

SENATE BILL NO. 473—COMMITTEE ON GOVERNMENT AFFAIRS

(ON BEHALF OF LEGISLATIVE COMMITTEE TO STUDY THE
DISTRIBUTION AMONG LOCAL GOVERNMENTS OF
REVENUE FROM STATE AND LOCAL TAXES)

MARCH 18, 1999

Referred to Committee on Government Affairs

SUMMARY—Creates procedure for dissolution or disincorporation of certain local governments in severe financial emergency under certain circumstances. (BDR 31-702)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: 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; requiring a question to be submitted to the electors of certain local governments in severe financial emergency asking whether the local government should be disincorporated or dissolved if the Nevada tax commission determines that the severe financial emergency is unlikely to cease to exist within 3 years; requiring certain taxes and mandatory assessments to be raised and services of the local government limited if the electors of such a local government do not approve such a question; 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 thereto
- 2 the provisions set forth as sections 2 and 3 of this act.
- 3 **Sec. 2. 1.** *If the executive director determines that a severe*
- 4 *financial emergency which exists in a local government under*
- 5 *management by the department is unlikely to cease to exist within 3*
- 6 *years, he shall determine:*
- 7 *(a) The amount any tax or mandatory assessment levied by the local*
- 8 *government must be raised to ensure a balanced budget for the local*
- 9 *government; and*

1 ***(b) The manner in which the services provided by the local***
2 ***government must be limited to ensure a balanced budget for the local***
3 ***government,***
4 ***and submit his findings to the committee.***

5 ***2. The committee shall review the findings submitted by the executive***
6 ***director pursuant to subsection 1. If the committee determines that the***
7 ***severe financial emergency which exists in the local government is***
8 ***unlikely to cease to exist within 3 years and that the findings made by the***
9 ***executive director are appropriate, the committee shall submit its***
10 ***recommendation to the Nevada tax commission. If the committee***
11 ***determines that the financial emergency is likely to cease to exist within 3***
12 ***years, that decision is not subject to review by the Nevada tax***
13 ***commission.***

14 ***3. The Nevada tax commission shall schedule a public hearing***
15 ***within 30 days after the committee submits its recommendation. The***
16 ***Nevada tax commission shall provide public notice of the hearing at least***
17 ***10 days before the date on which the hearing will be held. The executive***
18 ***director shall provide copies of all documents relevant to the***
19 ***recommendation of the committee to the governing body of the local***
20 ***government in severe financial emergency.***

21 ***4. If, after the public hearing, the Nevada tax commission***
22 ***determines that the recommendation of the committee is appropriate, a***
23 ***question must be submitted to the electors of the local government at the***
24 ***next primary or general municipal election or primary or general state***
25 ***election, as applicable, asking whether the local government should be***
26 ***disincorporated or dissolved. If the electors of the local government do***
27 ***not approve the disincorporation or dissolution of the local government:***

28 ***(a) The maximum ad valorem tax levied within the local government,***
29 ***if any, must be raised to \$5 on each \$100 of assessed valuation;***

30 ***(b) Any other taxes or mandatory assessments levied in the local***
31 ***government, notwithstanding any limitation on those taxes or***
32 ***assessments provided by statute, must be raised in an amount the Nevada***
33 ***tax commission determines is necessary to ensure a balanced budget for***
34 ***the local government; and***

35 ***(c) The services provided by the local government must be limited in a***
36 ***manner the Nevada tax commission determines is necessary to ensure a***
37 ***balanced budget for the local government.***

38 ***5. If the electors of the local government approve the***
39 ***disincorporation or dissolution of a local government that is:***

40 ***(a) Created by another local government, it must be disincorporated***
41 ***or dissolved:***

42 ***(1) Pursuant to the applicable provisions of law; or***

1 (2) If there are no specific provisions of law providing for the
2 disincorporation or dissolution of the local government, by the entity that
3 created the local government. If, at the time of the disincorporation or
4 dissolution of the local government pursuant to this paragraph, there are
5 any outstanding loans or bonded indebtedness of the local government,
6 including, without limitation, loans made to the local government by the
7 county in which the local government is located, the taxes for the
8 payment of the bonds or other indebtedness must continue to be levied
9 and collected in the same manner as if the local government had not
10 been disincorporated or dissolved until all outstanding indebtedness is
11 repaid, but for all other purposes the local government shall be deemed
12 disincorporated or dissolved at the time that the entity which created the
13 local government disincorporates or dissolves the local government. Any
14 other liabilities and any remaining assets shall revert to the entity that
15 created the local government which is being disincorporated or dissolved.

16 (b) Created by a special or local act of the legislature, it may only be
17 disincorporated or dissolved by the legislature. The executive director
18 shall submit notification of the vote approving the disincorporation or
19 dissolution of the local government to the director of the legislative
20 counsel bureau for transmittal to the legislature. At the first opportunity,
21 the legislature shall consider the question of whether the special or local
22 act will be repealed.

23 (c) Created in any other manner, it must be disincorporated or
24 dissolved:

25 (1) Pursuant to the applicable provisions of law; or

26 (2) If there are no specific provisions of law providing for the
27 disincorporation or dissolution of the local government, by the governing
28 body of that local government. If, at the time of the disincorporation or
29 dissolution of the local government pursuant to this paragraph, there are
30 any outstanding loans or bonded indebtedness of the local government,
31 including, without limitation, loans made to the local government by the
32 county or counties in which the local government is located, the taxes for
33 the payment of the bonds or other indebtedness must continue to be
34 levied and collected in the same manner as if the local government had
35 not been disincorporated or dissolved until all outstanding indebtedness
36 is repaid, but for all other purposes the local government shall be deemed
37 disincorporated or dissolved at the time that the governing body of the
38 local government disincorporates or dissolves the local government.
39 Except as otherwise provided in this subparagraph, any other liabilities
40 and any remaining assets of the local government shall revert to the
41 board of county commissioners of the county in which the local
42 government is located. If the local government is located in more than
43 one county, the governing body of the local government shall apportion

1 *the remaining liabilities and assets among the boards of county*
2 *commissioners of the counties in which the local government is located.*

3 6. *Within 10 days after the Nevada tax commission makes a*
4 *determination pursuant to subsection 4, the executive director shall*
5 *notify:*

6 (a) *The city clerk, if the local government is a city; or*

7 (b) *The county clerk in all other cases,*

8 *and provide the clerk with the amount any tax or mandatory assessment*
9 *levied by the local government must be raised and a description of the*
10 *manner in which the services provided by the local government must be*
11 *limited to ensure a balanced budget for the local government.*

12 7. *After the executive director notifies the city clerk or the county*
13 *clerk, as applicable, pursuant to subsection 6, the clerk shall cause to be*
14 *published in a newspaper of general circulation that is printed in the*
15 *local government a notice of the election once in each calendar week for*
16 *2 successive calendar weeks by two weekly insertions a week apart, the*
17 *first publication to be not more than 30 days nor less than 22 days next*
18 *preceding the date of the election. If no newspaper is printed in the local*
19 *government, publication of the notice of election must be made in a*
20 *newspaper printed in this state and having a general circulation in the*
21 *local government.*

22 8. *The notice required pursuant to subsection 7 must contain the*
23 *following information:*

24 (a) *That the Nevada tax commission has determined that the severe*
25 *financial emergency which exists in the local government is unlikely to*
26 *cease to exist within 3 years;*

27 (b) *That the question of whether the local government should be*
28 *disincorporated or dissolved will be submitted to the electors of the local*
29 *government at the next primary or general municipal election or the next*
30 *primary or general state election, as applicable; and*

31 (c) *That if the electors do not approve the disincorporation or*
32 *dissolution:*

33 (1) *The maximum ad valorem tax levied within the local*
34 *government, if any, will be raised to \$5 on each \$100 of assessed*
35 *valuation;*

36 (2) *Any taxes or mandatory assessment levied in the local*
37 *government will be raised to ensure a balanced budget for the local*
38 *government and the amount by which those taxes or mandatory*
39 *assessments will be raised; and*

40 (3) *The services the local government provides will be limited to*
41 *ensure a balanced budget for the local government and the manner in*
42 *which those services will be limited.*

1 **9. If any provisions providing generally for the disincorporation or**
2 **dissolution of the local government require that the question of**
3 **disincorporating or dissolving be published or submitted to a vote of the**
4 **electors of the local government, the publication required by subsection 3**
5 **and the election required by subsection 4 satisfy those requirements. If:**

6 **(a) There is any other conflict between the provisions of this section**
7 **and any provisions providing generally for the disincorporation or**
8 **dissolution of a local government; or**

9 **(b) The provisions providing generally for the disincorporation or**
10 **dissolution of a local government provide additional rights to protest the**
11 **disincorporation or dissolution of a local government not provided by**
12 **this section,**

13 **the provisions of this section control a disincorporation or dissolution**
14 **pursuant to this section and any person wishing to protest such a**
15 **disincorporation or dissolution must proceed in accordance with the**
16 **provisions of this section.**

17 **10. As used in this section, "local government" does not include a**
18 **county, a school district or any agency or department of a county or city**
19 **which prepares a budget separate from that of the parent political**
20 **subdivision.**

21 **Sec. 3. The management of the department ceases at the time of the**
22 **disincorporation or dissolution of a local government pursuant to section**
23 **2 of this act.**

24 **Sec. 4. NRS 354.59811 is hereby amended to read as follows:**

25 354.59811 1. Except as otherwise provided in NRS 354.59813,
26 354.59815, 354.5982, 354.5987, 354.59871, 354.705, 450.425, 540A.265
27 and 543.600 , ~~{and}~~ section 1 of ~~{this act,}~~ **Assembly Bill No. 275 of this**
28 **session and section 2 of this act,** for each fiscal year beginning on or after
29 July 1, 1989, the maximum amount of money that a local government,
30 except a school district, a district to provide a telephone number for
31 emergencies, or a redevelopment agency, may receive from taxes ad
32 valorem, other than those attributable to the net proceeds of minerals or
33 those levied for the payment of bonded indebtedness and interest thereon
34 incurred as general long-term debt of the issuer, or for the payment of
35 obligations issued to pay the cost of a water project pursuant to NRS
36 349.950, or for the payment of obligations under a capital lease executed
37 before April 30, 1981, must be calculated as follows:

38 **(a) The rate must be set so that when applied to the current fiscal year's**
39 **assessed valuation of all property which was on the preceding fiscal year's**
40 **assessment roll, together with the assessed valuation of property on the**
41 **central assessment roll which was allocated to the local government, but**
42 **excluding any assessed valuation attributable to the net proceeds of**
43 **minerals, assessed valuation attributable to a redevelopment area and**

1 assessed valuation of a fire protection district attributable to real property
2 which is transferred from private ownership to public ownership for the
3 purpose of conservation, it will produce 106 percent of the maximum
4 revenue allowable from taxes ad valorem for the preceding fiscal year,
5 except that the rate so determined must not be less than the rate allowed for
6 the previous fiscal year, except for any decrease attributable to the
7 imposition of a tax pursuant to NRS 354.59813 in the previous year.

8 (b) This rate must then be applied to the total assessed valuation,
9 excluding the assessed valuation attributable to the net proceeds of minerals
10 and the assessed valuation of a fire protection district attributable to real
11 property which is transferred from private ownership to public ownership
12 for the purpose of conservation but including new real property, possessory
13 interests and mobile homes, for the current fiscal year to determine the
14 allowed revenue from taxes ad valorem for the local government.

15 2. As used in this section, "general long-term debt" does not include
16 debt created for medium-term obligations pursuant to NRS 350.085 to
17 350.095, inclusive.

18 **Sec. 5.** NRS 354.655 is hereby amended to read as follows:

19 354.655 As used in NRS 354.655 to 354.725, inclusive, *and sections 2*
20 *and 3 of this act*, unless the context requires otherwise:

21 1. "Committee" means the committee on local government finance.

22 2. "Department" means the department of taxation.

23 3. "Executive director" means the executive director of the department
24 of taxation.

25 4. "Local government" means any local government subject to the
26 provisions of the Local Government Budget Act.

27 5. The words and terms defined in the Local Government Budget Act
28 have the meanings ascribed to them in that act.

29 **Sec. 6.** NRS 354.695 is hereby amended to read as follows:

30 354.695 1. As soon as practicable after taking over the management
31 of a local government, the department shall, with the approval of the
32 committee:

33 (a) Establish and implement a management policy and a financing plan
34 for the local government;

35 (b) Provide for the appointment of a financial manager for the local
36 government who is qualified to manage the fiscal affairs of the local
37 government;

38 (c) Provide for the appointment of any other persons necessary to enable
39 the local government to provide the basic services for which it was created
40 in the most economical and efficient manner possible;

41 (d) Establish an accounting system and separate bank accounts, if
42 necessary, to receive and expend all money and assets of the local
43 government;

1 (e) Impose such hiring restrictions as deemed necessary after
2 considering the recommendations of the financial manager;

3 (f) Negotiate and approve all contracts entered into by or on behalf of
4 the local government before execution and enter into such contracts on
5 behalf of the local government as the department deems necessary;

6 (g) Negotiate and approve all collective bargaining contracts to be
7 entered into by the local government, except issues submitted to a
8 factfinder whose findings and recommendations are final and binding
9 pursuant to the provisions of the Local Government Employee-

10 Management Relations Act;

11 (h) Approve all expenditures of money from any fund or account and all
12 transfers of money from one fund to another;

13 (i) Employ such technicians as are necessary for the improvement of the
14 financial condition of the local government;

15 (j) Meet with the creditors of the local government and formulate a debt
16 liquidation program;

17 (k) Approve the issuance of bonds or other forms of indebtedness by the
18 local government;

19 (l) Discharge any of the outstanding debts and obligations of the local
20 government; and

21 (m) Take any other actions necessary to ensure that the local
22 government provides the basic services for which it was created in the most
23 economical and efficient manner possible.

24 2. The department may provide for reimbursement from the local
25 government for the expenses it incurs in managing the local government. If
26 such reimbursement is not possible, the department may request an
27 allocation by the interim finance committee from the contingency fund
28 pursuant to NRS 353.266, 353.268 and 353.269.

29 3. The governing body of a local government which is being managed
30 by the department pursuant to this section may make recommendations to
31 the department or the financial manager concerning the management of the
32 local government.

33 4. Each state agency, board, department, commission, committee or
34 other entity of the state shall provide such technical assistance concerning
35 the management of the local government as is requested by the department.

36 5. The department may delegate any of the powers and duties imposed
37 by this section to the financial manager appointed pursuant to paragraph (b)
38 of subsection 1.

39 6. Except as otherwise provided in section 1 of ~~this act,~~ **Assembly**
40 **Bill No. 275 of this session and section 2 of this act,** once the department
41 has taken over the management of a local government pursuant to the
42 provisions of subsection 1, that management may only be terminated
43 pursuant to NRS 354.725.

1 **Sec. 7.** NRS 361.453 is hereby amended to read as follows:
2 361.453 Except as otherwise provided in NRS 354.705, ~~and~~ section
3 1 of ~~this act,~~ *Assembly Bill No. 275 of this session and section 2 of this*
4 *act*, the total ad valorem tax levy for all public purposes must not exceed
5 \$3.64 on each \$100 of assessed valuation, or a lesser or greater amount
6 fixed by the state board of examiners if the state board of examiners is
7 directed by law to fix a lesser or greater amount for that fiscal year.
8 **Sec. 8.** This act becomes effective on July 1, 1999.

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