

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 first an estimation of the total proposed
12 expenditures, which utilizes a base equal to the total expenditures from Fiscal Years
13 2005-2007, and provides for the population growth percentage to be determined
14 using figures from the State Demographer, and for the inflation or deflation
15 percentage to be based on a comparison between the most recent estimate of the
16 Economic Forum of the state and local government consumption expenditures and
17 the gross investment component of the Gross Domestic Product to the same
18 component as calculated in the last quarter of 2006 by the Bureau of Economic
19 Analysis of the United States Department of Commerce. **Section 2** further requires
20 that the actual total proposed expenditures in the Governor's proposed budget be
21 based on a comparison between the estimation of total proposed expenditures, the
22 total legislative appropriations made in the previous biennium and the most recent
23 forecast for revenues in the State General Fund made by the Economic Forum.



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

Section 1. NRS 353.185 is hereby amended to read as follows:

353.185 The powers and duties of the Chief are:

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

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

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

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

5. To prepare the executive budget report for the Governor's 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, including, without limitation, the debt service on the note or notes authorized by NRS 349.074 as if the note or notes were issued in the amount necessary to comply with ~~the minimum reserve requirements in~~ NRS 353.213;



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(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. 2. NRS 353.213 is hereby amended to read as follows:

353.213 1. ~~[[n]]~~ *Except as otherwise provided in this section,* in preparing the proposed budget for the Executive Department of the State Government for each biennium, the Chief shall not exceed the limit upon total proposed expenditures for purposes other than construction and reducing any unfunded accrued liability of the State Retirees' Health and Welfare Benefits Fund created by NRS 287.0436 from the State General Fund ~~[calculated]~~ *estimated* pursuant to this section. The base for each biennium is the total expenditure, for the purposes limited, from the State General Fund appropriated and authorized by the Legislature for the biennium beginning on July 1, ~~[[1975-]]~~ *2005*.

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

~~—(a) The]~~ *estimated by multiplying the* amount of expenditure constituting the base ~~[is multiplied]~~ by the percentage of change in



1 population for the current biennium from the population on July 1,
2 ~~[1974, and this product is added to or subtracted from the amount of~~
3 ~~expenditure constituting the base.~~

4 ~~—(b) The amount calculated pursuant to paragraph (a) is~~
5 ~~multiplied] 2006, then multiplying the product~~ by the percentage of
6 inflation or deflation . ~~[, and this product is added to or subtracted~~
7 ~~from the amount calculated pursuant to paragraph (a).~~

8 ~~—(c) Subject to the limitations of this paragraph:~~

9 ~~—(1) If the amount resulting from the calculations pursuant to~~
10 ~~paragraphs (a) and (b) represents a net increase over the base~~
11 ~~biennium, the Chief may increase the proposed expenditure~~
12 ~~accordingly.~~

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

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

17 3. ~~[The]~~ *Commencing with the proposed budget for the period*
18 *that begins on July 1, 2011, and ends on June 30, 2013, the*
19 *proposed budget for each fiscal year of the biennium must provide*
20 *for a reserve of* ~~f:~~

21 ~~—(a) Not less than 5 percent or more than 10 percent of the total~~
22 ~~of all proposed appropriations from the State General Fund for the~~
23 ~~operation of all departments, institutions and agencies of the State~~
24 ~~Government and authorized expenditures from the State General~~
25 ~~Fund for the regulation of gaming for that fiscal year; and~~

26 ~~—(b) Commencing with the proposed budget for the period that~~
27 ~~begins on July 1, 2011, and ends on June 30, 2013,]~~ 1 percent of
28 the total anticipated revenue for each of the 2 fiscal years of the
29 biennium for which the budget is proposed, as projected by the
30 Economic Forum for each of those fiscal years pursuant to
31 paragraph ~~[(d)]~~ (e) of subsection 1 of NRS 353.228 and as adjusted
32 by any changes or adjustments to state revenue that are
33 recommended in the proposed budget for those fiscal years.

34 4. *In preparing the proposed budget for the upcoming*
35 *biennium, the Chief shall compare the limit upon total proposed*
36 *expenditures estimated pursuant to subsection 2 with the most*
37 *recent forecast by the Economic Forum of revenues in the State*
38 *General Fund pursuant to NRS 353.228 and the total*
39 *expenditures, for the purposes limited in subsection 1, from the*
40 *State General Fund appropriated and authorized by the*
41 *Legislature for the current biennium as follows:*

42 (a) *If the most recent forecast by the Economic Forum of*
43 *revenues in the State General Fund is greater than the limit upon*
44 *total proposed expenditures estimated pursuant to subsection 2,*
45 *then the amount of the proposed budget cannot exceed the*



1 *limit upon total proposed expenditures estimated pursuant to*
2 *subsection 2.*

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

7 *(1) Greater than the total expenditures, for the purposes*
8 *limited in subsection 1, from the State General Fund appropriated*
9 *and authorized by the Legislature for the current biennium, then*
10 *the amount of the proposed budget cannot exceed the most recent*
11 *forecast by the Economic Forum of revenues in the State General*
12 *Fund; or*

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

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

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

24 *5. The ~~[revised estimate]~~ percentage of change in population*
25 *~~[for the State issued by the United States Department of Commerce~~*
26 *~~as of July 1, 1974, must be used, and the Governor shall certify the~~*
27 *~~percentage of increase or decrease in population for each succeeding~~*
28 *~~biennium. The Consumer Price Index published by the United States~~*
29 *~~Department of Labor for July preceeding each biennium must be~~*
30 *~~used in determining the]~~ to be used in the calculations made*
31 *pursuant to subsection 2 is the ratio of the forecast of the*
32 *population of the State made on July 1 of the second fiscal year of*
33 *the upcoming biennium by the demographer employed pursuant to*
34 *NRS 360.283 to the population of the State on July 1, 2006. The*
35 *percentage of inflation or deflation ~~[]~~ to be used in the calculations*
36 *made pursuant to subsection 2 is the ratio of the most recent*
37 *estimate provided by the Economic Forum pursuant to NRS*
38 *353.228 of the state and local government consumption*
39 *expenditures and gross investment component of the Gross*
40 *Domestic Product of the United States for the September to*
41 *December quarter of the second fiscal year of the upcoming*
42 *biennium to the value of the state and local government*
43 *consumption expenditures and gross investment component of*
44 *the Gross Domestic Product of the United States for the*
45 *September 2006 to December 2006 quarter as specified by the*



Bureau of Economic Analysis of the United States Department of Commerce.

~~[5-]~~ 6. The Chief may exceed the limit to the extent necessary to meet situations in which there is a threat to life or property.

~~[6-]~~ 7. As used in this section, "unfunded accrued liability" means a liability with an actuarially determined value which exceeds the value of the assets in the fund from which payments are made to discharge the liability.

Sec. 3. NRS 353.228 is hereby amended to read as follows:

353.228 1. The Economic Forum impaneled pursuant to NRS 353.226 shall:

(a) Make such projections for economic indicators as it deems necessary to ensure that an accurate estimate is produced pursuant to ~~[paragraph (b)-]~~ *paragraphs (b) and (c);*

(b) Provide an accurate estimate of the revenue that will be collected by the State for general, unrestricted uses, and not for special purposes, during the biennium that begins on July 1 of the year following the date on which the Economic Forum was empaneled;

(c) *Provide an accurate estimate of the state and local government consumption expenditures and gross investment component of the Gross Domestic Product of the United States as required pursuant to NRS 353.213, based on information from the Legislative Counsel Bureau, the Budget Division of the Department of Administration and other sources as provided in subsection 4;*

(d) Request such technical assistance as the Economic Forum deems necessary from the Technical Advisory Committee created by NRS 353.229;

~~[(d)]~~ (e) On or before December 1 of the year in which the Economic Forum was empaneled, prepare a written report of its projections of economic indicators and estimate of future state revenue required by paragraphs (a) , ~~[and]~~ (b) and (c) and present the report to the Governor and the Legislature; and

~~[(e)]~~ (f) On or before May 1 of the year following the year in which the Economic Forum was empaneled, prepare a written report confirming or revising the projections of economic indicators and estimate of future state revenue contained in the report prepared pursuant to paragraph ~~[(d)]~~ (e) and present the report to the Governor and the Legislature.

2. The Economic Forum may make preliminary projections of economic indicators and estimates of future state revenue at any time. Any such projections and estimates must be made available to the various agencies of the State through the Chief.



3. The Economic Forum may request information directly from any state agency. A state agency that receives a reasonable request for information from the Economic Forum shall comply with the request as soon as is reasonably practicable after receiving the request.

4. To carry out its duties pursuant to this section, the Economic Forum may consider any information received from the Technical Advisory Committee and any other information received from independent sources.

5. Copies of the projections and estimates made pursuant to this section must be made available to the public by the Director of the Legislative Counsel Bureau for the cost of reproducing the material.

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

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

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

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

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

3. The balance in the Fund to Stabilize the Operation of the State Government, excluding the aggregate balance in the Disaster Relief Account and the Emergency Assistance Subaccount, must not exceed 20 percent of the total of all appropriations from the State General Fund for the operation of all departments, institutions and agencies of the State Government and for the funding of schools and authorized expenditures from the State General Fund for the



1 regulation of gaming for the fiscal year in which that revenue will
2 be transferred to the Fund to Stabilize the Operation of the State
3 Government.

4 4. Except as otherwise provided in this subsection and NRS
5 353.2735, beginning with the fiscal year that begins on July 1, 2003,
6 the State Controller shall, at the end of each quarter of a fiscal year,
7 transfer from the State General Fund to the Disaster Relief Account
8 created pursuant to NRS 353.2735 an amount equal to not more than
9 10 percent of the aggregate balance in the Fund to Stabilize the
10 Operation of the State Government during the previous quarter,
11 excluding the aggregate balance in the Disaster Relief Account and
12 the Emergency Assistance Subaccount created pursuant to NRS
13 414.135. The State Controller shall not transfer more than \$500,000
14 for any quarter pursuant to this subsection.

15 5. The Chief of the Budget Division of the Department of
16 Administration may submit a request to the State Board of
17 Examiners to transfer money from the Fund to Stabilize the
18 Operation of the State Government to the State General Fund:

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

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

26 6. The State Board of Examiners shall consider a request made
27 pursuant to subsection 5 and shall, if it finds that a transfer should
28 be made, recommend the amount of the transfer to the Interim
29 Finance Committee for its independent evaluation and action. The
30 Interim Finance Committee is not bound to follow the
31 recommendation of the State Board of Examiners.

32 7. If the Interim Finance Committee finds that a transfer
33 recommended by the State Board of Examiners should and may
34 lawfully be made, the Committee shall by resolution establish the
35 amount and direct the State Controller to transfer that amount to the
36 State General Fund. The State Controller shall thereupon make
37 the transfer.

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

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

43 2. Section 1 of this act expires by limitation on June 30, 2013.

