

ASSEMBLY BILL NO. 2—COMMITTEE OF THE WHOLE

DECEMBER 8, 2008

Referred to Committee of the Whole

SUMMARY—Revises provisions governing state financial administration. (BDR 30-10)

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; authorizing the State Treasurer to establish a line of credit under certain circumstances; reducing certain amounts of money budgeted for the 2008-2009 Fiscal Year; providing for the revisions of certain work programs necessary to carry out and process those reductions; suspending temporarily the administration of norm-referenced examinations in public schools; making various other changes relating to state financial administration; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

- 1 **Sections 1 and 3** of this bill authorize the State Treasurer to establish a line of
- 2 credit on behalf of the State with the Local Government Pooled Investment Fund
- 3 (Fund) created by NRS 355.167 for an amount that does not exceed \$160 million.
- 4 To establish the line of credit, the State Treasurer may, on or before August 31,
- 5 2009, sell notes to the Fund. The proceeds from the sale of the notes, less the costs
- 6 of issuance, must be deposited into the State General Fund and used for the
- 7 operation of the State. The notes will earn monthly interest at a rate equal to 25
- 8 basis points above the monthly rate of earnings of all the investments of money in
- 9 the Fund, other than the investments in those notes, during the immediately
- 10 preceding calendar month. The money borrowed from the Fund must be repaid in
- 11 periodic installments in such a manner that the entire principal amount borrowed is
- 12 repaid not later than August 31, 2013. The notes may be resold by the Fund as
- 13 needed to provide money to any local governments that have invested in the Fund.
- 14 **Section 2** of this bill revises the requirements of the Governor's proposed executive
- 15 budget to include debt service on the note or notes.
- 16 **Sections 4 and 6** of this bill reduce the current amount of money budgeted for
- 17 Fiscal Year 2008-2009 for certain programs and services of various state agencies.
- 18 **Section 5** of this bill provides for the transfer of the amount of the reductions



* A B 2 *

provided in **section 4** to the State General Fund Budget Reserve Account. The revisions to the work programs required to accomplish these reductions are made only upon approval of the Chief of the Budget Division of the Department of Administration, the Senate Fiscal Analyst and the Assembly Fiscal Analyst, without further legislative approval.

Section 7 of this bill provides that the norm-referenced examinations required to be administered to pupils pursuant to NRS 389.015 must not be administered during the 2008-2009 School Year to accommodate the budget reduction provided in subsection 2 of **section 4** of this bill.

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

Section 1. Chapter 349 of NRS is hereby amended by adding thereto a new section to read as follows:

1. The State Treasurer may, on or before August 31, 2009, in the name and on behalf of the State of Nevada, borrow money and evidence such borrowing by the issuance of one or more notes in an aggregate principal amount that does not exceed \$160 million. Each such note:

(a) Must be issued upon the order of the State Treasurer and pursuant to the provisions of the State Securities Law, except to the extent that those provisions are inconsistent with the provisions of this section; and

(b) May be issued without the approval of the State Board of Finance or any other board, commission or agency of this State.

↪ For the purposes of this section and the State Securities Law, the State Treasurer shall be deemed to constitute an agency of the State and any order of the State Treasurer authorizing the issuance of a note pursuant to this section shall be deemed to constitute a resolution authorizing the issuance of the note.

2. Each note authorized pursuant to this section must be:

(a) Issued pursuant to a written contract between the State and the Local Government Pooled Investment Fund, under which the Local Government Pooled Investment Fund agrees to invest in the note or notes issued pursuant to this section. The contract must be executed by the Governor on behalf of the State and by the State Treasurer on behalf of the Local Government Pooled Investment Fund.

(b) Sold to the Local Government Pooled Investment Fund at a price equal to the principal amount borrowed under the note. The total amount invested by the Local Government Pooled Investment Fund in notes issued pursuant to this section must not exceed:

(1) Twenty-five percent of the book value of the total investments of the Local Government Pooled Investment Fund on



1 *the date of the investment by the Local Government Pooled*
2 *Investment Fund; or*

3 (2) *One hundred sixty million dollars,*
4 *↪ whichever is less. The determination as to whether the*
5 *requirements of this paragraph are satisfied must be made by the*
6 *State Treasurer on the date of each investment by the Local*
7 *Government Pooled Investment Fund in a note issued pursuant to*
8 *this section. Each such determination shall be deemed to be*
9 *conclusive and is not affected by any subsequent changes in the*
10 *book value of the total investments of the Local Government*
11 *Pooled Investment Fund.*

12 3. *Except as otherwise provided in subsection 6, the principal*
13 *amount outstanding on any notes issued pursuant to this section*
14 *must bear interest, payable monthly on the first business day of*
15 *each calendar month, at a rate equal to 25 basis points above the*
16 *average monthly rate of earnings of all the investments, other than*
17 *any investments in notes issued pursuant to this section, of money*
18 *in the Local Government Pooled Investment Fund during the*
19 *immediately preceding calendar month.*

20 4. *The total principal amount borrowed on or before*
21 *August 31, 2009, pursuant to this section must be repaid in*
22 *installments in such a manner that:*

23 (a) *At least 25 percent of the total principal amount borrowed*
24 *on or before August 31, 2009, pursuant to this section must be*
25 *repaid, for Fiscal Year 2009-2010, on or before August 31, 2010;*

26 (b) *At least 50 percent of the total principal amount borrowed*
27 *on or before August 31, 2009, pursuant to this section must be*
28 *repaid, for Fiscal Year 2010-2011, on or before August 31, 2011;*

29 (c) *At least 75 percent of the total principal amount borrowed*
30 *on or before August 31, 2009, pursuant to this section must be*
31 *repaid, for Fiscal Year 2011-2012, on or before August 31, 2012;*
32 *and*

33 (d) *The entire total principal amount borrowed on or before*
34 *August 31, 2009, pursuant to this section must be repaid, for*
35 *Fiscal Year 2012-2013, on or before August 31, 2013.*

36 *↪ The provisions of this subsection do not prohibit the repayment*
37 *of the principal amount of any note issued pursuant to this section*
38 *earlier than the dates specified in this subsection.*

39 5. *Each note issued pursuant to this section constitutes a*
40 *general obligation of the State, and the full faith and credit of the*
41 *State is hereby pledged for the payment of the principal of and*
42 *interest on the note.*

43 6. *If necessary to provide money to any local governments*
44 *that have invested in the Local Government Pooled Investment*
45 *Fund, any note issued pursuant to this section, or any portion*



1 *thereof, may be sold by the Local Government Pooled Investment*
2 *Fund upon the direction of the State Treasurer. Each note so sold*
3 *must:*

4 (a) *Be payable as to principal on or before the dates specified*
5 *in subsection 4, except that the note may have a fixed maturity*
6 *date, without option of redemption, so long as the principal*
7 *amount of all the notes issued pursuant to this section are retired*
8 *in accordance with subsection 4.*

9 (b) *Bear interest, payable monthly on the first business day of*
10 *each calendar month, at such a rate or rates as the State*
11 *Treasurer determines to be sufficient to enable the sale of the note*
12 *at a price that is not less than the principal amount thereof.*

13 7. *Notwithstanding any other provision of law to the contrary,*
14 *any statutory limitation on the rate of interest that would otherwise*
15 *apply to securities issued by or on behalf of this State shall be*
16 *deemed not to apply to any rate of interest payable on any notes*
17 *issued pursuant to this section.*

18 8. *The proceeds from the sale of any notes pursuant to this*
19 *section to the Local Government Pooled Investment Fund, net of*
20 *costs of issuance, must be deposited into the State General Fund*
21 *and used for the general operation of this State.*

22 9. *As used in this section, "Local Government Pooled*
23 *Investment Fund" means the Local Government Pooled*
24 *Investment Fund created by NRS 355.167.*

25 **Sec. 2.** NRS 353.185 is hereby amended to read as follows:

26 353.185 The powers and duties of the Chief are:

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

30 2. To develop plans for improvements and economies in
31 organization and operation of the Executive Department, and to
32 install such plans as are approved by the respective heads of the
33 various agencies of the Executive Department, or as are directed to
34 be installed by the Governor or the Legislature.

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

38 4. To devise and prescribe the forms for reports on the
39 operations of the agencies in the Executive Department to be
40 required periodically from the several agencies in the Executive
41 Department, and to require the several agencies to make such
42 reports.

43 5. To prepare the executive budget report for the Governor's
44 approval and submission to the Legislature.



6. To prepare a proposed budget for the Executive Department of the State Government for the next 2 fiscal years, which must:

(a) Present a complete financial plan for the next 2 fiscal years;
(b) Set forth all proposed expenditures for the administration, operation and maintenance of the departments, institutions and agencies of the Executive Department of the State Government, including those operating on funds designated for specific purposes by the Constitution or otherwise, which must include a separate statement of:

(1) The anticipated expense, including personnel, for the operation and maintenance of each capital improvement to be constructed during the next 2 fiscal years and of each capital improvement constructed on or after July 1, 1999, which is to be used during those fiscal years or a future fiscal year; and

(2) The proposed source of funding for the operation and maintenance of each capital improvement, including personnel, to be constructed during the next 2 fiscal years;

(c) Set forth all charges for interest and debt redemption during the next 2 fiscal years ~~H~~, *including, without limitation, the debt service on the note or notes authorized by section 1 of this act as if the note or notes were issued in the amount necessary to comply with the minimum reserve requirements in NRS 353.213.*

(d) Set forth all expenditures for capital projects to be undertaken and executed during the next 2 fiscal years, and which must, to the extent practicable, provide that each capital project which exceeds a cost of \$10,000,000 be scheduled to receive funding for design and planning during one biennium and funding for construction in the subsequent biennium; and

(e) Set forth the anticipated revenues of the State Government, and any other additional means of financing the expenditures proposed for the next 2 fiscal years.

7. To examine and approve work programs and allotments to the several agencies in the Executive Department, and changes therein.

8. To examine and approve statements and reports on the estimated future financial condition and the operations of the agencies in the Executive Department of the State Government and the several budgetary units that have been prepared by those agencies and budgetary units, before the reports are released to the Governor, to the Legislature or for publication.

9. To receive and deal with requests for information as to the budgetary status and operations of the executive agencies of the State Government.



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

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

Sec. 3. NRS 355.167 is hereby amended to read as follows:

355.167 1. The Local Government Pooled Investment Fund is hereby created as an agency fund to be administered by the State Treasurer.

2. Any local government, as defined in NRS 354.474, may deposit its money with the State Treasurer for credit to the Fund for purposes of investment.

3. The State Treasurer may invest the money of the Fund:

(a) In securities which have been authorized as investments for a local government by any provision of NRS or any special law.

(b) In time certificates of deposit in the manner provided by NRS 356.015.

(c) In notes authorized by section 1 of this act.

4. The State Treasurer may lend securities in which he invests pursuant to subsection 3 or NRS 355.165 if he receives collateral from the borrower in the form of cash or marketable securities that are:

(a) Acceptable to the State Treasurer; and

(b) At least 102 percent of the value of the securities borrowed.

➔ The State Treasurer may enter into such contracts as are necessary to extend and manage loans pursuant to this subsection.

5. Each local government that elects to deposit money with the State Treasurer for such an investment must:

(a) Upon the deposit, inform him in writing how long a period the money is expected to be available for investment.

(b) At the end of the period, notify him in writing whether it wishes to extend the period.

6. If a local government wishes to withdraw any of its money before the end of the period of investment, it must make a written request to the State Treasurer. Whenever he is required to sell or liquidate invested securities because of a request for early withdrawal, any penalties or loss of interest incurred must be charged against the deposit of the local government which requested the early withdrawal.

7. All interest received on money of the Fund must be deposited for credit to the Fund.

8. The State Treasurer may assess reasonable charges against the Fund for reimbursement of the expenses which he incurs in



* A B 2 *

1 administering the Fund. The amount of the assessments must be
2 transferred to an account within the State General Fund for use of
3 the State Treasurer in carrying out the provisions of this section.

4 9. At the end of each quarter of each fiscal year, the State
5 Treasurer shall:

6 (a) Compute the proportion of the total deposits in the Fund
7 which were attributable during the quarter to each local government;

8 (b) Apply that proportion to the total amount of interest received
9 during the quarter on invested money of the Fund; and

10 (c) Pay to each participating local government or reinvest upon
11 its instructions its proportionate share of the interest, as computed
12 pursuant to paragraphs (a) and (b), less the proportionate amounts of
13 the assessments for the expenses of administration.

14 10. The State Treasurer may adopt reasonable regulations to
15 carry out the provisions of this section.

16 **Sec. 4.** Notwithstanding any other provision of law to the
17 contrary, upon approval of the Chief of the Budget Division of
18 the Department of Administration, the Senate Fiscal Analyst and the
19 Assembly Fiscal Analyst, revisions in the following work programs
20 must be processed and carried out, as soon as practicable, without
21 further legislative approval:

22 1. For the work program for Budget Account 101-1526,
23 Commission on Economic Development, by transferring \$1,355,414
24 to Category 93, Reserve for Reversion, within that Account.

25 2. For the work program for Budget Account 101-2697,
26 Department of Education - Proficiency Testing, by transferring
27 \$476,235 to Category 93, Reserve for Reversion, within that
28 Account.

29 3. For the work program for Budget Account 101-2699,
30 Department of Education - Other State Education Programs
31 Account, by transferring \$300,000 to Category 93, Reserve for
32 Reversion, within that Account.

33 4. For the work programs for various budget accounts within
34 the Nevada System of Higher Education, by transferring \$4,099,004
35 in workers' compensation assessments to Category 93, Reserve for
36 Reversion, within those accounts.

37 5. For the work program for Budget Account 101-3266,
38 Department of Health and Human Services - Community-Based
39 Services, by transferring \$500,000 to Category 93, Reserve for
40 Reversion, within that Account.

41 6. For the work program for:

42 (a) Budget Account 101-3243, Division of Health Care
43 Financing and Policy of the Department of Health and Human
44 Services - Medicaid, by transferring \$6,700,000 to Category 93,
45 Reserve for Reversion, within that Account.



(b) Budget Account 101-3178, Division of Health Care Financing and Policy of the Department of Health and Human Services - Nevada Check-Up, by transferring \$100,000 to Category 93, Reserve for Reversion, within that Account.

7. For the work program for Budget Account 101-3243, Division of Health Care Financing and Policy of the Department of Health and Human Services - Medicaid, by transferring \$1,490,536 to Category 93, Reserve for Reversion, within that Account.

8. For the work program for Budget Account 101-3243, Division of Health Care Financing and Policy of the Department of Health and Human Services - Medicaid, by transferring \$2,200,000 to Category 93, Reserve for Reversion, within that Account.

9. For the work program for Budget Account 101-3252, Aging Services Division of the Department of Health and Human Services - EPS/Homemaker Program, by transferring \$350,000 to Category 93, Reserve for Reversion, within that Account.

10. From the applicable budgets within the Department of Health and Human Services, transfer a total of \$3,950,000 to category 93, reserve for reversion, within those accounts. The applicable budgets will be reimbursed from budget account 101-3230, Division of Welfare and Supportive Services of the Department of Health and Human Services - Temporary Assistance for Needy Families (TANF) in a like amount or within the eligible limits allowed by federal law with funds made available through the federal TANF program (Title IV of the Social Security Act).

11. For the work program for:

(a) Budget Account 101-3233, Division of Welfare and Supportive Services of the Department of Health and Human Services - Field Services, by transferring \$128,947 to Category 93, Reserve for Reversion, within that Account.

(b) Budget Account 101-3228, Division of Welfare and Supportive Services of the Department of Health and Human Services - Welfare Administration, by transferring \$79,450 to Category 93, Reserve for Reversion, within that Account.

12. For the work program for Budget Account 101-3238, Division of Welfare and Supportive Services of the Department of Health and Human Services - Child Support Enforcement, by transferring \$250,000 to Category 93, Reserve for Reversion, within that Account.

13. For the work program for:

(a) Budget Account 101-3161, Division of Mental Health and Developmental Services of the Department of Health and Human Services - Southern Nevada Adult Mental Health Services, by transferring \$9,326,900 to Category 93, Reserve for Reversion, within that Account.



* A B 2 *

(b) Budget Account 101-3162, Division of Mental Health and Developmental Services of the Department of Health and Human Services - Northern Nevada Adult Mental Health Services, by transferring \$2,072,411 to Category 93, Reserve for Reversion, within that Account.

14. For the work program for Budget Account 101-3213, Health Division of the Department of Health and Human Services - Immunization Program (Immunization Information System), by transferring \$118,257 to Category 93, Reserve for Reversion, within that Account.

15. For the work program for Budget Account 101-3259, Division of Child and Family Services of the Department of Health and Human Services - Nevada Youth Training Center, by transferring \$372,000 to Category 93, Reserve for Reversion, within that Account.

16. For the work program for Budget Account 101-3179, Division of Child and Family Services of the Department of Health and Human Services - Caliente Youth Center, by transferring \$400,000 to Category 93, Reserve for Reversion, within that Account.

17. For the work program for Budget Account 101-3143, Division of Child and Family Services of the Department of Health and Human Services - UNITY/SACWIS, by transferring \$112,000 to Category 93, Reserve for Reversion, within that Account.

18. For the work program for Budget Account 101-3650, Office of the Military, by transferring \$375,000 to Category 93, Reserve for Reversion, within that Account.

19. For the work program for Budget Account 101-3711, Department of Corrections - Correctional Programs, by transferring \$188,416 to Category 93, Reserve for Reversion, within that Account.

20. For the work program for Budget Account 101-4730, Department of Public Safety - One-Shots, by transferring \$260,404 to Category 93, Reserve for Reversion, within that Account.

21. For the work program for Budget Account 101-4661, Department of Transportation - A.B. 544 Highway Projects, by transferring \$30,000,000 to Category 93, Reserve for Reversion, within that Account.

22. For the work program for Budget Account 101-4540, Plant Industry Division of the State Department of Agriculture, by transferring \$90,000 to Category 93, Reserve for Reversion, within that Account.

23. For the work program for Budget Account 101-3813, Division of Insurance of the Department of Business and Industry -



* A B 2 *

Insurance Regulation, by transferring \$135,150 to Category 93, Reserve for Reversion, within that Account.

24. For the work program for Budget Account 101-3952, Nevada Athletic Commission, by transferring \$100,000 to Category 93, Reserve for Reversion, within that Account.

25. For the work program for Budget Account 101-4173, Division of State Lands of the State Department of Conservation and Natural Resources, by transferring \$48,699 to Category 93, Reserve for Reversion, within that Account.

26. For the work program for Budget Account 101-4173, Division of State Lands of the State Department of Conservation and Natural Resources, by transferring \$27,913 to Category 93, Reserve for Reversion, within that Account.

27. For the work program for Budget Account 101-3265, Bureau of Vocational Rehabilitation of the Rehabilitation Division of the Department of Employment, Training and Rehabilitation, by transferring \$514,641 to Category 93, Reserve for Reversion, within that Account.

28. For the work program for Budget Account 101-3254, Bureau of Services to Persons Who Are Blind or Visually Impaired of the Rehabilitation Division of the Department of Employment, Training and Rehabilitation, by transferring \$128,661 to Category 93, Reserve for Reversion, within that Account.

Sec. 5. Notwithstanding any other provision of law to the contrary, all money transferred to Category 93, Reserve for Reversion, in each budget account pursuant to section 4 of this act must, as soon as practicable, be transferred to Budget Account 101-9081, Budget Reserve, and must be reverted to the State General Fund at the close of Fiscal Year 2008-2009, not later than September 18, 2009.

Sec. 6. Notwithstanding any other provision of law to the contrary, upon approval of the Chief of the Budget Division of the Department of Administration, the Senate Fiscal Analyst and the Assembly Fiscal Analyst, revisions in the following work programs must be processed and carried out, as soon as practicable, without further legislative approval:

1. For the work program for Budget Account 101-2615, Department of Education - Account for Programs for Innovation and the Prevention of Remediation, by transferring \$240,000 to Category 93, Reserve for Reversion, within that Account.

2. For the work program for Budget Account 101-2363, Aging Services Division of the Department of Health and Human Services - Senior Citizens Property Tax Assistance Program, by transferring \$450,000 to Category 93, Reserve for Reversion, within that Account.



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1 **Sec. 7.** Notwithstanding the provisions of NRS 389.015 to the
2 contrary, the norm-referenced examinations required to be
3 administered to pupils enrolled in grades 4, 7 and 10 pursuant to that
4 section must not be administered in the public schools of this State
5 during the 2008-2009 School Year. Any requirements relating to the
6 reporting of the test scores of pupils on those examinations that
7 would otherwise be administered during that School Year are also
8 suspended.

9 **Sec. 8.** The provisions of this act shall be deemed not to
10 reduce the amount of any appropriation as that amount is used for
11 the purpose of establishing a base amount for any calculation that
12 includes that appropriation.

13 **Sec. 9.** If any provision of this act, or the application thereof to
14 any person, thing or circumstance, is held invalid, such invalidity
15 shall not affect any provision or application of this act which can be
16 given effect without the invalid provision or application, and to this
17 end the Legislature declares that:

18 1. Each provision of this act is severable and independent;

19 2. The Legislature would have passed this act and each valid
20 provision thereof, irrespective of the invalid provision or
21 application; and

22 3. Each valid provision or application must be given effect to
23 the fullest extent possible, irrespective of the invalid provision or
24 application.

25 **Sec. 10.** 1. This act becomes effective upon passage and
26 approval.

27 2. Section 2 of this act expires by limitation on June 30, 2011.

28 3. Sections 1 and 3 of this act expire by limitation on
29 August 31, 2013.

