

SENATE BILL NO. 452—COMMITTEE ON GOVERNMENT AFFAIRS

MARCH 24, 2003

Referred to Committee on Government Affairs

SUMMARY—Revises provisions governing enterprise funds for building permit fees. (BDR 31-838)

FISCAL NOTE: Effect on Local Government: No.  
Effect on the State: No.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to local governments; revising the provisions governing enterprise funds for building permit fees; 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.** NRS 354.59891 is hereby amended to read as  
2 follows:

3 354.59891 1. As used in this section:  
4 (a) “Building permit” means the official document or certificate  
5 issued by the building officer of a local government which  
6 authorizes the construction of a structure ~~[ ]~~ *and any improvement*  
7 *associated with the construction of a structure which supports the*  
8 *construction of the structure or the development of a property,*  
9 *including, without limitation, a roadway, utility or drainage*  
10 *improvement in a public right-of-way or on a private street.*

11 (b) “Building permit basis” means the combination of the rate  
12 and the valuation method used to calculate the total building permit  
13 fee.

14 (c) “Building permit fee” means the total fees that must be paid  
15 before the issuance of a building permit, including , without  
16 limitation, all permit fees , ~~and~~ inspection fees ~~[ ]~~ *and fees for*  
17 *testing and review of technical studies associated with the*  
18 *construction of a roadway, utility or drainage improvement or the*  
19 *development of a property.* The term does not include, without



1 limitation, fees relating to water, sewer or other utilities, residential  
2 construction tax, tax for the improvement of transportation imposed  
3 pursuant to NRS 278.710, any fee imposed pursuant to NRS  
4 244.386 or any amount expended to change the zoning of the  
5 property.

6 (d) "Current asset" means any cash maintained in an enterprise  
7 fund and any interest or other income earned on the money in the  
8 enterprise fund that, at the end of the current fiscal year, is  
9 anticipated by a local government to be consumed or converted into  
10 cash during the next ensuing fiscal year.

11 (e) "Current liability" means any debt incurred by a local  
12 government to provide the services associated with issuing building  
13 permits that, at the end of the current fiscal year, is determined by  
14 the local government to require payment within the next ensuing  
15 fiscal year.

16 (f) "Operating cost" means the amount paid by a local  
17 government for supplies, services, salaries, wages and employee  
18 benefits to provide the services associated with issuing building  
19 permits.

20 (g) "Working capital" means the excess of current assets over  
21 current liabilities, as determined by the local government at the end  
22 of the current fiscal year.

23 2. Except as otherwise provided in subsections 3 and 4, a local  
24 government shall not increase its building permit basis by more than  
25 an amount equal to the building permit basis on ~~June 30, 1989,~~  
26 **July 2, 2003**, multiplied by a percentage equal to the percentage  
27 increase in the consumer price index from January 1, ~~1988,~~ **2003**,  
28 to the January 1 next preceding the fiscal year for which the  
29 calculation is made.

30 3. A local government may submit an application to increase  
31 its building permit basis by an amount greater than otherwise  
32 allowable pursuant to subsection 2 to the Nevada Tax Commission.  
33 The Nevada Tax Commission may allow the increase only if it finds  
34 that:

35 (a) Emergency conditions exist which impair the ability of the  
36 local government to perform the basic functions for which it was  
37 created; or

38 (b) The building permit basis of the local government is  
39 substantially below that of other local governments in the State and  
40 the cost of providing the services associated with the issuance of  
41 building permits in the previous fiscal year exceeded the total  
42 revenue received from building permit fees, excluding any amount  
43 of residential construction tax collected, for that fiscal year.



1 4. Upon application by a local government, the Nevada Tax  
2 Commission shall exempt the local government from the limitation  
3 on the increase of its building permit basis if:

4 (a) The local government creates an enterprise fund exclusively  
5 for building permit fees;

6 (b) Any interest or other income earned on the money in the  
7 enterprise fund is credited to the fund;

8 (c) Except as otherwise provided in subsection 5, the local  
9 government maintains a balance of unreserved working capital in  
10 the enterprise fund that does not exceed an amount equal to 9  
11 months' operating costs for the program for the issuance of building  
12 permits of the local government; and

13 (d) The local government does not use any of the money in the  
14 enterprise fund for any purpose other than the actual direct and  
15 indirect costs of the program for the issuance of building permits,  
16 including, without limitation, the cost of checking plans, issuing  
17 permits, inspecting buildings and administering the program. The  
18 Committee on Local Government Finance shall adopt regulations  
19 governing the permissible expenditures from an enterprise fund  
20 pursuant to this paragraph.

21 5. In addition to the balance of unreserved working capital  
22 authorized pursuant to subsection 4, the local government may  
23 maintain in an enterprise fund created pursuant to this section an  
24 amount of working capital for the following purposes:

25 (a) An amount sufficient to pay the debt service for 1 year on  
26 any debt incurred by the local government to provide the services  
27 associated with issuing building permits;

28 (b) An amount that does not exceed the total amount of  
29 expenditures for the program for the issuance of building permits of  
30 the local government set forth in the capital improvement plan of the  
31 local government prepared pursuant to NRS 354.5945 for the  
32 current fiscal year; and

33 (c) An amount that does not exceed 4 percent of the annual  
34 operating costs of the program for the issuance of building permits  
35 of the local government which must be used to pay for unanticipated  
36 capital replacement.

37 6. Any amount in an enterprise fund created pursuant to this  
38 section that is designated for special use, including, without  
39 limitation, prepaid fees and any other amount subject to a  
40 contractual agreement, must be identified as a restricted asset and  
41 must not be included as a current asset in the calculation of working  
42 capital.

43 7. If a balance in excess of the amount authorized pursuant to  
44 subsections 4 and 5 is maintained in an enterprise fund created  
45 pursuant to this section at the close of 2 consecutive fiscal years, the



1 local government shall reduce the building permit fees it charges by  
2 an amount that is sufficient to ensure that the balance in the  
3 enterprise fund at the close of the fiscal year next following those 2  
4 consecutive fiscal years does not exceed the amount authorized  
5 pursuant to subsections 4 and 5.

6 **Sec. 2.** This act becomes effective on July 1, 2003.

