

SENATE BILL NO. 372—SENATOR KIECKHEFER

MARCH 18, 2013

Referred to Committee on Government Affairs

SUMMARY—Makes various changes relating to state financial administration. (BDR 31-181)

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 3** 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 2014, so the 60-month rolling average in 2014 will consider expenditures between
16 2009 and 2014. **Section 3** 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 3** provides that
21 if the most recent forecast by the Economic Forum of revenues in the State General
22 Fund exceeds the limit upon total proposed expenditures, the Chief must include in
23 the proposed budget: (1) a transfer of 60 percent of the excess amount to the
24 Account to Stabilize the Operation of the State Government; and (2) the use of 40
25 percent of the excess amount for only capital expenditures, reducing unfunded



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

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

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

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

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

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

Sec. 2. 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 Division of the Department of Administration 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



1 Department, and to require the several agencies to make such
2 reports.

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

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

7 (a) Present a complete financial plan for the next 2 fiscal years;

8 (b) Set forth all proposed expenditures for the administration,
9 operation and maintenance of the departments, institutions and
10 agencies of the Executive Department of the State Government,
11 including those operating on funds designated for specific purposes
12 by the Constitution or otherwise, which must include a separate
13 statement of:

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

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

22 (c) Set forth all charges for interest and debt redemption during
23 the next 2 fiscal years, including, without limitation, the debt service
24 on the note or notes authorized by NRS 349.074 as if the note or
25 notes were issued in the amount necessary to comply with ~~the~~
26 ~~minimum reserve requirements in~~ NRS 353.213;

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

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

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

39 8. To examine and approve statements and reports on the
40 estimated future financial condition and the operations of the
41 agencies in the Executive Department of the State Government and
42 the several budgetary units that have been prepared by those
43 agencies and budgetary units, before the reports are released to the
44 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 353.213 is hereby amended to read as follows:

353.213 1. ~~It is~~ *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 *immediately preceding 60-month rolling average of* 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.~~ *, except that if any expenditure is removed from the State General Fund, the 60-month rolling average must be adjusted to account for the removal of the expenditure.*

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

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

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

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

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

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



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

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

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

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

~~4. {The revised estimate of}~~ *In preparing the proposed budget for the upcoming biennium, the Chief shall compare the limit upon total proposed expenditures estimated pursuant to subsection 2 with the most recent forecast by the Economic Forum of revenues in the State General Fund pursuant to NRS 353.228 and the total expenditures, for the purposes limited in subsection 1, from the State General Fund appropriated and authorized by the Legislature for the current biennium as follows:*

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

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

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

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



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

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

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

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

23 ~~5-~~ 7. The Chief may exceed the limit to the extent necessary
24 to meet situations in which there is a threat to life or property.

25 ~~6-~~ 8. *If the most recent forecast by the Economic Forum of*
26 *revenues in the State General Fund exceeds the limit upon total*
27 *proposed expenditures estimated pursuant to subsection 2, the*
28 *proposed budget must include:*

29 (a) *A transfer of 60 percent of the excess amount to the*
30 *Account to Stabilize the Operation of the State Government; and*

31 (b) *The use of 40 percent of the excess amount for only the*
32 *following purposes:*

33 (1) *Capital expenditures.*

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

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

36 (4) *Employee training and education.*

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

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

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

43 353.288 1. The Account to Stabilize the Operation of the
44 State Government is hereby created in the State General Fund.
45 Except as otherwise provided in subsections 3 and 4, each year after



1 the close of the previous fiscal year and before the issuance of the
2 State Controller's annual report, the State Controller shall transfer
3 from the State General Fund to the Account to Stabilize the
4 Operation of the State Government:

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

11 (b) Commencing with the fiscal year that begins on July 1,
12 2013, 1 percent of the total anticipated revenue for the fiscal year in
13 which the transfer will be made, as projected by the Economic
14 Forum for that fiscal year pursuant to paragraph (e) of subsection 1
15 of NRS 353.228 and as adjusted by any legislation enacted by the
16 Legislature that affects state revenue for that fiscal year ~~H~~; and

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

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

26 3. The balance in the Account to Stabilize the Operation of the
27 State Government must not exceed 20 percent of the total of all
28 appropriations from the State General Fund for the operation of all
29 departments, institutions and agencies of the State Government and
30 for the funding of schools and authorized expenditures from the
31 State General Fund for the regulation of gaming for the fiscal year
32 in which that revenue will be transferred to the Account to Stabilize
33 the Operation of the State 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 Account to Stabilize the
40 Operation of the State Government during the previous quarter. The
41 State Controller shall not transfer more than \$500,000 for any
42 quarter pursuant to this subsection.

43 5. The Chief of the Budget Division of the Department of
44 Administration may submit a request to the State Board of



1 Examiners to transfer money from the Account to Stabilize the
2 Operation of the State Government to the State General Fund:

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

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

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

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

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

26 **Sec. 5.** 1. This act becomes effective on July 1, 2013.

27 2. Section 2 of this act expires by limitation on June 30, 2017.

