.

30 SEC. 21. 1. This section and sections 18 to 20, inclusive, of this act
31 shall become effective upon passage and approval.

32 2. Sections 1 to 17, inclusive, of this act shall become effective upon
33 passage and approval for the purposes of preparing budgets and calculat-
34 ing levies.

35 3. For all other purposes, sections 1 to 17, inclusive, of this act shall
36 become effective July 1, 1981.

⊗

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Third Reprint

EXHIBIT B

Section 3.

3. For each fiscal year beginning on or after July 1, 1982, the revenue of the local government from taxes ad valorem, except those levied for debt service, must not exceed 6 percent of the same revenue generated from the preceding fiscal year's assessment rolls, and to that amount may be added the ad valorem revenue to be generated from new real property, new possessory interest property and mobile homes added to the assessment rolls.