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FIRST REPRINT

S.B. 250

SENATE BILL NO. 250—SENATOR KIECKHEFER

MARCH 17, 2011

Referred to Committee on Government Affairs

SUMMARY—Makes various changes relating to state financial administration. (BDR 31-749)

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 state financial administration; revising provisions governing state budgeting; making various other changes relating to state financial administration; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

1 Under existing law, the Chief of the Budget Division of the Department of
2 Administration is required to prepare a proposed budget for the Executive
3 Department of the State Government for each biennium for the Governor's
4 approval and submission to the Legislature. In preparing that proposed budget, the
5 Chief is prohibited from exceeding a limit on total proposed expenditures
6 calculated with a formula involving a base budget that is equal to the total
7 expenditures in the 1975-1977 biennium, which is multiplied by a certain
8 population growth percentage obtained from the United States Department of
9 Commerce and an inflation or deflation percentage based on figures from the
10 United States Department of Labor. (NRS 353.185, 353.213) **Section 2** of this bill
11 revises that formula by requiring that the base for each biennium be the
12 immediately preceding 60-month rolling average of total expenditure, less any
13 expenditure that has been removed from the State General Fund. This 60-month
14 rolling average will first apply to the Governor's proposed budget developed in
15 2012, so the 60-month rolling average in 2012 will consider expenditures between
16 2007 and 2012. **Section 2** further requires that the actual total proposed
17 expenditures in the Governor's proposed budget be based on a comparison between
18 the estimation of total proposed expenditures, the total legislative appropriations
19 made in the previous biennium and the most recent forecast for revenues in the
20 State General Fund made by the Economic Forum. Finally, **section 2** provides that
21 if the most recent forecast by the Economic Forum of revenues in the State exceeds
22 the limit upon total proposed expenditures, the Chief must include in the proposed
23 budget: (1) a transfer of 60 percent of such excess amount to the Fund to Stabilize
24 the Operation of the State Government; and (2) the use of 40 percent of such excess
25 amount for only capital expenditures, reducing unfunded liabilities, providing



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26 one-time matching funds for grants, employee training and education, and
27 acquisition or improvement of technology.

28 **Sections 1 and 4** of this bill require that if the actual revenue of the State
29 during a biennium exceeds the total expenditures from the State General Fund
30 appropriated and authorized by the Legislature for such biennium: (1) 60 percent of
31 such amount must be deposited into the Fund to Stabilize the Operation of the State
32 Government; and (2) 40 percent of such amount may only be used in a future
33 biennium for capital expenditures, reducing unfunded liabilities, providing one-
34 time matching funds for grants, employee training and education, acquisition or
35 improvement of technology, and supplementary appropriations.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** Chapter 353 of NRS is hereby amended by adding
2 thereto a new section to read as follows:

3 *If the total actual revenue of the State during a biennium*
4 *exceeds the total expenditures from the State General Fund*
5 *appropriated and authorized by the Legislature for such biennium,*
6 *40 percent of the amount of such excess may only be used in a*
7 *future biennium for the following purposes:*

- 8 1. *Capital expenditures.*
- 9 2. *Reducing unfunded liabilities of the State.*
- 10 3. *Providing one-time matching funds for grants.*
- 11 4. *Employee training and education.*
- 12 5. *Acquisition or improvement of technology.*
- 13 6. *Supplementary appropriations.*

14 **Sec. 1.5.** NRS 353.185 is hereby amended to read as follows:
15 353.185 The powers and duties of the Chief are:

16 1. To appraise the quantity and quality of services rendered by
17 each agency in the Executive Department of the State Government,
18 and the needs for such services and for any new services.

19 2. To develop plans for improvements and economies in
20 organization and operation of the Executive Department, and to
21 install such plans as are approved by the respective heads of the
22 various agencies of the Executive Department, or as are directed to
23 be installed by the Governor or the Legislature.

24 3. To cooperate with the State Public Works Board in
25 developing comprehensive, long-range plans for capital
26 improvements and the means for financing them.

27 4. To devise and prescribe the forms for reports on the
28 operations of the agencies in the Executive Department to be
29 required periodically from the several agencies in the Executive
30 Department, and to require the several agencies to make such
31 reports.



- 1 5. To prepare the executive budget report for the Governor's
2 approval and submission to the Legislature.
- 3 6. To prepare a proposed budget for the Executive Department
4 of the State Government for the next 2 fiscal years, which must:
- 5 (a) Present a complete financial plan for the next 2 fiscal years;
6 (b) Set forth all proposed expenditures for the administration,
7 operation and maintenance of the departments, institutions and
8 agencies of the Executive Department of the State Government,
9 including those operating on funds designated for specific purposes
10 by the Constitution or otherwise, which must include a separate
11 statement of:
- 12 (1) The anticipated expense, including personnel, for the
13 operation and maintenance of each capital improvement to be
14 constructed during the next 2 fiscal years and of each capital
15 improvement constructed on or after July 1, 1999, which is to be
16 used during those fiscal years or a future fiscal year; and
- 17 (2) The proposed source of funding for the operation and
18 maintenance of each capital improvement, including personnel, to
19 be constructed during the next 2 fiscal years;
- 20 (c) Set forth all charges for interest and debt redemption during
21 the next 2 fiscal years, including, without limitation, the debt service
22 on the note or notes authorized by NRS 349.074 as if the note or
23 notes were issued in the amount necessary to comply with ~~the~~
24 ~~minimum reserve requirements in~~ NRS 353.213;
- 25 (d) Set forth all expenditures for capital projects to be
26 undertaken and executed during the next 2 fiscal years, and which
27 must, to the extent practicable, provide that each capital project
28 which exceeds a cost of \$10,000,000 be scheduled to receive
29 funding for design and planning during one biennium and funding
30 for construction in the subsequent biennium; and
- 31 (e) Set forth the anticipated revenues of the State Government,
32 and any other additional means of financing the expenditures
33 proposed for the next 2 fiscal years.
- 34 7. To examine and approve work programs and allotments to
35 the several agencies in the Executive Department, and changes
36 therein.
- 37 8. To examine and approve statements and reports on the
38 estimated future financial condition and the operations of the
39 agencies in the Executive Department of the State Government and
40 the several budgetary units that have been prepared by those
41 agencies and budgetary units, before the reports are released to the
42 Governor, to the Legislature or for publication.
- 43 9. To receive and deal with requests for information as to the
44 budgetary status and operations of the executive agencies of the
45 State Government.



1 10. To prepare such statements of unit costs and other statistics
2 relating to cost as may be required from time to time, or requested
3 by the Governor or the Legislature.

4 11. To do and perform such other and further duties relative to
5 the development and submission of an adequate proposed budget for
6 the Executive Department of the State Government of the State of
7 Nevada as the Governor may require.

8 **Sec. 2.** NRS 353.213 is hereby amended to read as follows:

9 353.213 1. ~~[[a]]~~ *Except as otherwise provided in this section,*
10 *in* preparing the proposed budget for the Executive Department of
11 the State Government for each biennium, the Chief shall not exceed
12 the limit upon total proposed expenditures for purposes other than
13 construction and reducing any unfunded accrued liability of the
14 State Retirees' Health and Welfare Benefits Fund created by NRS
15 287.0436 from the State General Fund ~~[calculated]~~ *estimated*
16 pursuant to this section. The base for each biennium is the
17 *immediately preceding 60-month rolling average of* total
18 expenditure, for the purposes limited, from the State General Fund
19 appropriated and authorized by the Legislature ~~[for the biennium~~
20 ~~beginning on July 1, 1975.]~~ *, except that if any expenditure is*
21 *removed from the State General Fund, the 60-month rolling*
22 *average must be adjusted to account for such removal.*

23 2. The limit upon total proposed expenditures imposed
24 pursuant to subsection 1 for each biennium is calculated as follows:

25 (a) The amount of expenditure constituting the base is
26 multiplied by the percentage of change in population ~~[for the current~~
27 ~~biennium from the population on July 1, 1974,]~~ *as determined*
28 *pursuant to subsection 5*, and this product is added to or subtracted
29 from the amount of expenditure constituting the base.

30 (b) The amount calculated pursuant to paragraph (a) is
31 multiplied by the percentage of inflation or deflation ~~[;]~~ *as*
32 *determined pursuant to subsection 6*, and this product is added to
33 or subtracted from the amount calculated pursuant to paragraph (a).

34 ~~[(c) Subject to the limitations of this paragraph:~~

35 ~~—— (1) If the amount resulting from the calculations pursuant to~~
36 ~~paragraphs (a) and (b) represents a net increase over the base~~
37 ~~biennium, the Chief may increase the proposed expenditure~~
38 ~~accordingly.~~

39 ~~—— (2) If the amount represents a net decrease, the Chief shall~~
40 ~~decrease the proposed expenditure accordingly.~~

41 ~~—— (3) If the amount is the same as in the base biennium, that~~
42 ~~amount is the limit of permissible proposed expenditure.]~~

43 3. The proposed budget for each fiscal year of the biennium
44 must provide for a reserve of:



1 (a) Not less than 5 percent or more than 10 percent of the total
2 of all proposed appropriations from the State General Fund for the
3 operation of all departments, institutions and agencies of the State
4 Government and authorized expenditures from the State General
5 Fund for the regulation of gaming for that fiscal year; and

6 (b) Commencing with the proposed budget for the period that
7 begins on July 1, 2011, and ends on June 30, 2013, 1 percent of
8 the total anticipated revenue for each of the 2 fiscal years of the
9 biennium for which the budget is proposed, as projected by the
10 Economic Forum for each of those fiscal years pursuant to
11 paragraph (d) of subsection 1 of NRS 353.228 and as adjusted by
12 any changes or adjustments to state revenue that are recommended
13 in the proposed budget for those fiscal years.

14 4. *In preparing the proposed budget for the upcoming*
15 *biennium, the Chief shall compare the limit upon total proposed*
16 *expenditures estimated pursuant to subsection 2 with the most*
17 *recent forecast by the Economic Forum of revenues in the State*
18 *General Fund pursuant to NRS 353.228 and the total*
19 *expenditures, for the purposes limited in subsection 1, from the*
20 *State General Fund appropriated and authorized by the*
21 *Legislature for the current biennium as follows:*

22 (a) *If the most recent forecast by the Economic Forum of*
23 *revenues in the State General Fund is greater than the limit upon*
24 *total proposed expenditures estimated pursuant to subsection 2,*
25 *then the amount of the proposed budget cannot exceed the*
26 *limit upon total proposed expenditures estimated pursuant to*
27 *subsection 2.*

28 (b) *If the most recent forecast by the Economic Forum of*
29 *revenues in the State General Fund is less than the limit upon*
30 *total proposed expenditures estimated pursuant to subsection 2*
31 *and:*

32 (1) *Greater than the total expenditures, for the purposes*
33 *limited in subsection 1, from the State General Fund appropriated*
34 *and authorized by the Legislature for the current biennium, then*
35 *the amount of the proposed budget cannot exceed the most recent*
36 *forecast by the Economic Forum of revenues in the State General*
37 *Fund; or*

38 (2) *Less than the total expenditures, for the purposes*
39 *limited in subsection 1, from the State General Fund appropriated*
40 *and authorized by the Legislature for the current biennium, then*
41 *the amount of the proposed budget cannot exceed the smaller of:*

42 (I) *The total expenditures, for the purposes limited in*
43 *subsection 1, from the State General Fund appropriated and*
44 *authorized by the Legislature for the current biennium; or*



1 *(II) The most recent forecast by the Economic Forum of*
2 *revenues in the State General Fund plus the amount available for*
3 *appropriation from the Fund to Stabilize the Operation of the*
4 *State Government created by NRS 353.288.*

5 ~~5. [The revised estimate of]~~ *For purposes of paragraph (a) of*
6 *subsection 2, the population for the State [issued by the United*
7 *States Department of Commerce as of July 1, 1974, must be used*
8 *and the] as of July 1 preceding the biennium for which the budget*
9 *is being prepared must be compared to the population as of July 1*
10 *preceding the current biennium. Based on such comparison, the*
11 *Governor shall certify the percentage of increase or decrease in*
12 *population. [for each succeeding biennium. The]*

13 *6. For purposes of paragraph (b) of subsection 2, the*
14 *Consumer Price Index published by the United States Department of*
15 *Labor for July 1 preceding [each] the biennium [must be used in*
16 *determining] for which the budget is being prepared must be*
17 *compared to the Consumer Price Index published by the United*
18 *States Department of Labor for July 1 preceding the current*
19 *biennium to determine the percentage of inflation or deflation.*

20 ~~5-] 7.~~ *The Chief may exceed the limit to the extent necessary*
21 *to meet situations in which there is a threat to life or property.*

22 ~~6-] 8.~~ *If the most recent forecast by the Economic Forum of*
23 *revenues in the State exceeds the limit upon total proposed*
24 *expenditures estimated pursuant to subsection 2, the proposed*
25 *budget must include:*

26 *(a) A transfer of 60 percent of such excess amount to the Fund*
27 *to Stabilize the Operation of the State Government; and*

28 *(b) The use of 40 percent of such excess amount for only the*
29 *following purposes:*

30 *(1) Capital expenditures.*

31 *(2) Reducing unfunded liabilities of the State.*

32 *(3) Providing one-time matching funds for grants.*

33 *(4) Employee training and education.*

34 *(5) Acquisition or improvement of technology.*

35 *9. As used in this section, "unfunded accrued liability" means a*
36 *liability with an actuarially determined value which exceeds the*
37 *value of the assets in the fund from which payments are made to*
38 *discharge the liability.*

39 **Sec. 3.** (Deleted by amendment.)

40 **Sec. 4.** NRS 353.288 is hereby amended to read as follows:

41 353.288 1. The Fund to Stabilize the Operation of the State
42 Government is hereby created as a special revenue fund. Except as
43 otherwise provided in subsections 3 and 4, each year after the close
44 of the previous fiscal year and before the issuance of the State
45 Controller's annual report, the State Controller shall transfer from



1 the State General Fund to the Fund to Stabilize the Operation of the
2 State Government:

3 (a) Forty percent of the unrestricted balance of the State General
4 Fund, as of the close of the previous fiscal year, which remains after
5 subtracting an amount equal to 7 percent of all appropriations made
6 from the State General Fund during that previous fiscal year for the
7 operation of all departments, institutions and agencies of State
8 Government and for the funding of schools; ~~and~~

9 (b) Commencing with the fiscal year that begins on July 1,
10 2011, 1 percent of the total anticipated revenue for the fiscal year in
11 which the transfer will be made, as projected by the Economic
12 Forum for that fiscal year pursuant to paragraph (e) of subsection 1
13 of NRS 353.228 and as adjusted by any legislation enacted by the
14 Legislature that affects state revenue for that fiscal year ~~and~~; *and*

15 *(c) Subject to the limitations set forth in paragraphs (a) and*
16 *(b), if the total actual revenue of the State during a biennium*
17 *exceeds the total expenditures from the State General Fund*
18 *appropriated and authorized by the Legislature for such biennium,*
19 *an amount equal to 60 percent of the amount of such excess.*

20 2. Money transferred pursuant to subsection 1 to the Fund to
21 Stabilize the Operation of the State Government is a continuing
22 appropriation solely for the purpose of authorizing the expenditure
23 of the transferred money for the purposes set forth in this section.

24 3. The balance in the Fund to Stabilize the Operation of the
25 State Government, excluding the aggregate balance in the Disaster
26 Relief Account and the Emergency Assistance Subaccount, must not
27 exceed 20 percent of the total of all appropriations from the State
28 General Fund for the operation of all departments, institutions and
29 agencies of the State Government and for the funding of schools and
30 authorized expenditures from the State General Fund for the
31 regulation of gaming for the fiscal year in which that revenue will
32 be transferred to the Fund to Stabilize the Operation of the State
33 Government.

34 4. Except as otherwise provided in this subsection and NRS
35 353.2735, beginning with the fiscal year that begins on July 1, 2003,
36 the State Controller shall, at the end of each quarter of a fiscal year,
37 transfer from the State General Fund to the Disaster Relief Account
38 created pursuant to NRS 353.2735 an amount equal to not more than
39 10 percent of the aggregate balance in the Fund to Stabilize the
40 Operation of the State Government during the previous quarter,
41 excluding the aggregate balance in the Disaster Relief Account and
42 the Emergency Assistance Subaccount created pursuant to NRS
43 414.135. The State Controller shall not transfer more than \$500,000
44 for any quarter pursuant to this subsection.



1 5. The Chief of the Budget Division of the Department of
2 Administration may submit a request to the State Board of
3 Examiners to transfer money from the Fund to Stabilize the
4 Operation of the State Government to the State General Fund:

5 (a) If the total actual revenue of the State falls short by 5 percent
6 or more of the total anticipated revenue for the biennium in which
7 the transfer will be made, as determined by the Legislature, or the
8 Interim Finance Committee if the Legislature is not in session; or

9 (b) If the Legislature, or the Interim Finance Committee if the
10 Legislature is not in session, and the Governor declare that a fiscal
11 emergency exists.

12 6. The State Board of Examiners shall consider a request made
13 pursuant to subsection 5 and shall, if it finds that a transfer should
14 be made, recommend the amount of the transfer to the Interim
15 Finance Committee for its independent evaluation and action. The
16 Interim Finance Committee is not bound to follow the
17 recommendation of the State Board of Examiners.

18 7. If the Interim Finance Committee finds that a transfer
19 recommended by the State Board of Examiners should and may
20 lawfully be made, the Committee shall by resolution establish the
21 amount and direct the State Controller to transfer that amount to the
22 State General Fund. The State Controller shall thereupon make
23 the transfer.

24 8. In addition to the manner of allocation authorized pursuant
25 to subsections 5, 6 and 7, the money in the Fund to Stabilize the
26 Operation of the State Government may be allocated directly by the
27 Legislature to be used for any other purpose.

28 **Sec. 5.** 1. This act becomes effective on July 1, 2011.

29 2. Section 1.5 of this act expires by limitation on June 30,
30 2013.

