

SENATE BILL NO. 123—COMMITTEE ON GOVERNMENT AFFAIRS

(ON BEHALF OF THE INTERIM STUDY CONCERNING DISTRIBUTION  
AMONG LOCAL GOVERNMENTS OF REVENUE FROM  
STATE AND LOCAL TAXES (NRS 218.53881))

FEBRUARY 13, 2001

Referred to Committee on Government Affairs

SUMMARY—Makes various changes concerning municipal obligations and procedures of debt management commissions. (BDR 30-699)

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 municipal obligations; requiring a municipality to notify certain entities before incurring general obligation debt or levying a special elective tax under certain circumstances; requiring a debt management commission to resolve conflicts between certain municipalities over the use of any remaining allowable increase of ad valorem taxes and establish certain methods relating thereto; authorizing a debt management commission to establish a procedure for allowing a municipality to reserve a percentage of the remaining allowable increase of ad valorem taxes within a certain geographical area; 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 350 of NRS is hereby amended by adding thereto a  
2     new section to read as follows:  
3     *1. If, based upon the factors described in subsection 4 of NRS*  
4     *350.004, the approval of a proposal submitted to the commission by a*  
5     *municipality pursuant to NRS 350.004 may affect the ability of an entity*  
6     *that overlaps the municipality to increase ad valorem taxes because of*  
7     *the limitation on ad valorem taxes set forth in NRS 361.453, the*  
8     *municipality, before submitting the proposal to the commission, must*  
9     *notify in writing each entity that overlaps the municipality whose ability*  
10    *to increase ad valorem taxes may be affected by the municipality's*  
11    *proposed increase.*  
12    *2. A notification sent pursuant to subsection 1 must include, without*  
13    *limitation, a description of:*



- 1     (a) *The proposal and the estimated amount the proposal would*  
2     *increase ad valorem taxes; and*
- 3     (b) *The potential effect of the increase on the entity.*
- 4     3. *The governing body of an entity that receives a notification*  
5     *pursuant to subsection 1 shall, by resolution, approve or object to the*  
6     *proposal described in the notice. If the entity approves the proposal, the*  
7     *entity must state in the resolution approving the proposal that the entity*  
8     *has no intent to levy ad valorem taxes which, if combined with the*  
9     *increase proposed in the proposal, would cause the combined property*  
10    *tax rate for the area containing the municipality and the entity to exceed*  
11    *the limitation on ad valorem taxes set forth in NRS 361.453.*
- 12    4. *If an entity objects to a proposal pursuant to subsection 3, the*  
13    *municipality which provided notice pursuant to subsection 1 shall*  
14    *provide the commission with notification in writing of the objection and*  
15    *the entity's reasons for objecting when submitting the proposal to the*  
16    *commission pursuant to NRS 350.004.*
- 17    5. *If the commission receives a proposal to which an objection has*  
18    *been raised pursuant to subsection 3, the commission shall resolve any*  
19    *conflict between the municipality and the entity over the use of the*  
20    *remaining allowable increase in ad valorem taxes and determine whether*  
21    *to approve, in whole or in part, or reject the increase in ad valorem taxes*  
22    *set forth in the proposal.*
- 23    6. *If the commission approves an increase in ad valorem taxes for*  
24    *the proposal that is less than the amount of increase set forth in the*  
25    *proposal, the municipality must revise its proposal to reflect the amount*  
26    *of increase approved by the commission.*
- 27    7. *The commission:*
  - 28       (a) *Shall establish a method for resolving conflicts over the remaining*  
29       *allowable increase of ad valorem taxes between municipalities whose tax-*  
30       *levying powers overlap which must be based upon the highest and best*  
31       *use for the remaining allowable increase of ad valorem taxes;*
  - 32       (b) *Shall establish a method for determining the highest and best use*  
33       *for the remaining allowable increase of ad valorem taxes for*  
34       *municipalities which must be based upon a comparison of the public*  
35       *needs to be served by the proceeds from the proposed debt or tax levy in a*  
36       *proposal submitted pursuant to NRS 350.004 and the public needs to be*  
37       *served by other possible debts or tax levies by other municipalities whose*  
38       *tax-levying powers overlap; and*
  - 39       (c) *May establish a procedure for allowing a municipality to reserve a*  
40       *percentage of the remaining allowable increase of ad valorem taxes for*  
41       *use in the future and a procedure for determining whether to grant such*  
42       *a reservation. If established, such procedures must:*
    - 43           (1) *Allow all municipalities whose tax-levying powers may be*  
44           *affected by such a reservation to enter objections to such a reservation;*  
45           *and*
    - 46           (2) *Provide a method for resolving conflicts over the remaining*  
47           *allowable increase of ad valorem taxes between municipalities whose tax-*  
48           *levying powers overlap, which must be based upon the highest and best*  
49           *use for the remaining allowable increase of ad valorem taxes.*



1     8. *As used in this section, "remaining allowable increase of ad*  
2 *valorem taxes" means the difference between the maximum combined*  
3 *tax rate allowed for a geographical area pursuant to NRS 361.453 minus*  
4 *the total combined tax rate currently levied on that area by all*  
5 *municipalities whose tax-levying powers overlap in the area.*

6     **Sec. 2.** NRS 350.001 is hereby amended to read as follows:

7     350.001 As used in NRS 350.001 to 350.006, inclusive, *and section 1*  
8 *of this act*, unless the context otherwise requires:

9     1. "Commission" means a debt management commission created  
10 pursuant to NRS 350.002.

11     2. "General obligation debt" means debt which is legally payable from  
12 general revenues, as a primary or secondary source of repayment, and is  
13 backed by the full faith and credit of a governmental entity. The term  
14 includes debt represented by local government securities issued pursuant to  
15 this chapter except debt created for medium-term obligations pursuant to  
16 NRS 350.085 to 350.095, inclusive.

17     3. "Special elective tax" means a tax imposed pursuant to NRS  
18 354.59817, 354.5982, 387.197, 387.3285 or 387.3287.

19     **Sec. 3.** NRS 350.004 is hereby amended to read as follows:

20     350.004 1. Before any proposal to incur a general obligation debt or  
21 levy a special elective tax may be submitted to the electors of a  
22 municipality, before any issuance of general obligation bonds pursuant to  
23 subsection 4 of NRS 350.020 or before any other formal action may be  
24 taken preliminary to the incurrence of any general obligation debt, the  
25 proposed incurrence or levy must receive the favorable vote of two-thirds  
26 of the members of the commission of each county in which the  
27 municipality is situated.

28     2. Before the board of trustees of a district organized or reorganized  
29 pursuant to chapter 318 of NRS whose population within its boundaries is  
30 less than 5,000, borrows money or issues securities to evidence such  
31 borrowing, other than securities representing a general obligation debt, the  
32 proposed borrowing or issuing of securities must receive the favorable vote  
33 of a majority of the members of the commission of each county in which  
34 the district is situated.

35     3. When any municipality other than a general improvement district  
36 whose population within its boundaries is less than 5,000, issues any  
37 special obligations, it shall so notify in its annual report the commission of  
38 each county in which any of its territory is situated.

39     4. The commission shall not approve any proposal submitted to it  
40 pursuant to this section by a municipality:

41     (a) Which, if the proposal is for the financing of a capital improvement,  
42 is not included in its plan for capital improvement submitted pursuant to  
43 NRS 350.0035, if such a plan is required to be submitted; ~~for~~

44     (b) If, based upon:

45         (1) Estimates of the amount of tax revenue from ad valorem taxes  
46 needed for the special elective tax, or to repay the general obligation debt,  
47 and the dates that revenue will be needed, as provided by the municipality;

48         (2) Estimates of the assessed valuation of the municipality for each of  
49 the years in which tax revenue is needed, as provided by the municipality;



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1 (3) The amount of any other required levies of ad valorem taxes, as  
2 shown on the most recently filed final budgets of each entity authorized to  
3 levy ad valorem taxes on any property within the municipality submitting  
4 the proposal; and

5 (4) Any other factor the municipality discloses to the  
6 commission,  
7 the proposal would result in a combined property tax rate in any of the  
8 overlapping entities within the county which exceeds the limit provided in  
9 NRS 361.453, unless the proposal also includes an agreement *which*  
10 *complies with NRS 361.457 and which is* approved by the governing  
11 bodies of all affected municipalities within the area as to how the combined  
12 property tax rates will be brought into compliance with the statutory  
13 limitation ~~+~~

14 ~~—5. If;~~ or

15 (c) *If, based upon the factors listed in subparagraphs (1) to (4),*  
16 *inclusive, of paragraph (b), the proposal may affect the ability of an*  
17 *overlapping entity to increase ad valorem taxes, unless:*

18 (1) *The proposal includes resolutions approving the proposal*  
19 *pursuant to subsection 3 of section 1 of this act from each municipality*  
20 *in the area whose ability to levy ad valorem taxes may be affected by the*  
21 *commission's approval of the proposal; or*

22 (2) *The commission has resolved all conflicts between overlapping*  
23 *entities and has approved the increase in ad valorem taxes resulting from*  
24 *the proposal pursuant to section 1 of this act, and, if necessary pursuant*  
25 *to subsection 6 of section 1 of this act, the municipality has revised its*  
26 *proposal to reflect the amount of increase in ad valorem taxes approved*  
27 *by the commission.*

28 5. *Except as otherwise provided in subsection 6, if* general obligation  
29 debt is to be incurred more than 36 months after the approval of that debt  
30 by the commission, the governing body of the municipality shall obtain the  
31 approval of the executive director of the department of taxation before  
32 incurring the general obligation debt. The executive director shall approve  
33 the proposal if, based on the information set forth in paragraph (b) of  
34 subsection 4 that is accurate as of the date on which the governing body  
35 submits its request for approval to the executive director:

36 (a) Incurrence of the general obligation debt will not result in a  
37 combined property tax rate in any of the overlapping entities within the  
38 county which exceeds the limit provided in NRS 361.453; or

39 (b) The proposal includes an agreement approved by the governing  
40 bodies of all affected municipalities within the area as to how the combined  
41 tax rates will be brought into compliance with the statutory  
42 limitation.

43 The approval of the executive director is effective for 18 months. The  
44 governing body of the municipality may renew that approval for successive  
45 periods of 18 months by filing an application for renewal with the  
46 executive director. Such an application must be accompanied by the  
47 information set forth in paragraph (b) of subsection 4 that is accurate as of  
48 the date the governing body files the application for renewal.



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1 6. *The executive director of the department of taxation may not*  
2 *approve a proposal pursuant to subsection 5 which, based upon the*  
3 *factors listed in subparagraphs (1) to (4), inclusive, of paragraph (b) of*  
4 *subsection 4, may affect the ability of an overlapping entity to increase ad*  
5 *valorem taxes, unless:*

6 *(a) The proposal includes resolutions approving the proposal*  
7 *pursuant to subsection 3 of section 1 of this act from each municipality*  
8 *in the area whose ability to levy ad valorem taxes may be affected by the*  
9 *commission's approval of the proposal; or*

10 *(b) The commission has resolved all conflicts between overlapping*  
11 *entities and has approved the increase in ad valorem taxes resulting from*  
12 *the proposal pursuant to section 1 of this act, and, if necessary pursuant*  
13 *to subsection 6 of section 1 of this act, the municipality has revised its*  
14 *proposal to reflect the amount of increase in ad valorem taxes approved*  
15 *by the commission.*

16 7. If the executive director does not approve a proposal submitted to  
17 him pursuant to subsection 5, the governing body of the municipality may  
18 appeal his decision to the Nevada tax commission.

19 **Sec. 4.** NRS 350.0051 is hereby amended to read as follows:

20 350.0051 1. In determining whether to approve , *conditionally or*  
21 *provisionally approve*, or disapprove a proposal to incur debt or to levy a  
22 special elective tax, the commission shall not, except as otherwise provided  
23 in paragraph (d) ~~§~~ *and section 1 of this act*, initiate a determination as to  
24 whether the proposed debt or special elective tax is sought to accomplish a  
25 public purpose or to satisfy a public need. The commission shall consider,  
26 but is not limited to, the following criteria:

27 (a) If the proposal is to incur debt, the amount of debt outstanding on  
28 the part of the municipality proposing to incur the debt.

29 (b) The effect of the tax levy required for debt service on the proposed  
30 debt, or of the proposed levy of a special elective tax, upon the ability of  
31 the municipality proposing to incur the general obligation debt or levy the  
32 special elective tax and of other municipalities to raise revenue for  
33 operating purposes.

34 (c) The anticipated need for other incurrences of debt or levies of  
35 special elective taxes by the municipality proposing to incur the debt or  
36 levy the special elective tax and other municipalities whose tax-levying  
37 powers overlap, as shown by the county or regional master plan, if any, and  
38 by other available information.

39 (d) If the information set forth in paragraph (b) of subsection 4 of NRS  
40 350.004 indicates that the proposal would result in a combined property tax  
41 rate in any of the overlapping entities within the county which exceeds 90  
42 percent of the limit provided in NRS 361.453:

43 (1) The public need to be served by the proceeds from the proposed  
44 debt or tax levy; and

45 (2) A comparison of that public need and other public needs that  
46 appear on the statements of current and contemplated general obligation  
47 debt and special elective taxes submitted pursuant to paragraph (a) of  
48 subsection 1 of NRS 350.0035 that may affect the combined property tax  
49 rate in any of the overlapping entities within the county.



- 1     2. If the commission approves the proposal, the amount received from  
2     the sale of the general obligation debt or from the special elective tax may  
3     be expended only for the purposes described in the proposal.
- 4     **Sec. 5.** 1. The amendatory provisions of this act do not apply to any  
5     general obligation debt or special elective tax approved by a debt  
6     management commission created pursuant to NRS 350.002 on or before  
7     the effective date of this act.
- 8     2. As used in this section, the terms “general obligation debt” and  
9     “special elective tax” have the meanings ascribed to them in NRS 350.001.
- 10    **Sec. 6.** This act becomes effective upon passage and approval.

