

ASSEMBLY BILL NO. 139—ASSEMBLYMEN YEAGER; AND GORELOW

FEBRUARY 15, 2021

JOINT SPONSOR: SENATOR SCHEIBLE

Referred to Committee on Government Affairs

SUMMARY—Revises provisions relating to local governments.  
(BDR 31-524)

FISCAL NOTE: Effect on Local Government: May have Fiscal Impact.  
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 local governments; authorizing the governing body of a county or city to transfer money from certain enterprise funds to pay the costs for constructing a fire station; and providing other matters properly relating thereto.

**Legislative Counsel's Digest:**

Existing law requires, under certain circumstances, a local government to create an enterprise fund exclusively for building permit fees and fees imposed for the issuance of barricade permits and encroachment permits. Under existing law, money in such an enterprise fund must not be used for any purpose other than the actual direct and indirect costs of the program for the issuance of barricade permits, encroachment permits and building permits, including the cost of checking plans, issuing permits, inspecting buildings and administering the program. (NRS 354.59891)

**Section 1** of this bill authorizes the governing body of a county or city to transfer money from the enterprise fund to pay the costs of constructing one or more fire stations if: (1) the transfer does not cause the balance of the unreserved working capital in the enterprise fund to be less than 50 percent of the annual operating costs and capital expenditures for the program for the issuance of barricade permits, encroachment permits and building permits; and (2) the governing body finds that the construction of the fire station is necessary based on an analysis of the need for infrastructure prepared between January 1, 2020, and December 31, 2021. **Section 1** also creates an exception to the requirement for the county or city to reduce the fees it charges for barricade permits, encroachment permits and building permits when the balance in the enterprise fund exceeds a certain amount. **Section 1** further: (1) prohibits the transfer of money from the



enterprise fund after December 31, 2021; (2) prohibits money transferred from the enterprise fund from being committed for expenditure after December 31, 2023; and (3) requires any portion of such money remaining to be reverted to the enterprise fund on January 1, 2024.

**Section 2** of this bill indicates the placement of **section 1** in the Nevada Revised Statutes.

**Sections 3 and 4** of this bill create exceptions to existing provisions that restrict the transfer and use of money from an enterprise fund.

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

**Section 1.** Chapter 354 of NRS is hereby amended by adding thereto a new section to read as follows:

*1. The governing body of a county or city that has created an enterprise fund pursuant to NRS 354.59891 may transfer an amount of money from the enterprise fund to pay the costs of constructing one or more fire stations if:*

*(a) The transfer from the enterprise fund does not cause the balance of unreserved working capital in the enterprise fund to be less than 50 percent of the annual operating costs and capital expenditures for the program for the issuance of barricade permits, encroachment permits and building permits; and*

*(b) The governing body finds that the construction of the fire station is necessary based on an analysis of the need for infrastructure prepared pursuant to NRS 278.02591 between January 1, 2020, and December 31, 2021.*

*2. The provisions of subsection 6 of NRS 354.59891 do not apply to a county or city that uses money from the enterprise fund to the extent that the excess of the amount authorized pursuant to paragraph (d) of subsection 4 of NRS 354.59891 is transferred from the enterprise fund to pay the costs of constructing a fire station pursuant to subsection 1.*

*3. No money may be transferred from an enterprise fund pursuant to subsection 1 after December 31, 2021. Any remaining balance of the money transferred from the enterprise fund pursuant to subsection 1 must not be committed for expenditure after December 31, 2023, and any portion of the money remaining must be reverted to the enterprise fund on January 1, 2024.*

**Sec. 2.** NRS 354.470 is hereby amended to read as follows:

354.470 NRS 354.470 to 354.626, inclusive, *and section 1 of this act* may be cited as the Local Government Budget and Finance Act.

**Sec. 3.** NRS 354.59891 is hereby amended to read as follows:

354.59891 1. As used in this section:



(a) "Barricade permit" means the official document issued by the building officer of a local government which authorizes the placement of barricade appurtenances or structures within a public right-of-way.

(b) "Building permit" means the official document or certificate issued by the building officer of a local government which authorizes the construction of a structure.

(c) "Building permit basis" means the combination of the rate and the valuation method used to calculate the total building permit fee.

(d) "Building permit fee" means the total fees that must be paid before the issuance of a building permit, including, without limitation, all permit fees and inspection fees. The term does not include, without limitation, fees relating to water, sewer or other utilities, residential construction tax, tax for the improvement of transportation imposed pursuant to NRS 278.710, any fee imposed pursuant to NRS 244.386 or 268.4413 or any amount expended to change the zoning of the property.

(e) "Current asset" means any cash maintained in an enterprise fund and any interest or other income earned on the money in the enterprise fund that, at the end of the current fiscal year, is anticipated by a local government to be consumed or converted into cash during the next ensuing fiscal year.

(f) "Current liability" means any debt incurred by a local government to provide the services associated with issuing building permits that, at the end of the current fiscal year, is determined by the local government to require payment within the next ensuing fiscal year.

(g) "Encroachment permit" means the official document issued by the building officer of a local government which authorizes construction activity within a public right-of-way.

(h) "Operating cost" means the amount paid by a local government for supplies, services, salaries, wages and employee benefits to provide the services associated with issuing building permits.

(i) "Working capital" means the excess of current assets over current liabilities, as determined by the local government at the end of the current fiscal year.

2. Except as otherwise provided in subsections 3 and 4, a local government shall not increase its building permit basis by more than an amount equal to the building permit basis on June 30, 1989, multiplied by a percentage equal to the percentage increase in the Western Urban Nonseasonally Adjusted Consumer Price Index, as published by the United States Department of Labor, from



January 1, 1988, to the January 1 next preceding the fiscal year for which the calculation is made.

3. A local government may submit an application to increase its building permit basis by an amount greater than otherwise allowable pursuant to subsection 2 to the Nevada Tax Commission. The Nevada Tax Commission may allow the increase only if it finds that:

(a) Emergency conditions exist which impair the ability of the local government to perform the basic functions for which it was created; or

(b) The building permit basis of the local government is substantially below that of other local governments in the State and the cost of providing the services associated with the issuance of building permits in the previous fiscal year exceeded the total revenue received from building permit fees, excluding any amount of residential construction tax collected, for that fiscal year.

4. Upon application by a local government, the Nevada Tax Commission shall exempt the local government from the limitation on the increase of its building permit basis if:

(a) The local government creates an enterprise fund pursuant to NRS 354.612 exclusively for building permit fees, fees imposed for the issuance of barricade permits and fees imposed for encroachment permits; *and*

(b) *Except as otherwise provided in section 1 of this act:*

(1) The purpose of the enterprise fund is to recover the costs of operating the activity for which the fund was created, including overhead;

~~(c)~~ (2) Any interest or other income earned on the money in the enterprise fund is credited to the enterprise fund;

~~(d)~~ (3) The local government maintains a balance of unreserved working capital in the enterprise fund that does not exceed 50 percent of the annual operating costs and capital expenditures for the program for the issuance of barricade permits, encroachment permits and building permits of the local government, as determined by the annual audit of the local government conducted pursuant to NRS 354.624; and

~~(e)~~ (4) The local government does not use any of the money in the enterprise fund for any purpose other than the actual direct and indirect costs of the program for the issuance of barricade permits, encroachment permits and building permits, including, without limitation, the cost of checking plans, issuing permits, inspecting buildings and administering the program. The Committee on Local Government Finance shall adopt regulations governing the permissible expenditures from an enterprise fund pursuant to this

~~[paragraph-]~~ *subparagraph.*



5. Any amount in an enterprise fund created pursuant to this section that is designated for special use, including, without limitation, prepaid fees and any other amount subject to a contractual agreement, must be identified as a restricted asset and must not be included as a current asset in the calculation of working capital.

~~¶¶~~ *Except as otherwise provided in section 1 of this act, if* a balance in excess of the amount authorized pursuant to *subparagraph (3) of* paragraph ~~[(a)]~~ (b) of subsection 4 is maintained in an enterprise fund created pursuant to this section at the close of 2 consecutive fiscal years, the local government shall reduce the fees for barricade permits, encroachment permits and building permits it charges by an amount that is sufficient to ensure that the balance in the enterprise fund at the close of the fiscal year next following those 2 consecutive fiscal years does not exceed the amount authorized pursuant to *subparagraph (3) of* paragraph ~~[(a)]~~ (b) of subsection 4.

**Sec. 4.** NRS 354.613 is hereby amended to read as follows:

354.613 1. Except as otherwise provided in this section ~~¶~~ *and section 1 of this act*, the governing body of a local government may, on or after July 1, 2011, loan or transfer money from an enterprise fund, money collected from fees imposed for the purpose for which an enterprise fund was created or any income or interest earned on money in an enterprise fund only if the loan or transfer is made:

(a) In accordance with a medium-term obligation issued by the recipient in compliance with the provisions of chapter 350 of NRS, the loan or transfer is proposed to be made and the governing body approves the loan or transfer under a nonconsent item that is separately listed on the agenda for a regular meeting of the governing body, and:

(1) The money is repaid in full to the enterprise fund within 5 years; or

(2) If the recipient will be unable to repay the money in full to the enterprise fund within 5 years, the recipient notifies the Committee on Local Government Finance of:

(I) The total amount of the loan or transfer;

(II) The purpose of the loan or transfer;

(III) The date of the loan or transfer; and

(IV) The estimated date that the money will be repaid in full to the enterprise fund;

(b) To pay the expenses related to the purpose for which the enterprise fund was created;

(c) For a cost allocation for employees, equipment or other resources related to the purpose of the enterprise fund which is



1 approved by the governing body under a nonconsent item that is  
2 separately listed on the agenda for a regular meeting of the  
3 governing body; or

4 (d) Upon the dissolution of the enterprise fund.

5 2. Except as otherwise provided in this section, the governing  
6 body of a local government may increase the amount of any fee  
7 imposed for the purpose for which an enterprise fund was created  
8 only if the governing body approves the increase under a  
9 nonconsent item that is separately listed on the agenda for a regular  
10 meeting of the governing body, and the governing body determines  
11 that:

12 (a) The increase is not prohibited by law;

13 (b) The increase is necessary for the continuation or expansion  
14 of the purpose for which the enterprise fund was created; and

15 (c) All fees that are deposited in the enterprise fund are used  
16 solely for the purposes for which the fees are collected.

17 3. Upon the adoption of an increase in any fee pursuant to  
18 subsection 2, the governing body shall, except as otherwise provided  
19 in this subsection, provide to the Department of Taxation an  
20 executed copy of the action increasing the fee. This requirement  
21 does not apply to the governing body of a federally regulated  
22 airport.

23 4. The provisions of subsection 2 do not limit the authority of  
24 the governing body of a local government to increase the amount of  
25 any fee imposed upon a public utility in compliance with the  
26 provisions of NRS 354.59881 to 354.59889, inclusive, for a  
27 right-of-way over any public area if the public utility is billed  
28 separately for that fee. As used in this subsection, “public utility”  
29 has the meaning ascribed to it in NRS 354.598817.

30 5. This section must not be construed to:

31 (a) Prohibit a local government from increasing a fee or using  
32 money in an enterprise fund to repay a loan lawfully made to the  
33 enterprise fund from another fund of the local government; or

34 (b) Prohibit or impose any substantive or procedural limitations  
35 on any increase of a fee that is necessary to meet the requirements of  
36 an instrument that authorizes any bonds or other debt obligations  
37 which are secured by or payable from, in whole or in part, money in  
38 the enterprise fund or the revenues of the enterprise for which the  
39 enterprise fund was created.

40 6. The Department of Taxation shall provide to the Committee  
41 on Local Government Finance a copy of each report submitted to  
42 the Department on or after July 1, 2011, by a county or city pursuant  
43 to NRS 354.6015. The Committee shall:



(a) Review each report to determine whether the governing body of the local government is in compliance with the provisions of this section; and

(b) On or before January 15 of each odd-numbered year, submit a report of its findings to the Director of the Legislative Counsel Bureau for transmittal to the Legislature.

7. A fee increase imposed in violation of this section must not be invalidated on the basis of that violation. The sole remedy for a violation of this section is the penalty provided in NRS 354.626. Any person who pays a fee for the enterprise for which the enterprise fund is created may file a complaint with the district attorney or Attorney General alleging a violation of this section for prosecution pursuant to NRS 354.626.

8. For the purposes of paragraph (c) of subsection 1, the Committee on Local Government Finance shall adopt regulations setting forth the extent to which general, overhead, administrative and similar expenses of a local government of a type described in paragraph (c) of subsection 1 may be allocated to an enterprise fund. The regulations must require that:

(a) Each cost allocation makes an equitable distribution of all general, overhead, administrative and similar expenses of the local government among all activities of the local government, including the activities funded by the enterprise fund; and

(b) Only the enterprise fund's equitable share of those expenses may be treated as expenses of the enterprise fund and allocated to it pursuant to paragraph (c) of subsection 1.

9. Except as otherwise provided in subsections 10 and 11, if a local government has subsidized its general fund with money from an enterprise fund for the 5 fiscal years immediately preceding the fiscal year beginning on July 1, 2011, the provisions of subsection 1 do not apply to transfers from the enterprise fund to the general fund of the local government for the purpose of subsidizing the general fund if the local government:

(a) Does not increase the amount of the transfers to subsidize the general fund in any fiscal year beginning on or after July 1, 2011, above the amount transferred in the fiscal year ending on June 30, 2011, except for loans and transfers that comply with the provisions of subsection 1; and

(b) Does not, on or after July 1, 2011, increase any fees for any enterprise fund used to subsidize the general fund except for increases described in paragraph (b) of subsection 5.

10. On and after July 1, 2021, the provisions of subsection 1 apply to transfers from an enterprise fund described in subsection 9 to the general fund of a local government for the purpose of subsidizing the general fund unless:



(a) On or before July 1, 2018, the Committee on Local Government Finance has approved a plan adopted by the governing body of the local government to eliminate transfers from an enterprise fund to subsidize the general fund of the local government that are not made in compliance with subsection 1, which must include, without limitation, a plan to reduce, by at least 3.3 percent each fiscal year during the term of the plan, the amount of the transfers from the enterprise fund to the general fund of the local government for the purpose of subsidizing the general fund; and

(b) In accordance with the plan approved by the Committee on Local Government Finance pursuant to paragraph (a), for each fiscal year during the term of the plan, the local government reduces by at least 3.3 percent the amount of the transfers from the enterprise fund to the general fund of the local government for the purpose of subsidizing the general fund.

11. Each plan approved by the Committee on Local Government Finance pursuant to subsection 10 is subject to annual review by the Committee.

12. After the expiration of the term of a plan approved by the Committee on Local Government Finance pursuant to subsection 10, the provisions of subsection 1 apply to the local government that adopted the plan.

13. The provisions of this section do not apply to an enterprise fund created by the governing body of a local government for the purpose of providing telecommunication services pursuant to the provisions of NRS 710.010 to 710.159, inclusive.

**Sec. 5.** 1. This act becomes effective upon passage and approval.

2. Sections 1 to 4, inclusive, of this act expire by limitation on June 30, 2024.

