

BUDGET KICKOFF 2012

Meeting materials available for download at:

<http://budget.nv.gov/Upcoming/>

Email available for Internet viewers*:

bko@admin.nv.gov

***Please note:**

The provided email is for the live meeting only. All other budget questions should be directed to your budget analyst.

Nevada's best days
are yet to come.



Janet Rogers, Budget Economist

- **Master's Degree in Computer Science**
- **PhD in Economics**
- **30 years with the federal government doing statistical data analysis and developing software and modeling algorithms**
- **5 years with the Colorado Governor's Office of State Planning and Budgeting doing forecasts, reports, and developed an econometric model**
- **Likes turtles**



ECONOMIC OUTLOOK

Partly Cloudy

Clearing by Mid-Decade

Good News: The Great Recession is Over

- ▣ Officially ended nationally in June '09
 - Nevada in recession much longer
- ▣ Exceptionally long
- ▣ Exceptionally bad

Not So Good News: Recovery is Tepid

- ▣ Employment below pre-recession peak
- ▣ National housing sector still struggling
- ▣ Consumer confidence low (but improving)
- ▣ World economy iffy

Nevada hardest hit by the Great Recession

- ▣ Largest employment drop
- ▣ Highest unemployment rate
- ▣ Highest foreclosure rate
- ▣ Last to enter recovery

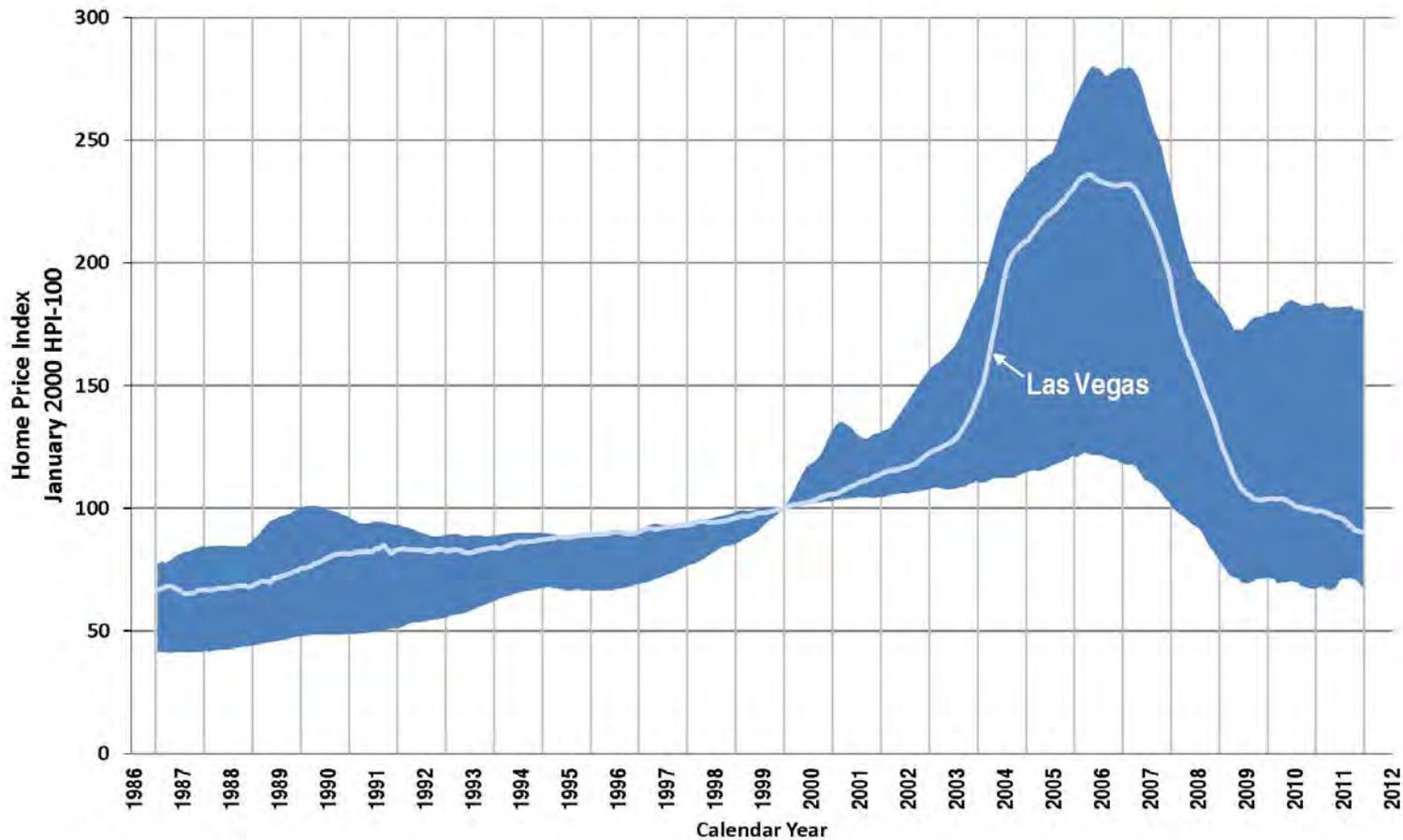
Nevada Economy Strengthening

- ▣ Employment grew throughout 2011
- ▣ Unemployment rate falling, albeit slowly
- ▣ Signs of stabilizing housing sector
- ▣ Retail activity is strong

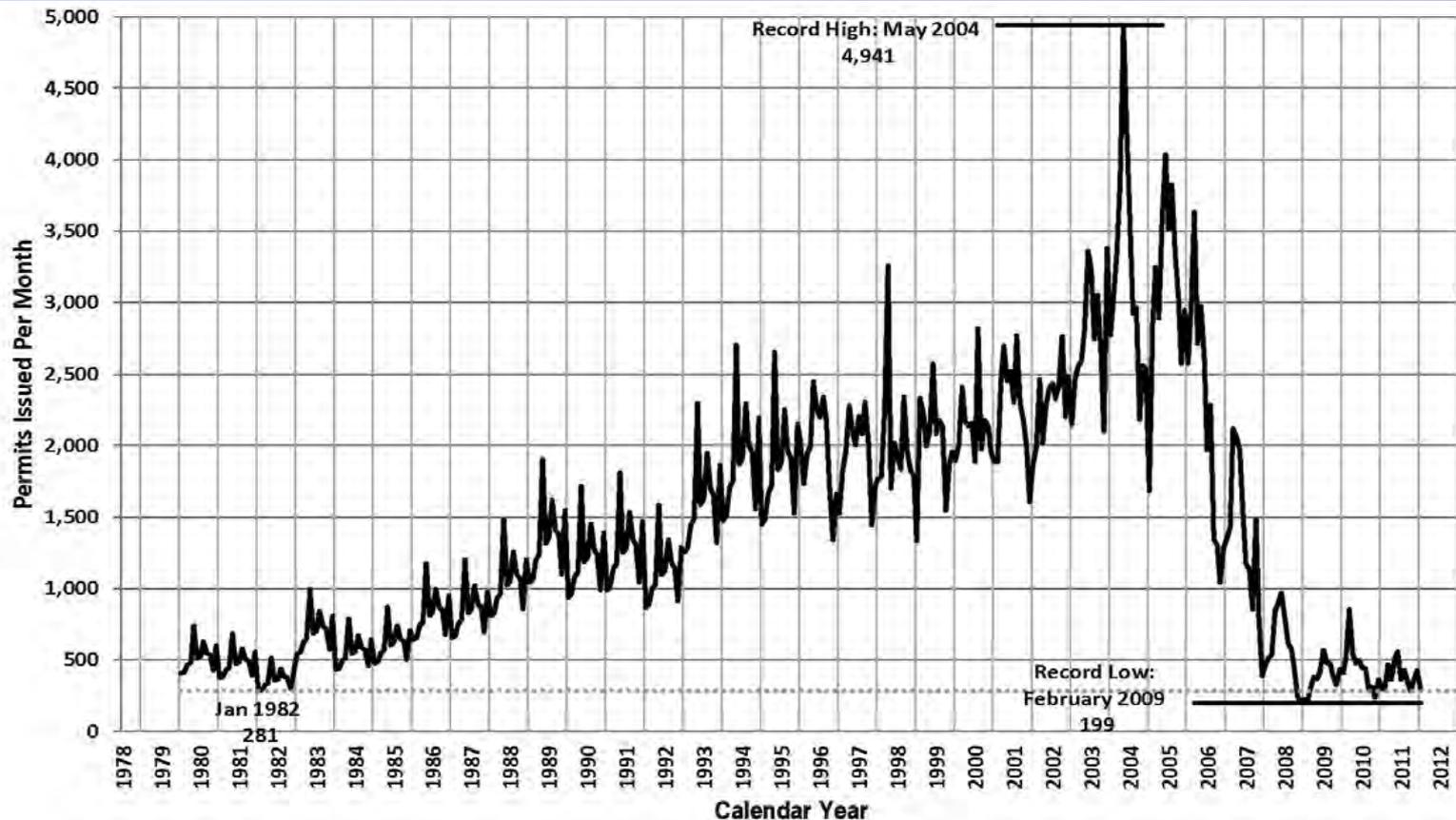
Why was Nevada hit so hard?

- ▣ **NV housing bubble among the largest nationwide**
- ▣ **NV economy largely dependent on consumption-based industries**

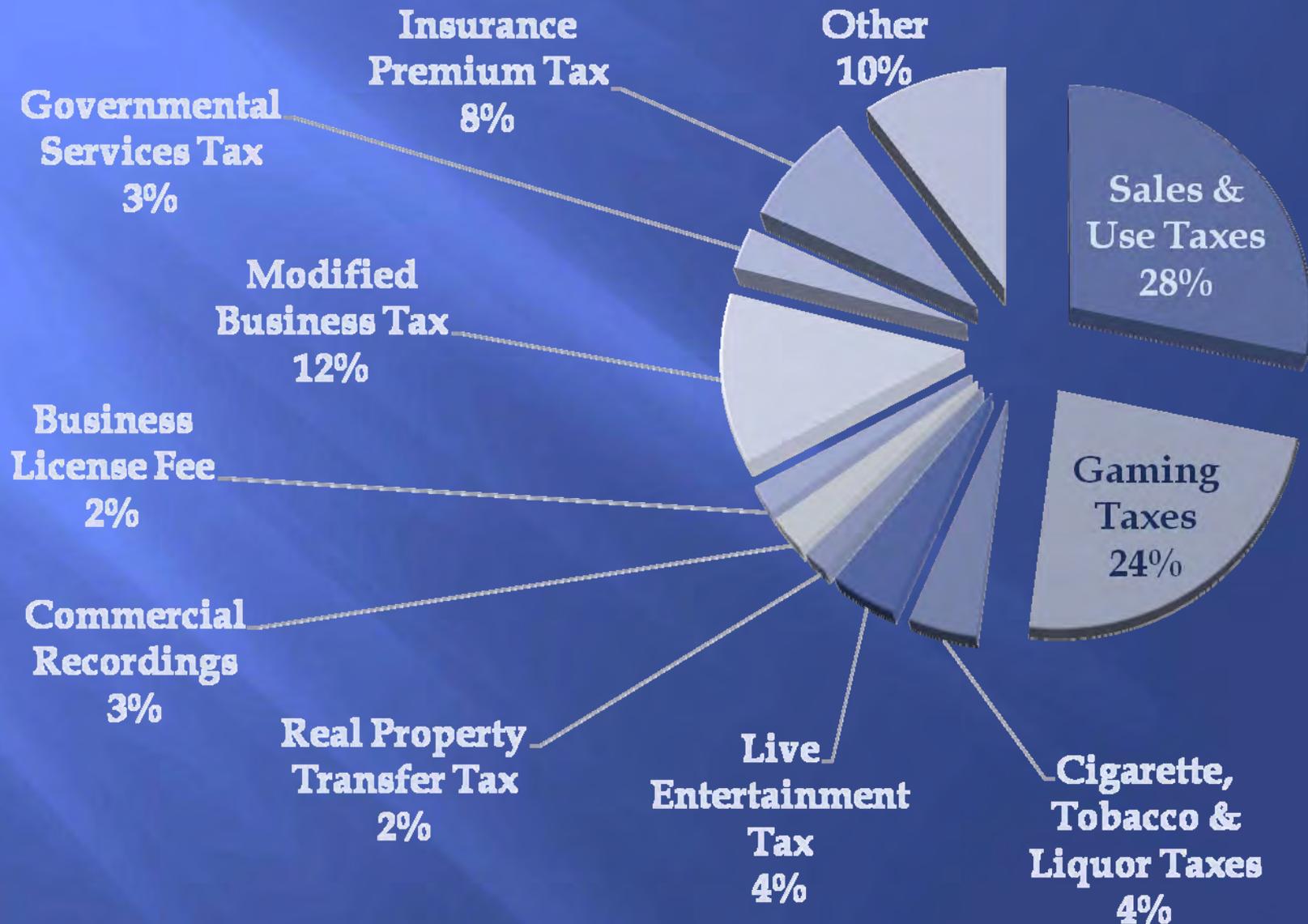
Las Vegas Case-Shiller Home Price Index



Nevada Single Family Home Permits



General Fund Revenues



Where are we now?

↑ Employment

↔ Total Wages

↑ Gaming Activity

↑ Retail Activity



2007-2010 Employment

Broad based job losses

- ▣ 90,000+ in construction
- ▣ 30,000+ in leisure & hospitality
- ▣ 20,000+ in professional &
business services

2011 Employment

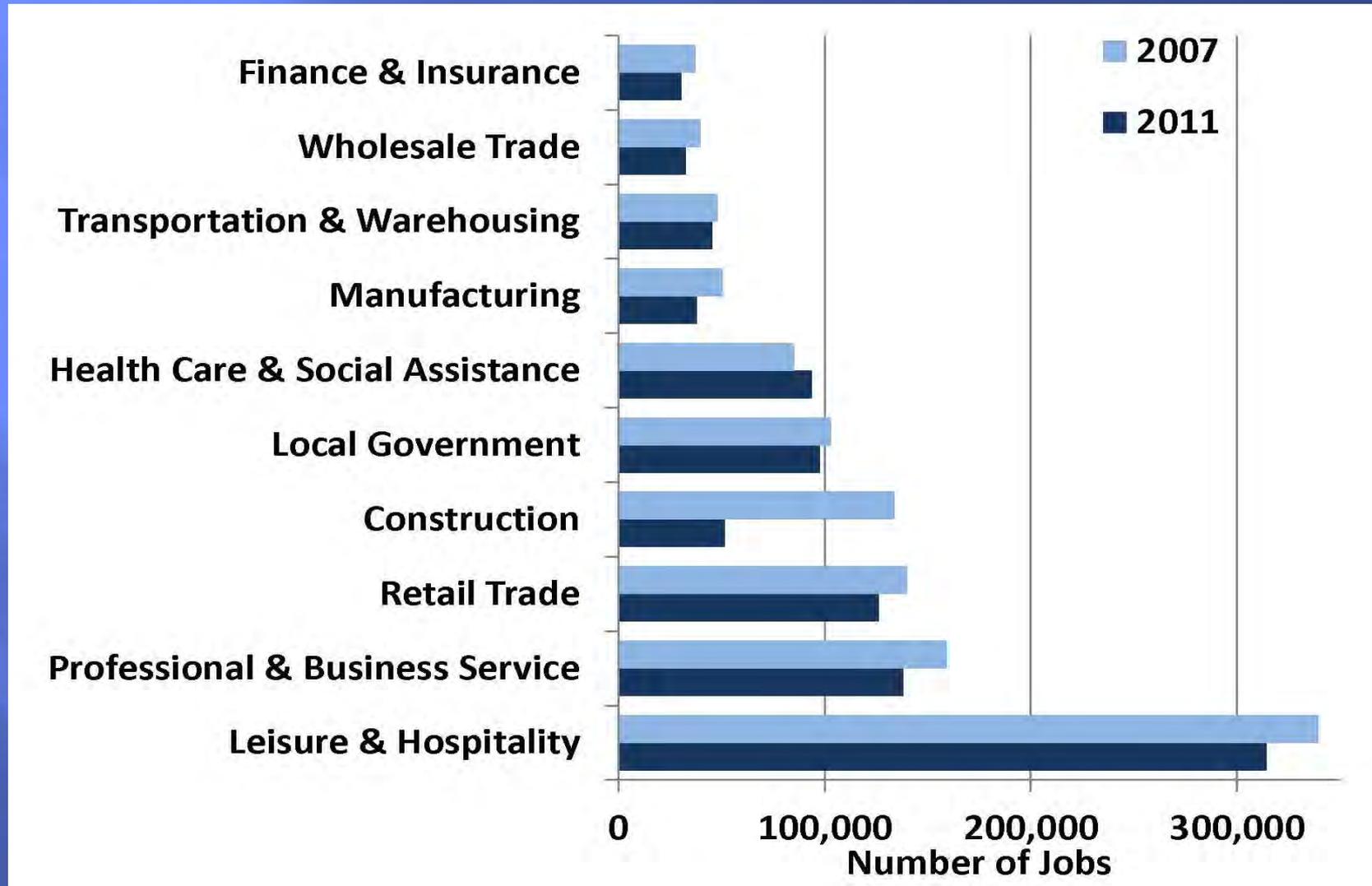
Recent gains in non-government sectors

- ▣ 8,800 in leisure & hospitality
- ▣ 3,500 in professional & business services
- ▣ 2,500 in education & health services

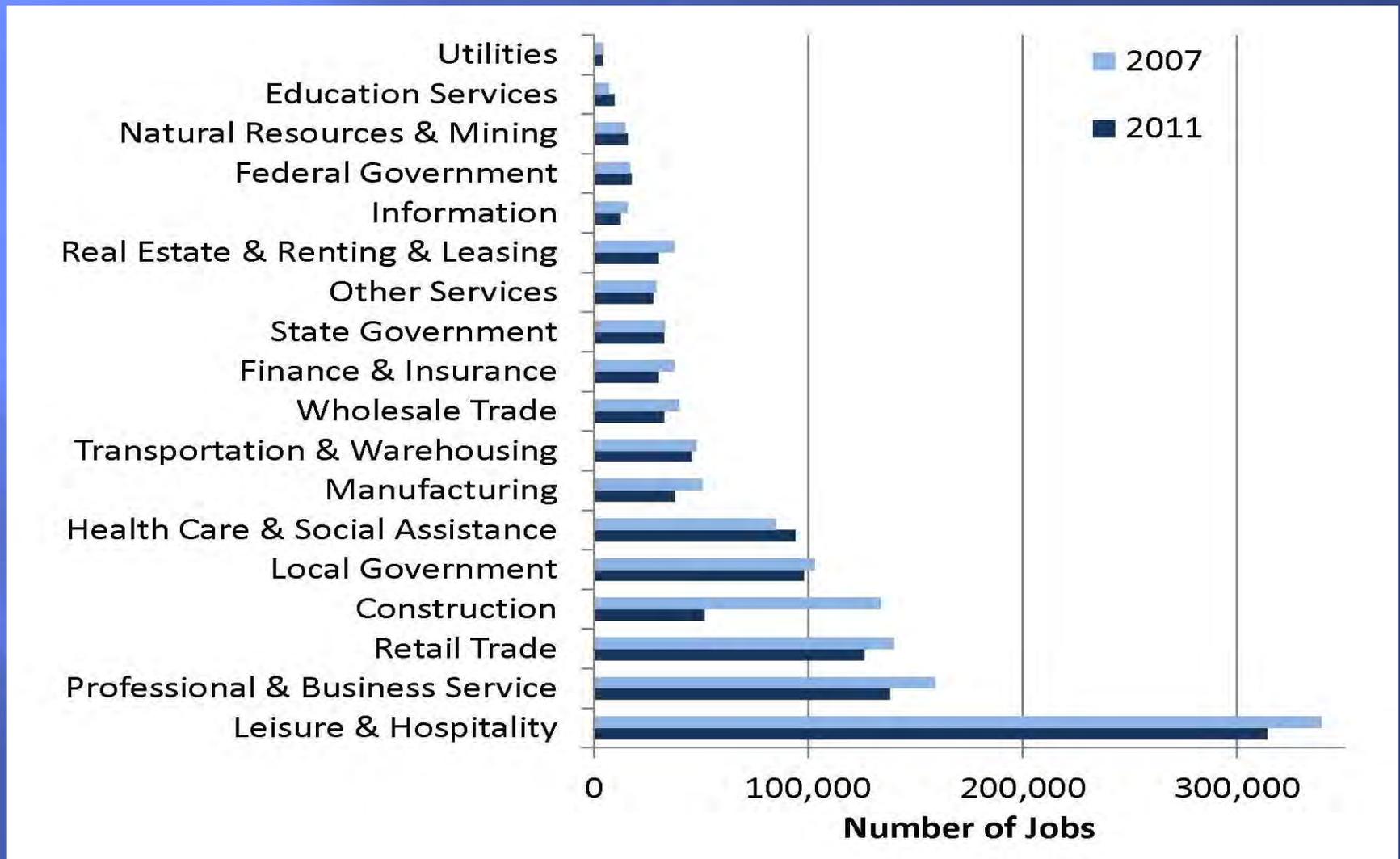
Continuing large declines some sectors

- ▣ 6,600 lost in construction
- ▣ 4,300 lost in government

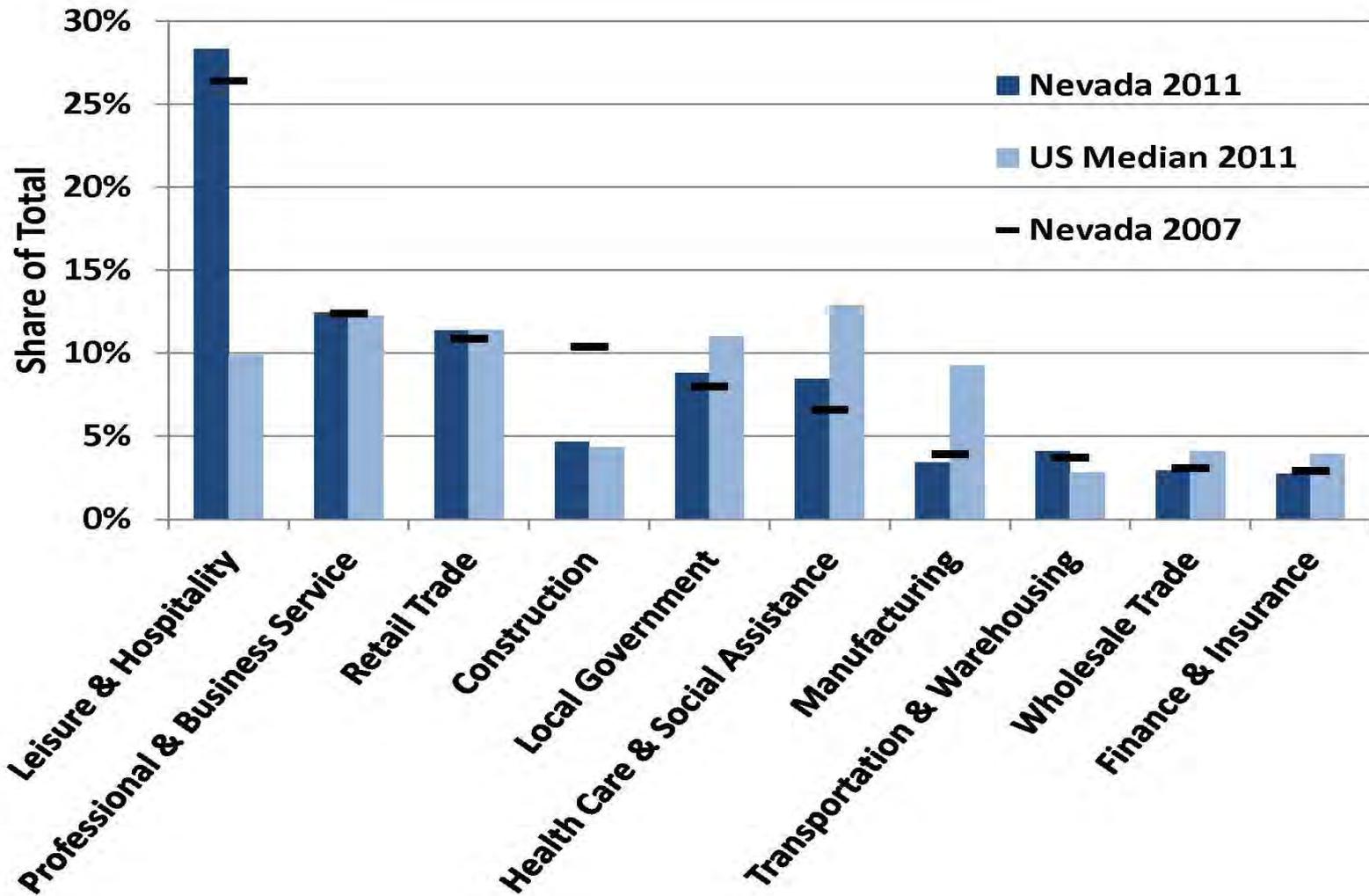
Employment by Sector



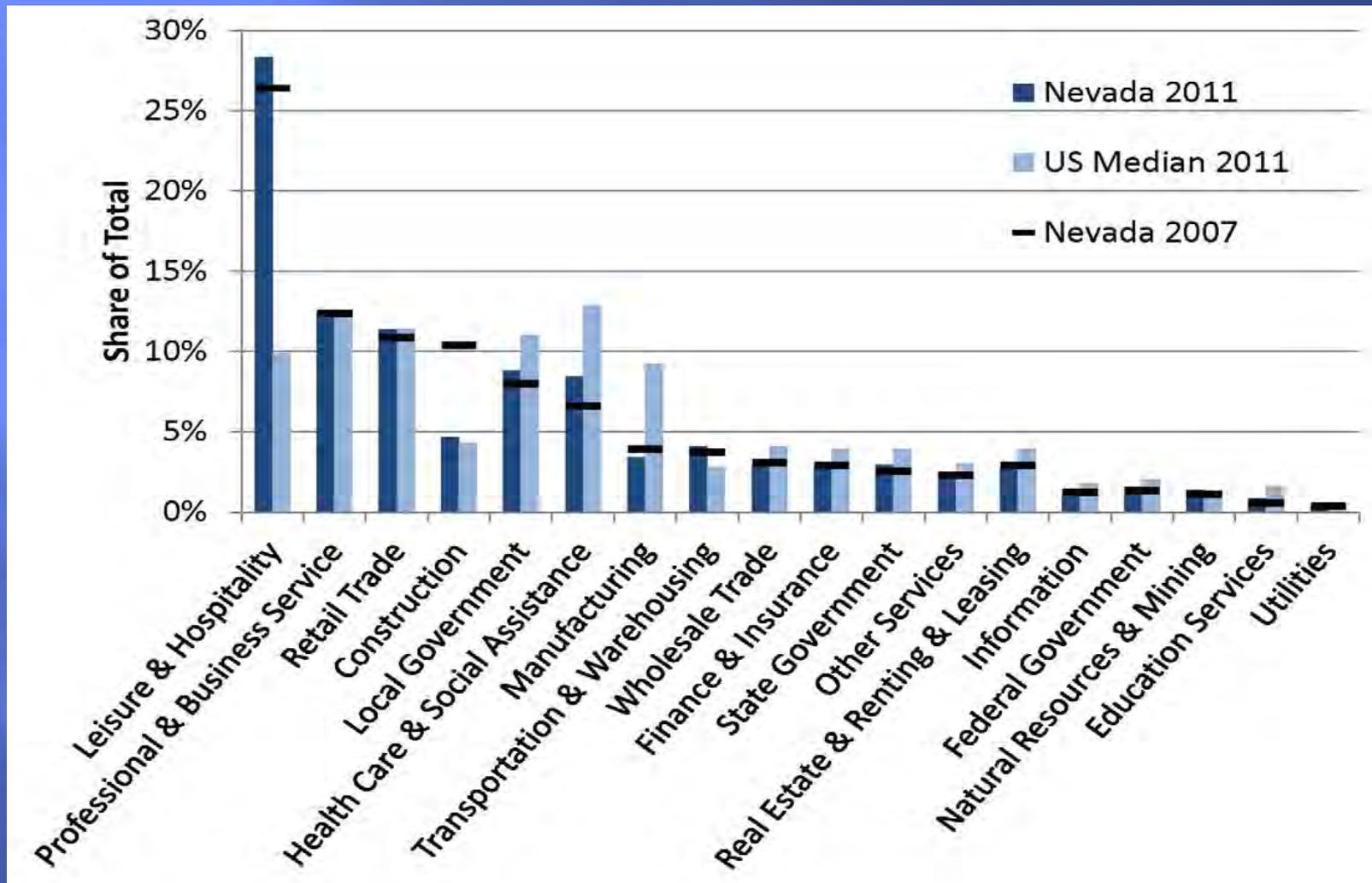
Employment by Sector



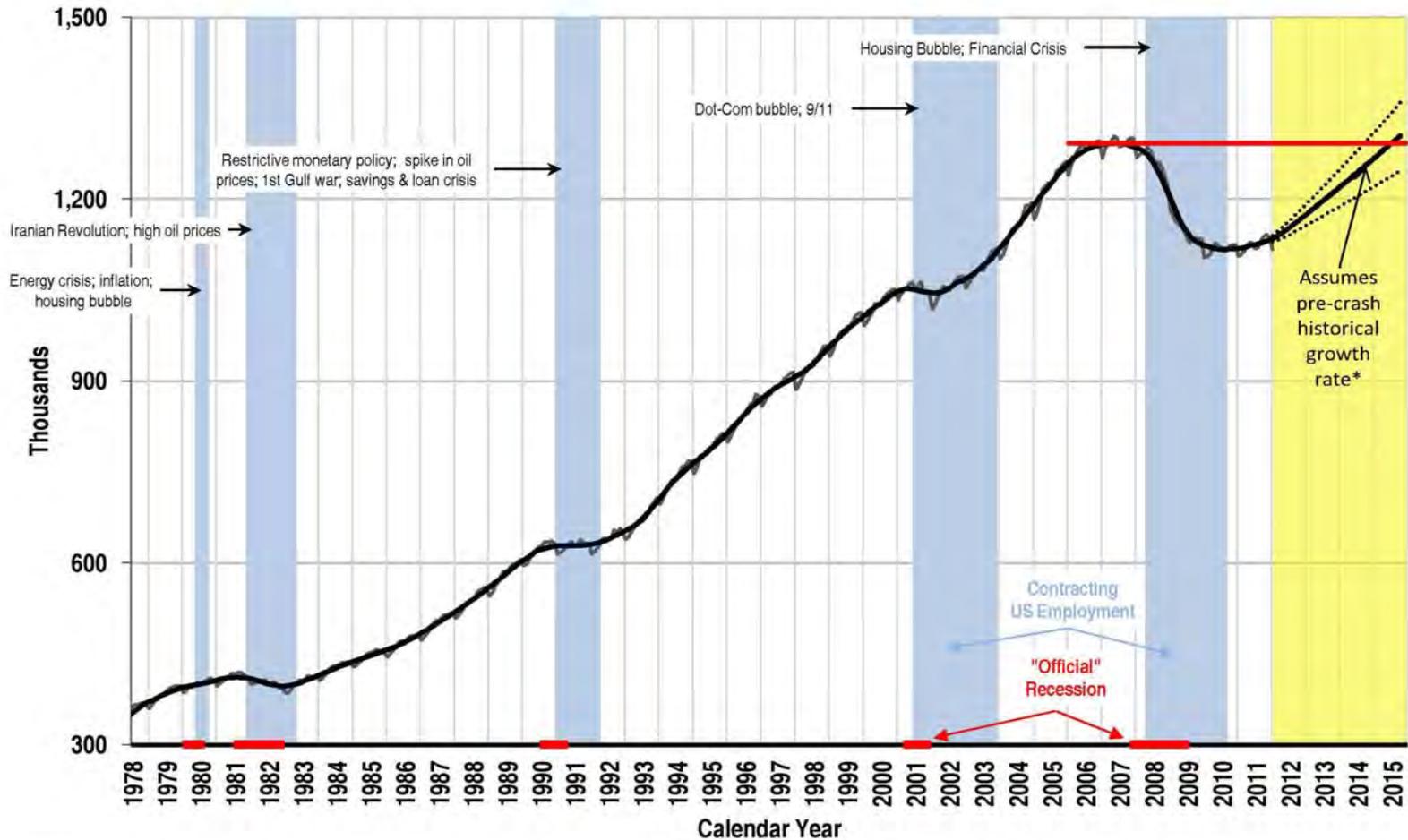
Employment by Sector



Employment by Sector



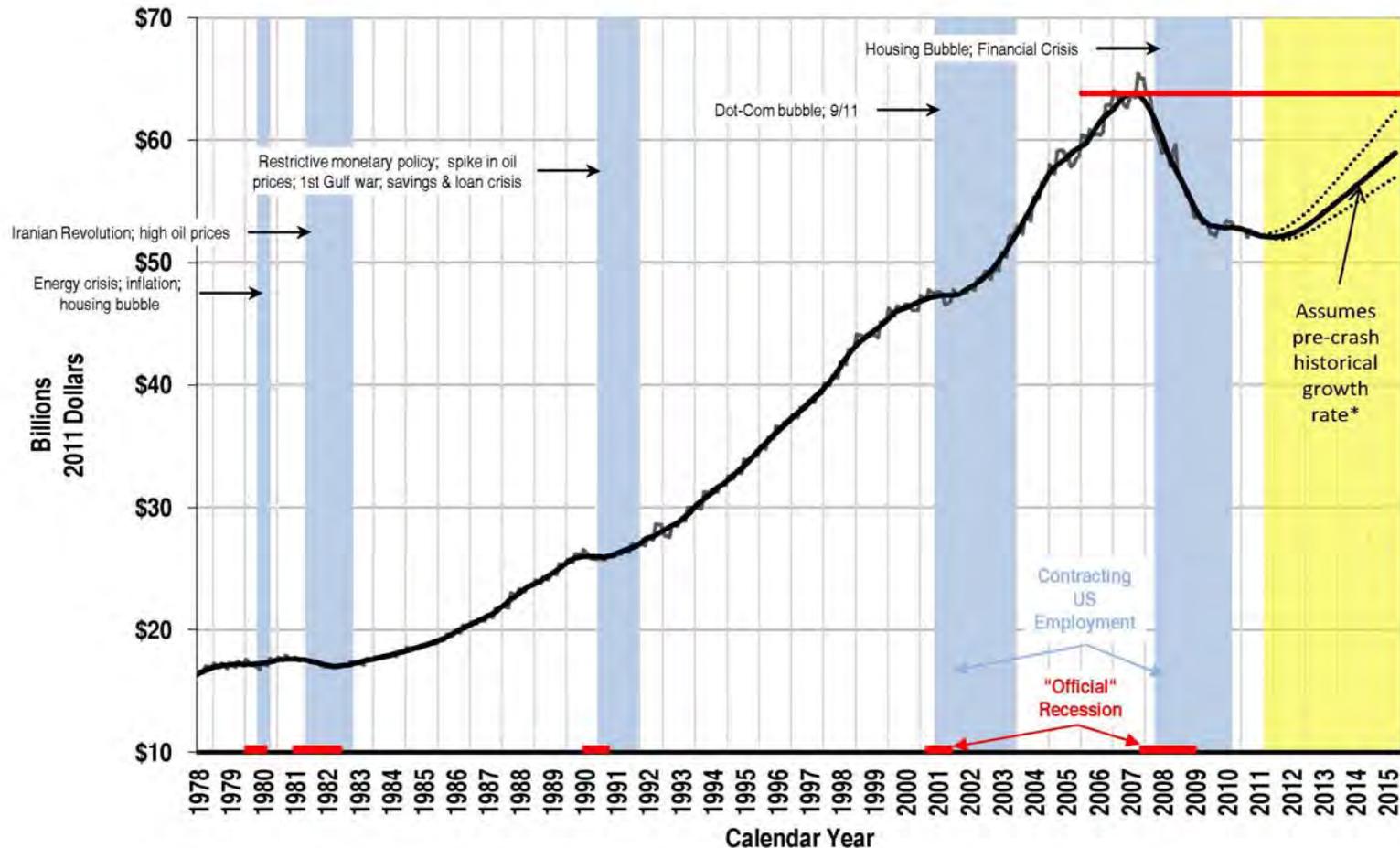
Outlook NV Employment



*Historically observed growth rate is not an economic forecast of future growth. Values are shown for illustration only.

Outlook

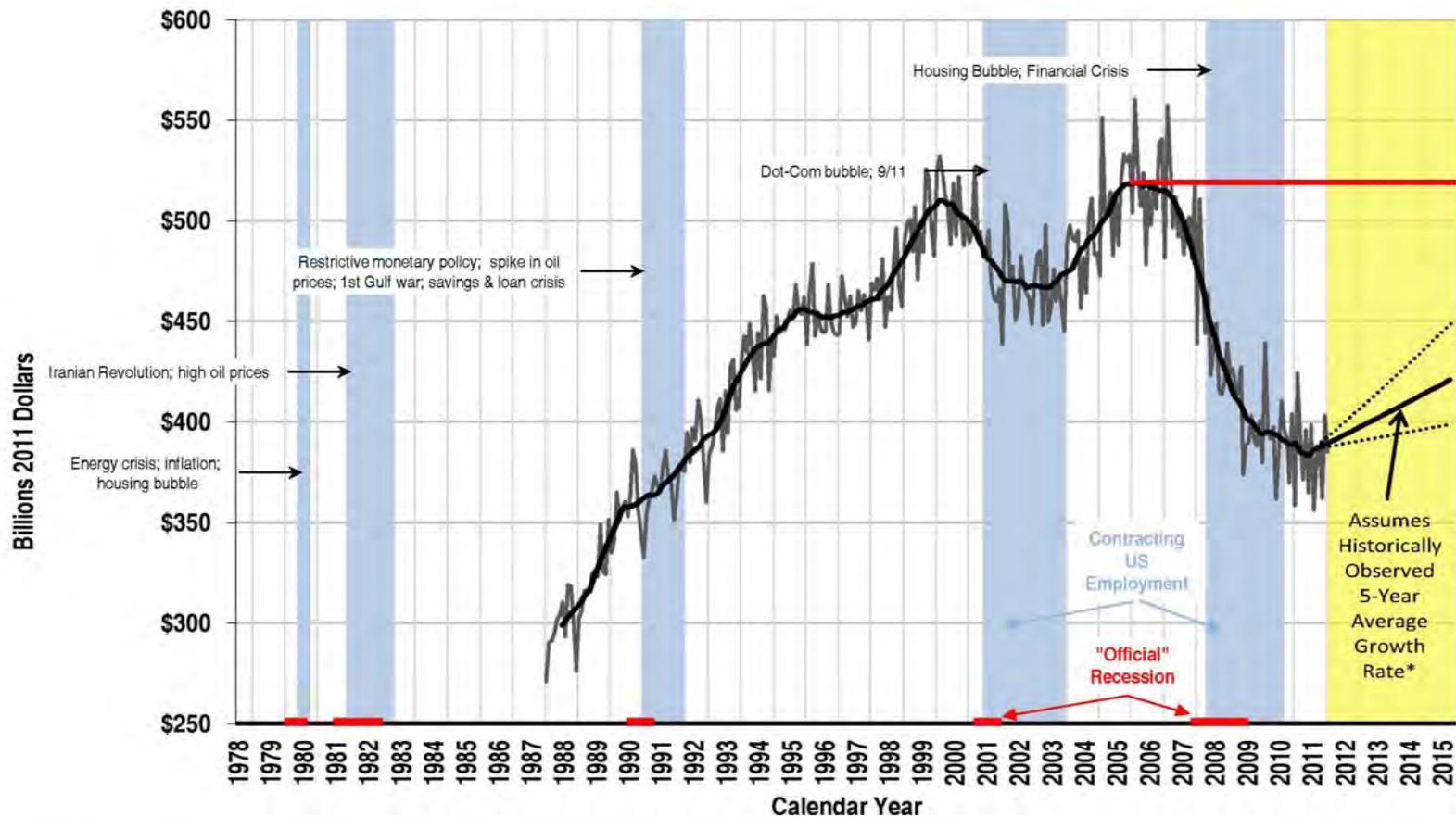
NV Inflation-Adjusted Total Wage



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Outlook

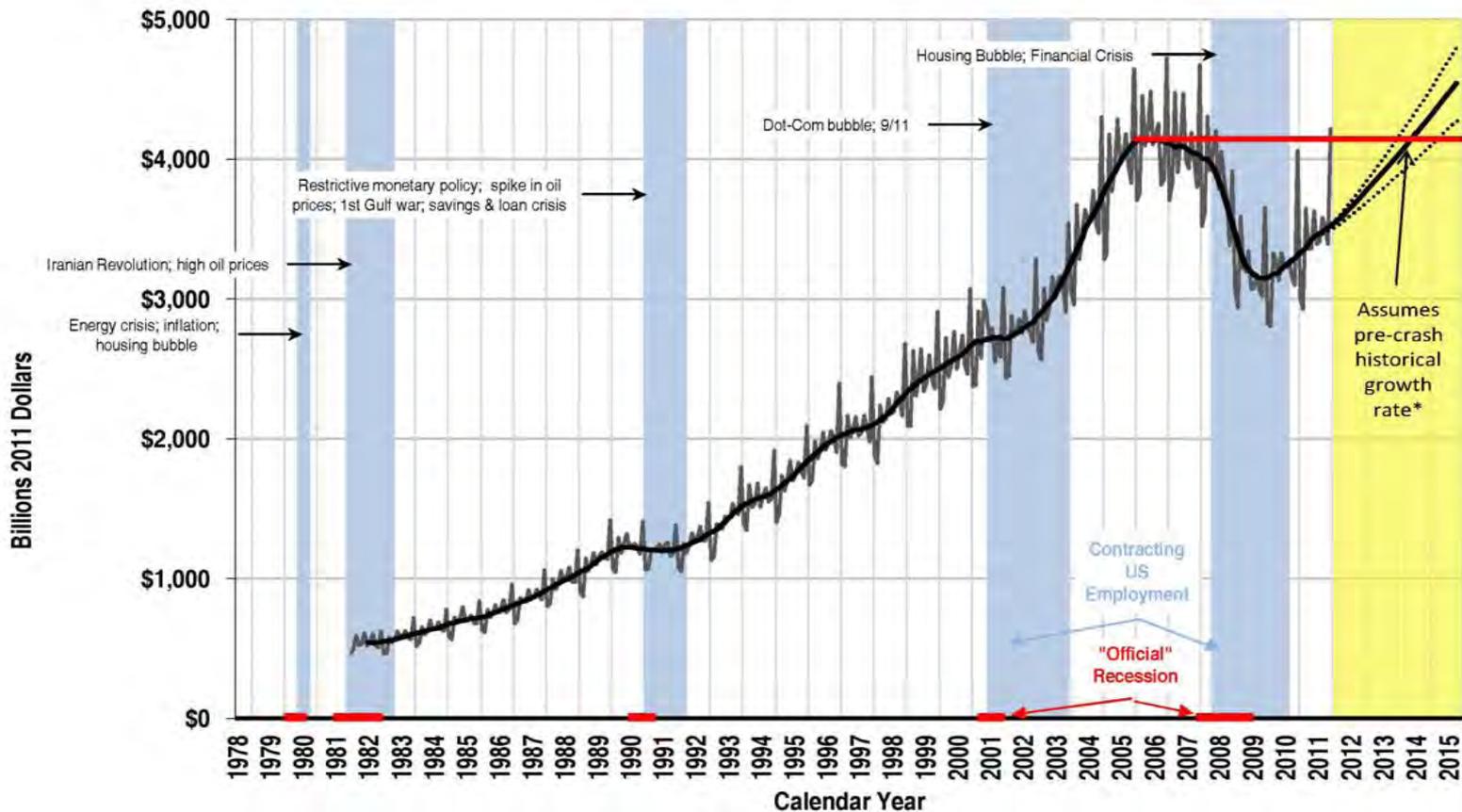
NV Inflation-Adjusted Average Daily Gaming Drop



*Historically observed growth rate is not an economic forecast of future growth. Values are shown for illustration only.

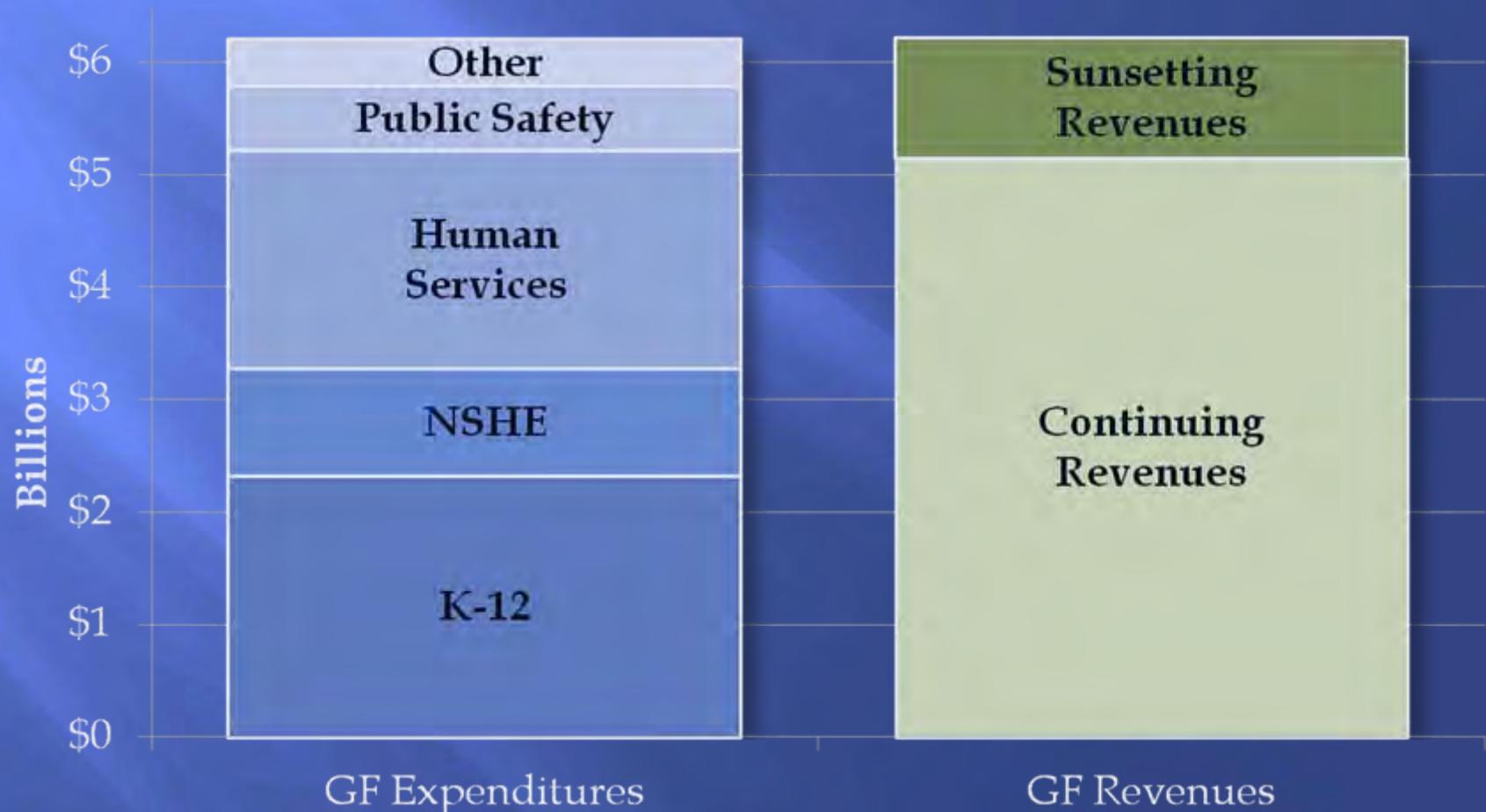
Outlook

NV Inflation-Adjusted Average Daily Retail Activity



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2011-2013 Biennium Expenditures & Revenues



NEVADA FORECAST

Partly Cloudy

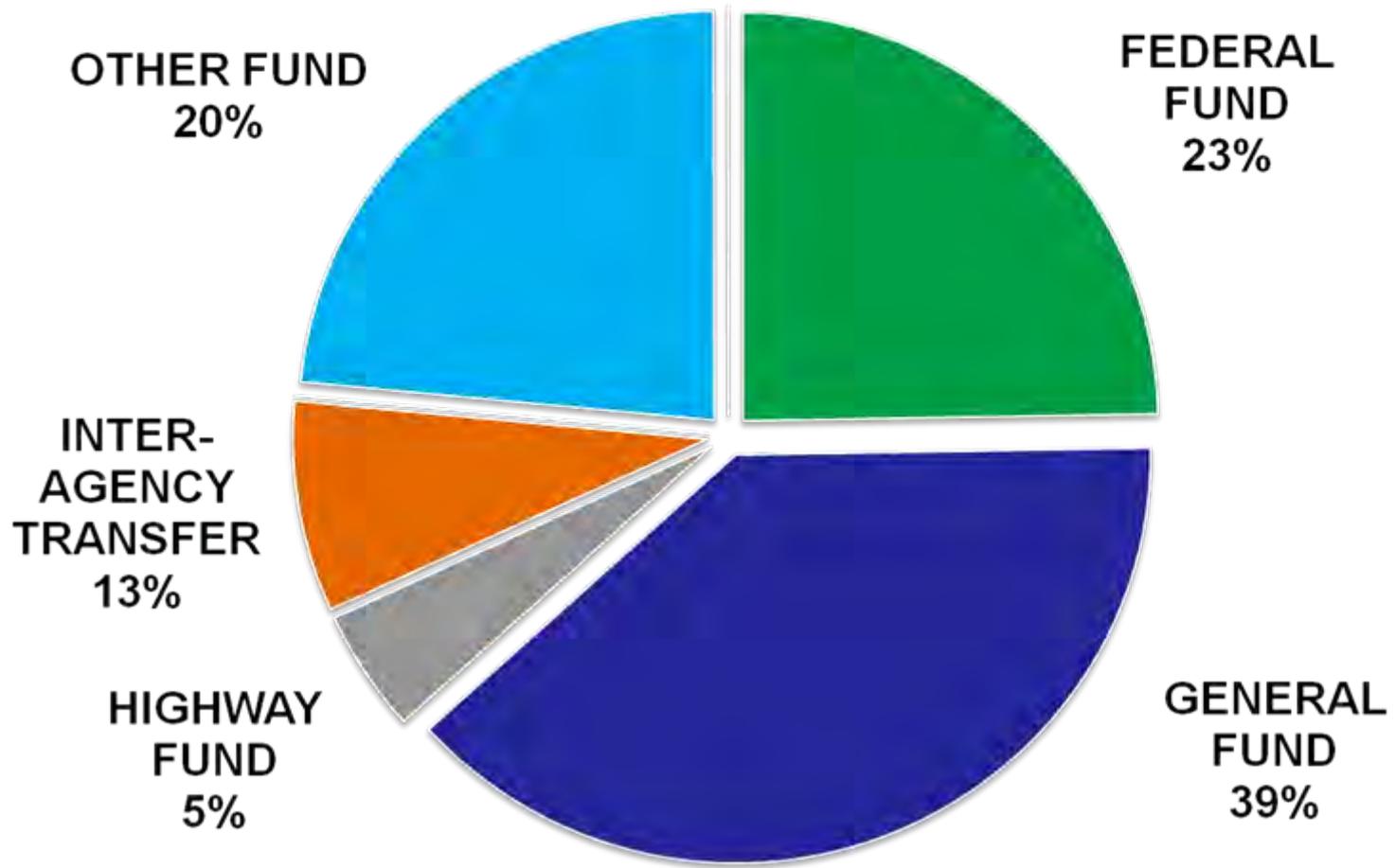
Clearing by Mid-Decade

Budget Overview



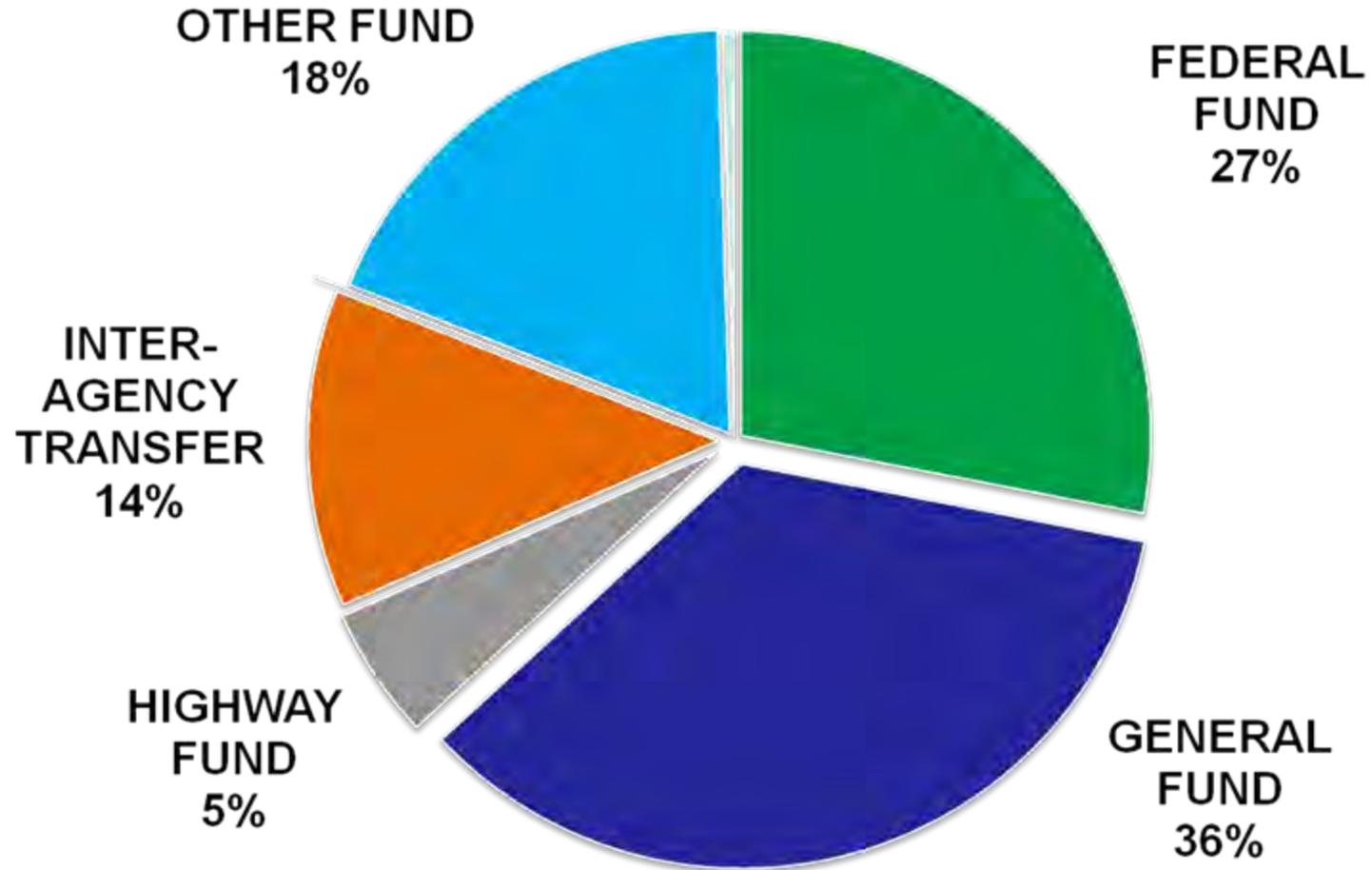
FY06-07 TOTAL BIENNIUM REVENUES

\$15.0 Billion Legislature Approved



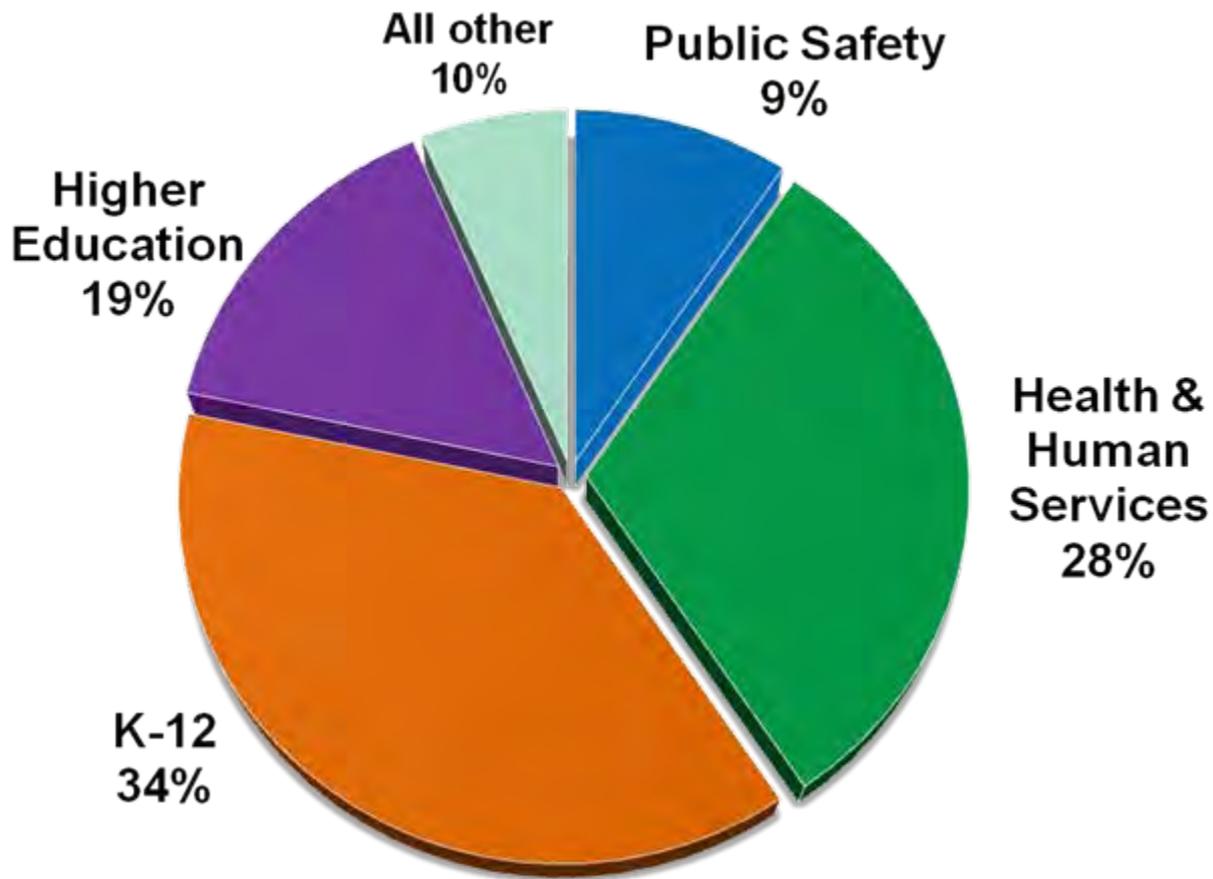
FY12-13 TOTAL BIENNIUM REVENUES

\$17.4 Billion Legislature Approved



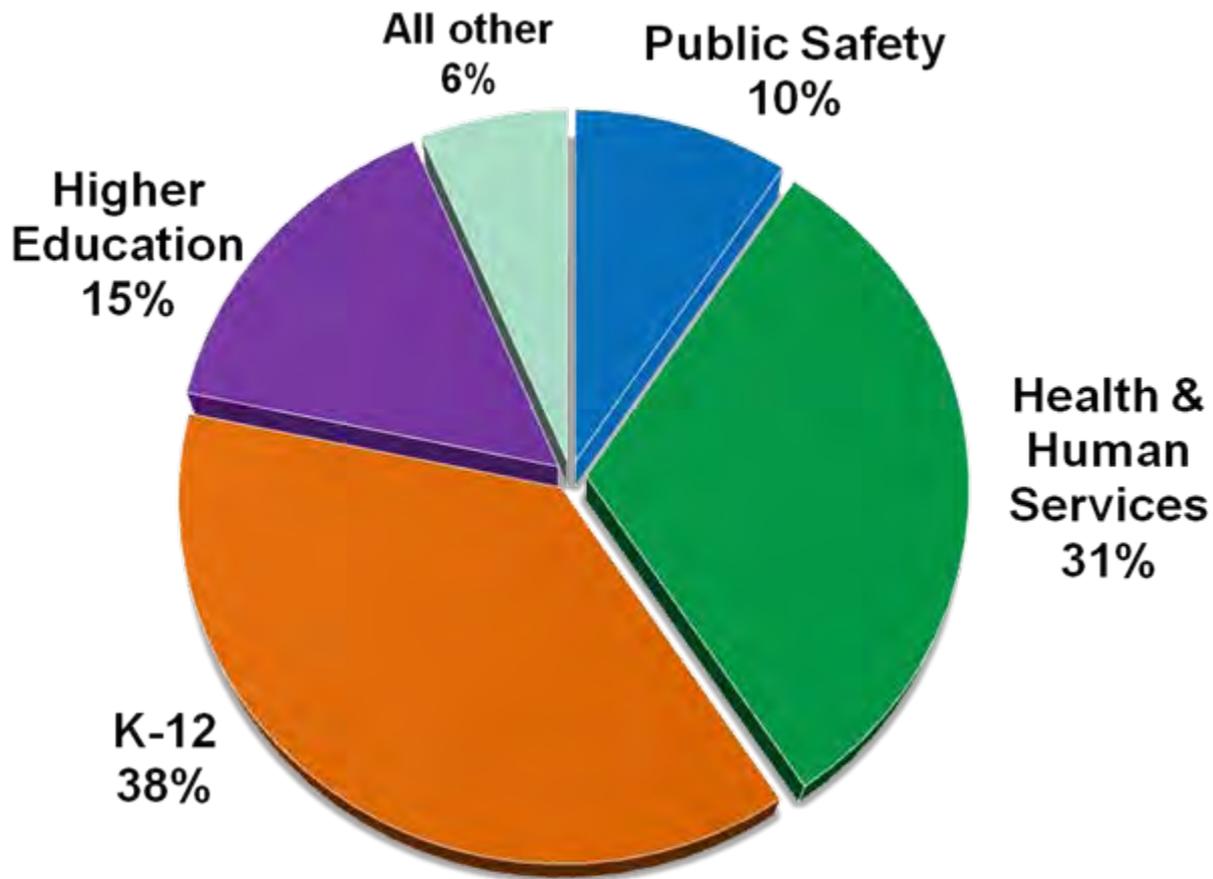
General Fund Appropriations by Function

FY06-07 Biennium Total \$5.8 Billion



General Fund Appropriations by Function

FY12-13 Biennium Total \$6.2 Billion



Difficult Economic Times Resulted in Major Budget Adjustments



Budget Reductions and Adjustments

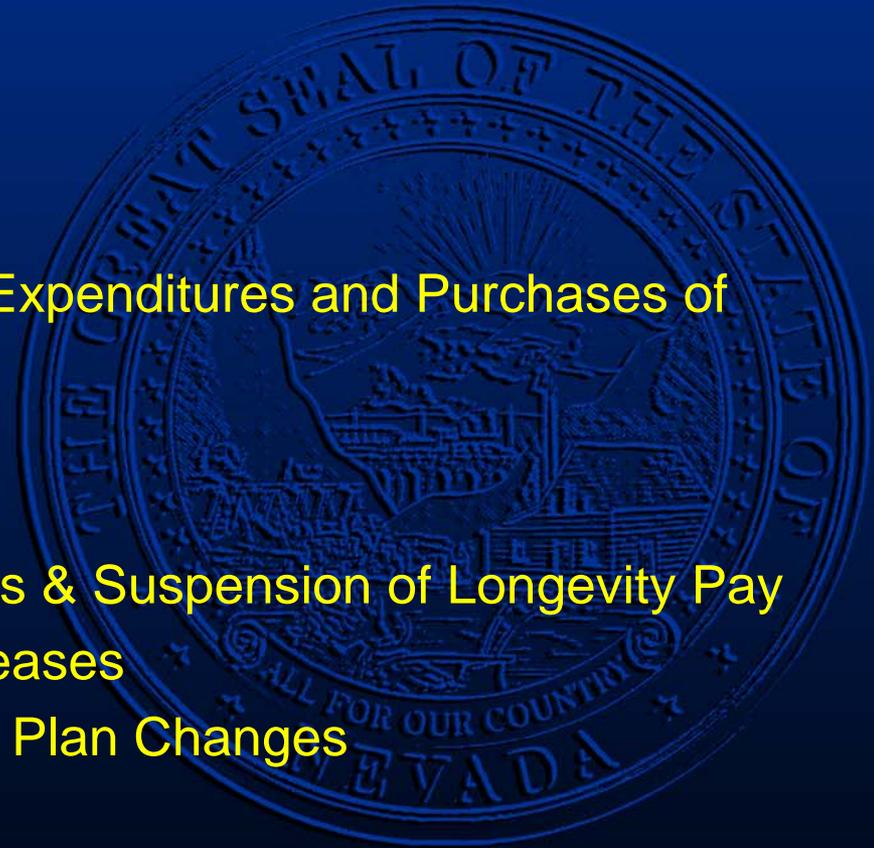
- Began in FY08
- Several Special Sessions
- Continued during 2009 Legislative Session
- Additional reductions during recent 2011 Legislative Session



FY08 - Current

Examples of Expense Reductions

- General Budget Reductions
- Significant Reductions in Capital Expenditures and Purchases of Equipment
- Position Eliminations
- Furloughs & Salary Reductions
- Suspension of Merit Pay Increases & Suspension of Longevity Pay
- Renegotiation of Contracts and Leases
- State Employee Health Insurance Plan Changes
- Department Consolidations
- Reduced Capital Improvement & Deferred Maintenance Projects



FY08 - Current

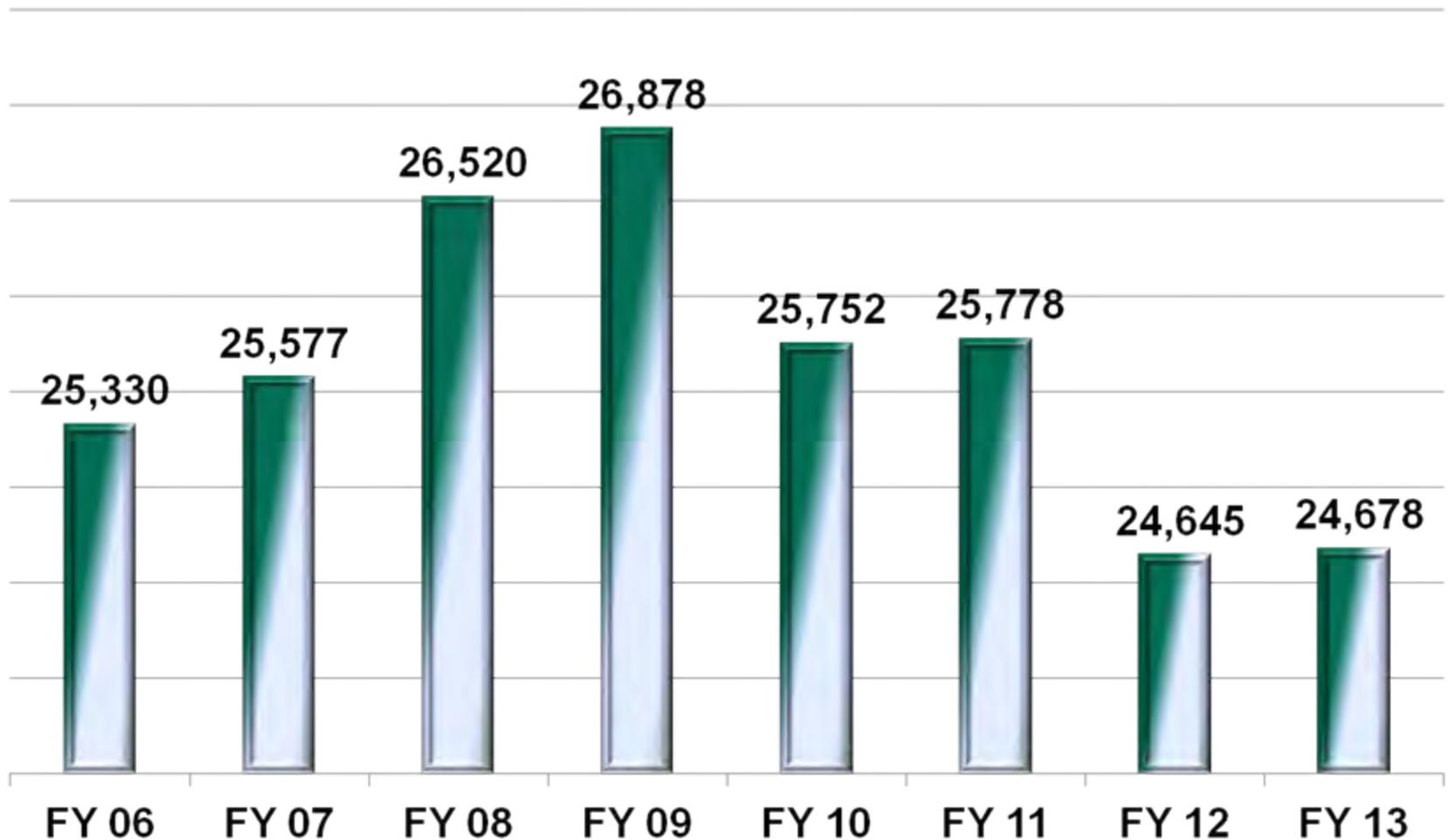
Examples of Revenue or Funding Increases

- Spend Down Rainy Day Fund
- Revenue Stabilization
- Fund Sweeps
- Fund Diversions
- Federal American Recovery and Reinvestment Act Funding
- Government Services Fiscal Stabilization Funds
- Enhanced Federal Medical Assistance Percentage (FMAP)
- Line of Credit



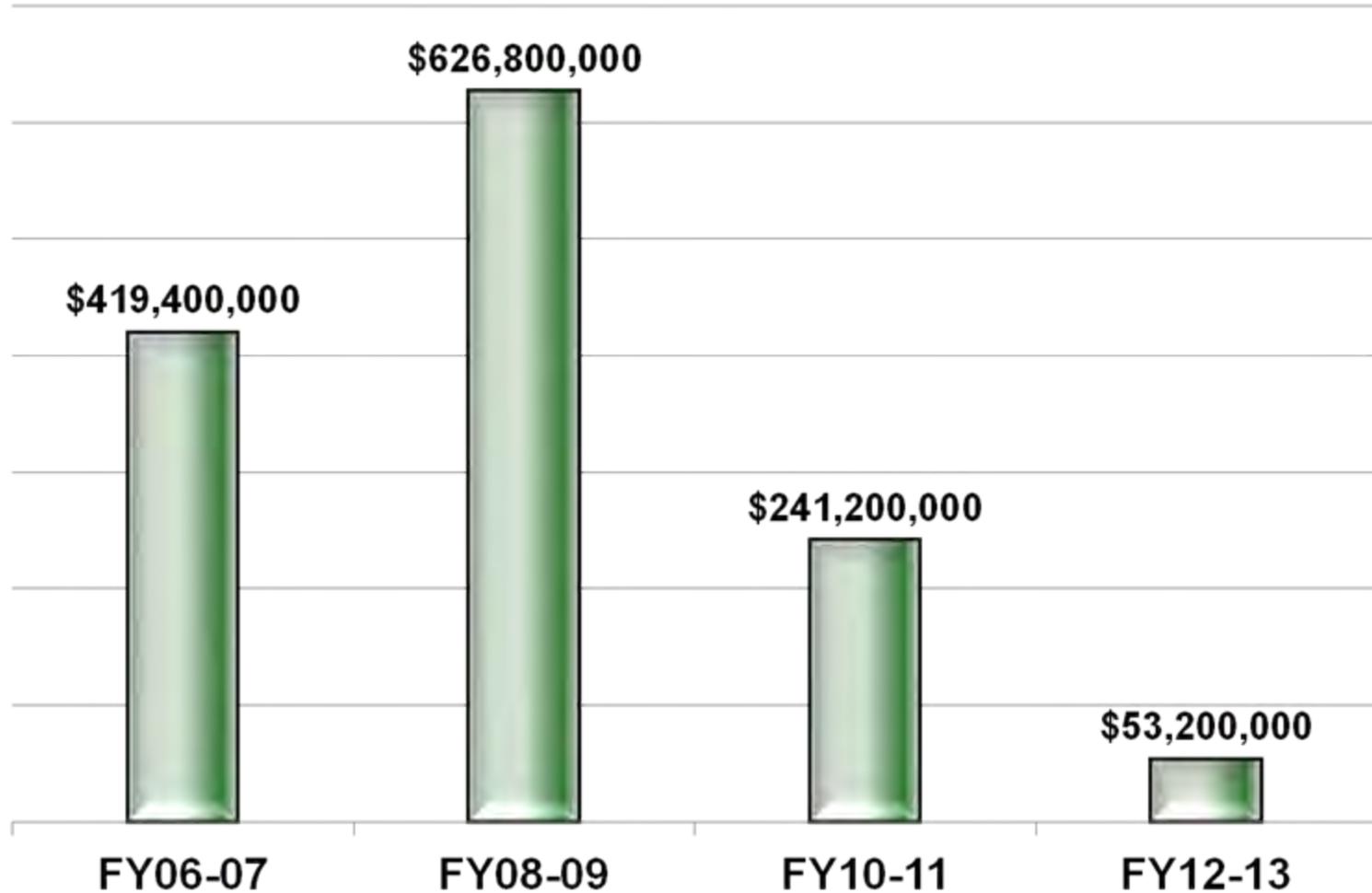
State Government Position Count

Legislature Approved - Full-Time Equivalency
Includes Higher Education - Excludes Seasonal and Intermittent

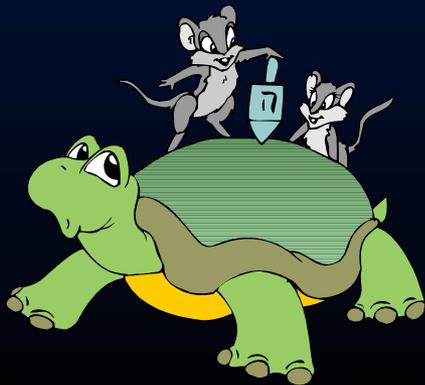


Capital Improvement Projects

Legislature Approved

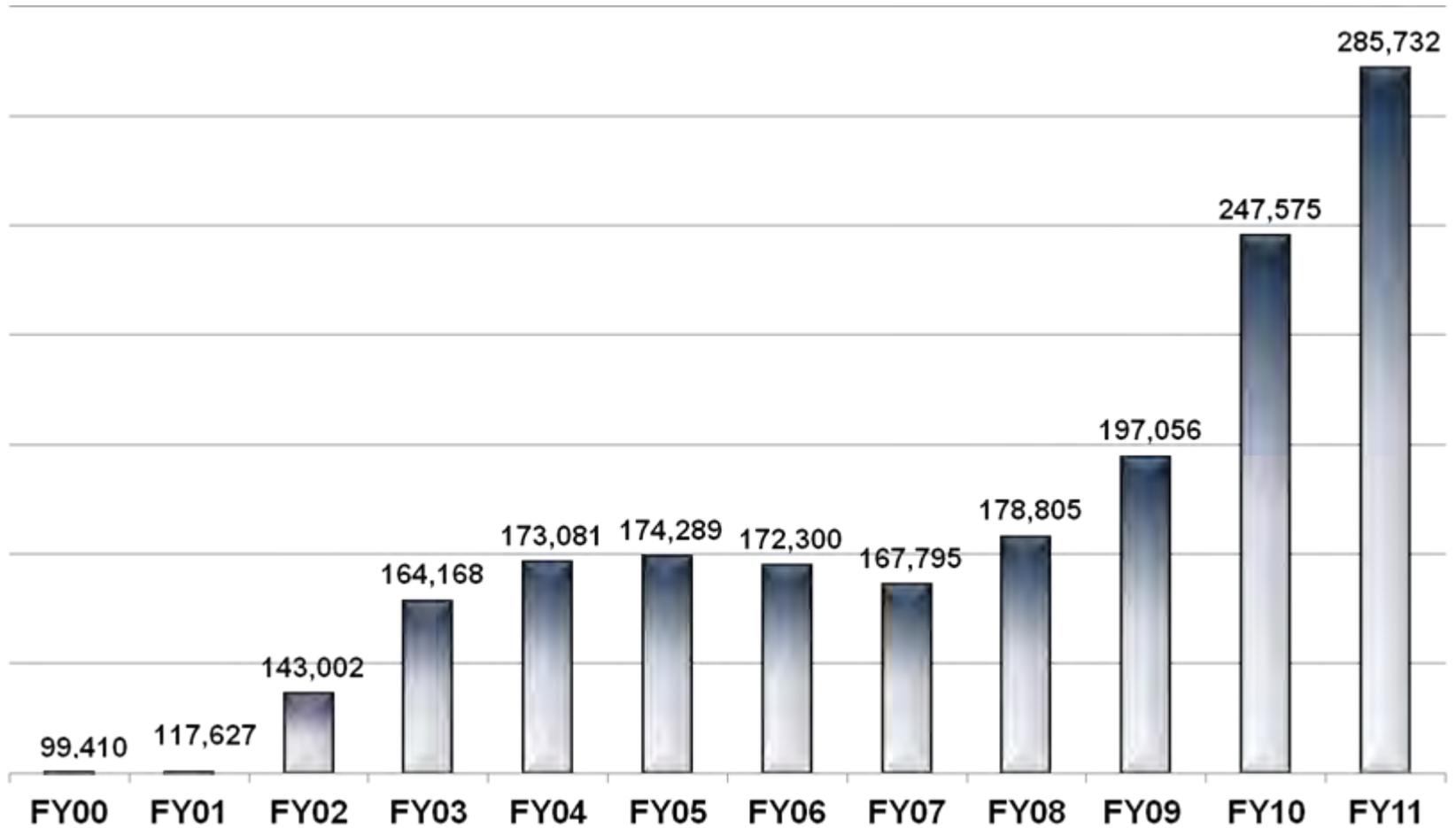


Demand for State Services Increases in Tough Financial Times



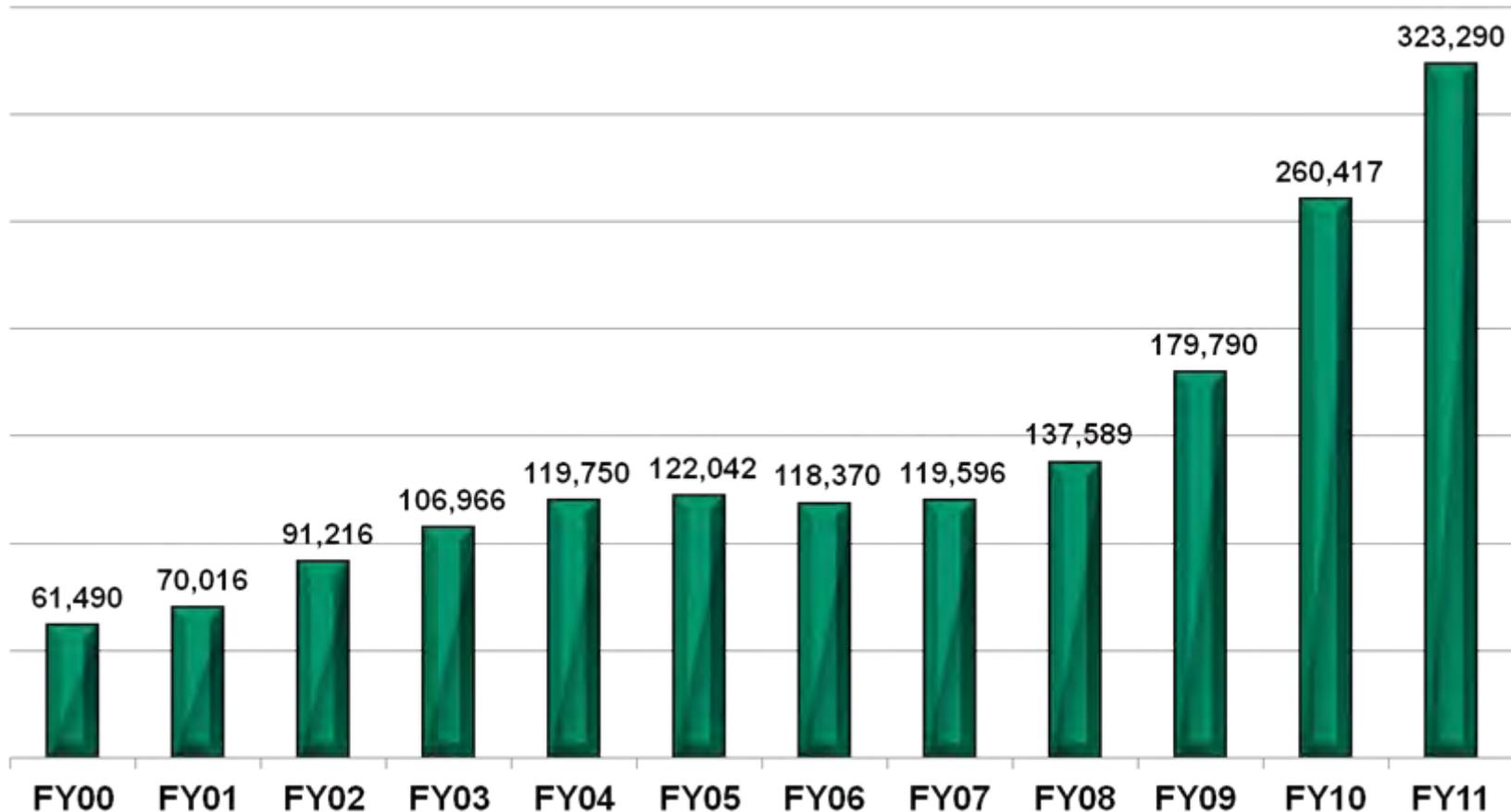
Medicaid

Annual Average Recipients

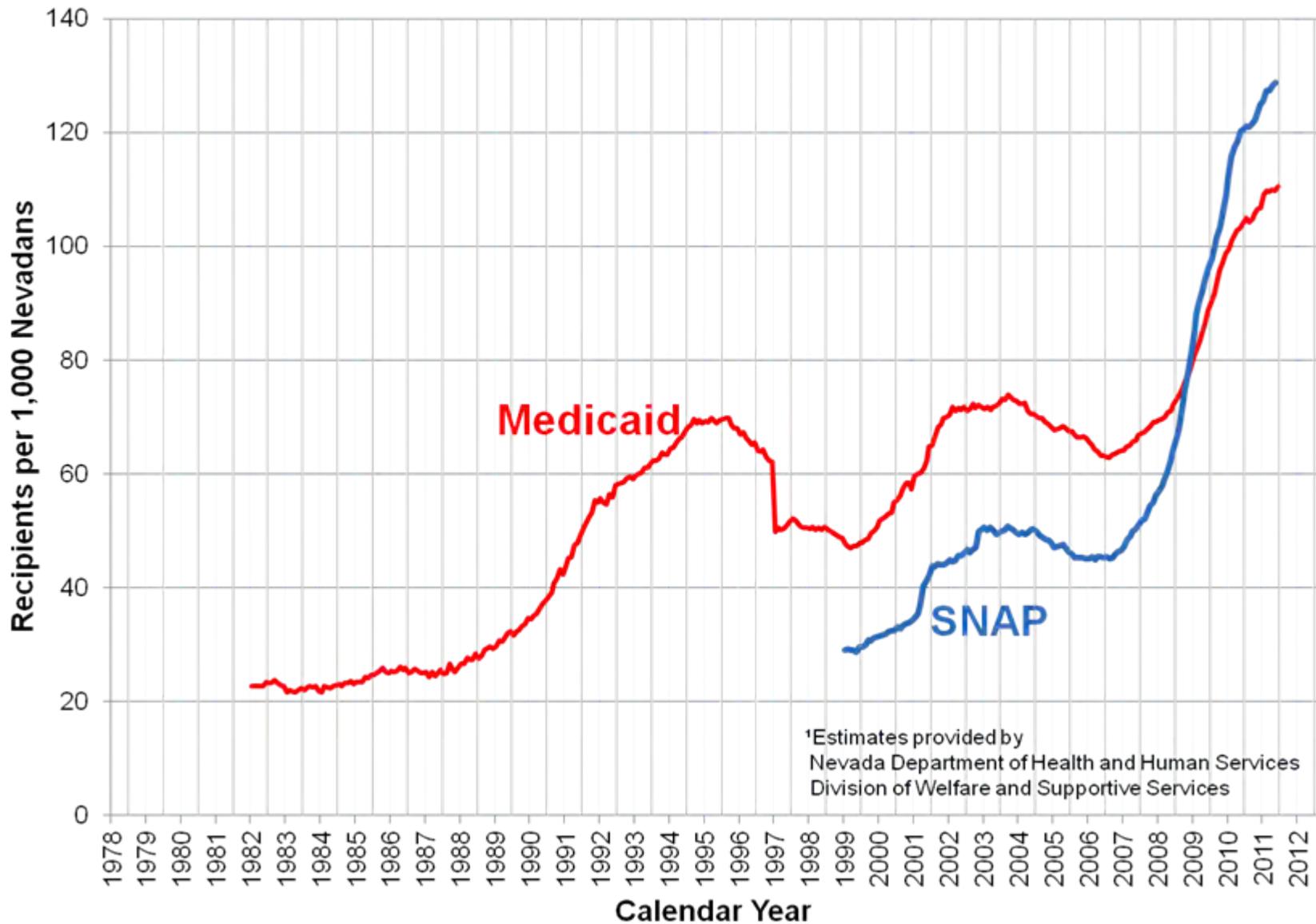


Supplemental Nutrition Assistance Program SNAP

(Previously known as Food Stamps)
Annual Average Recipients



Estimated Medicaid & SNAP Recipients¹

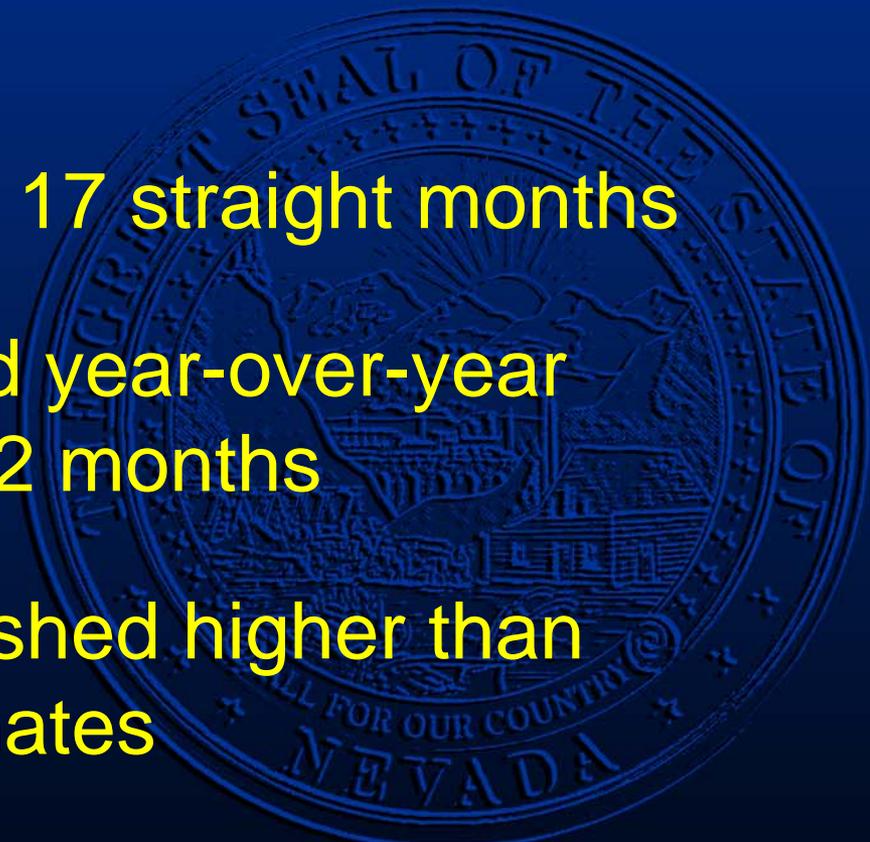


Nevada's Budget Outlook for FY14-15 Biennium



Revenues are Increasing

- Sales tax increases for 17 straight months
- Gaming win has posted year-over-year gains in 8 of the past 12 months
- Revenues for 2011 finished higher than Economic Forum estimates
- Revenues for 2012 are also tracking higher



Significant Challenges Remain

- Sunsetting Revenues
- Sunsetting Expense Reductions
- Health Care Reform



Sunsetting Revenues

FY12-13 Biennium General Fund

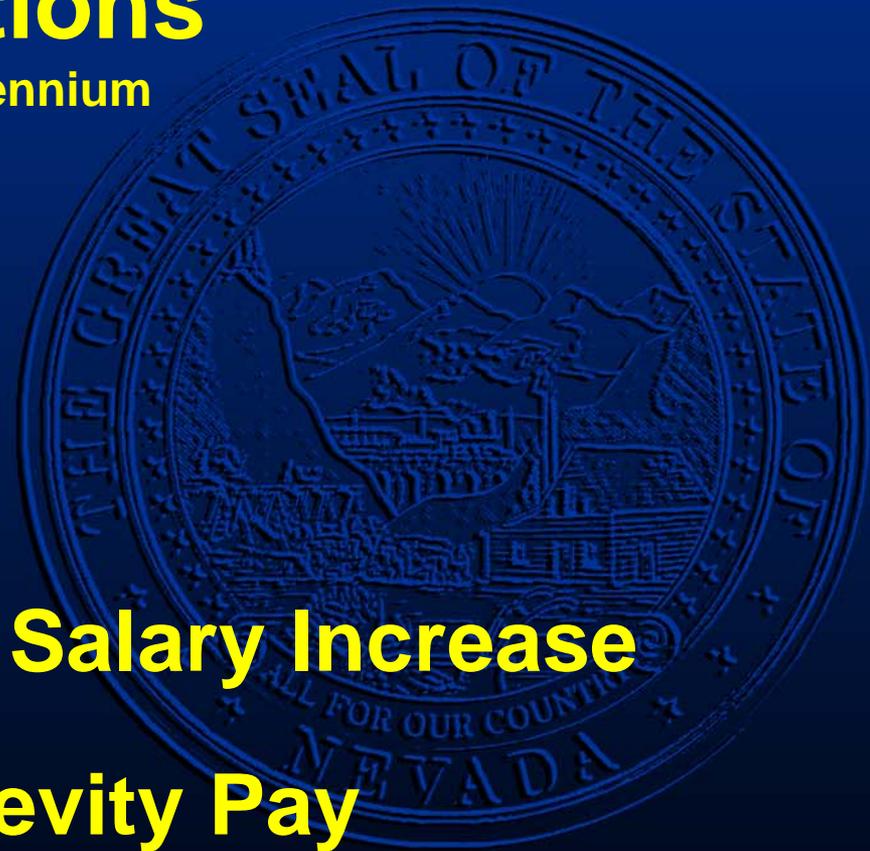
- **Taxes, Fees, Fund Sweeps, & Other Revenue**
- **Adjustments to the Distributive School Account (DSA)**



Sunsetting Expenditure Reductions

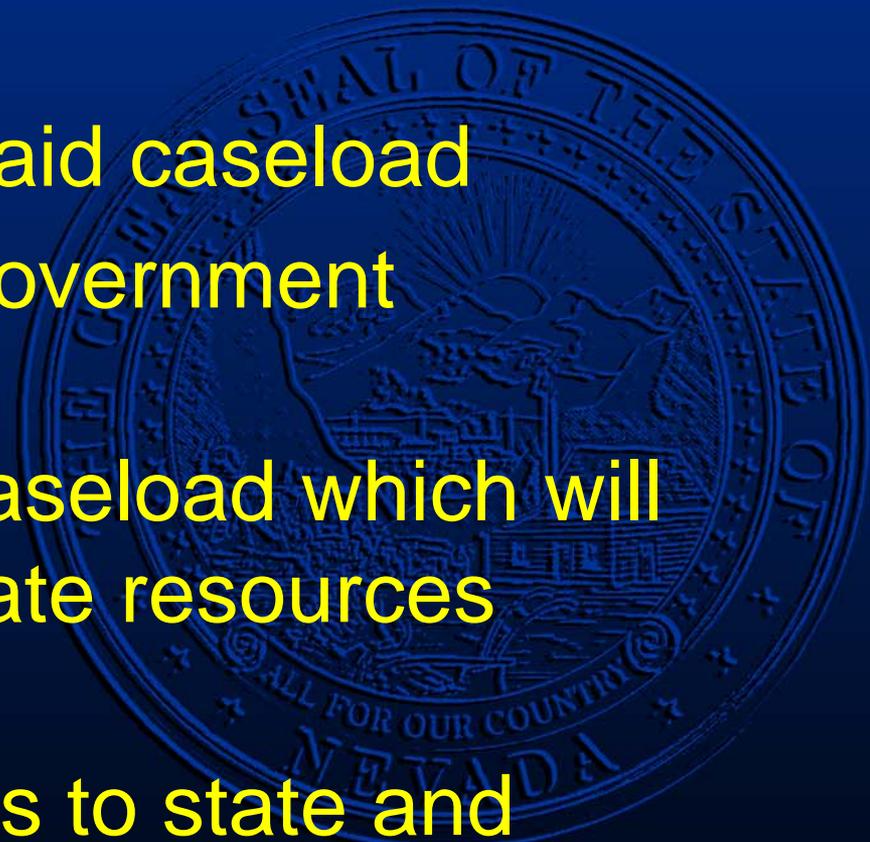
FY12-13 Biennium

- **Furlough**
- **Pay Rate Reduction**
- **Suspension of Merit Salary Increase**
- **Suspension of Longevity Pay**



Health Care Reform

- Newly eligible Medicaid caseload covered by federal government
- Increase Medicaid caseload which will require significant state resources
- Potential cost savings to state and local government

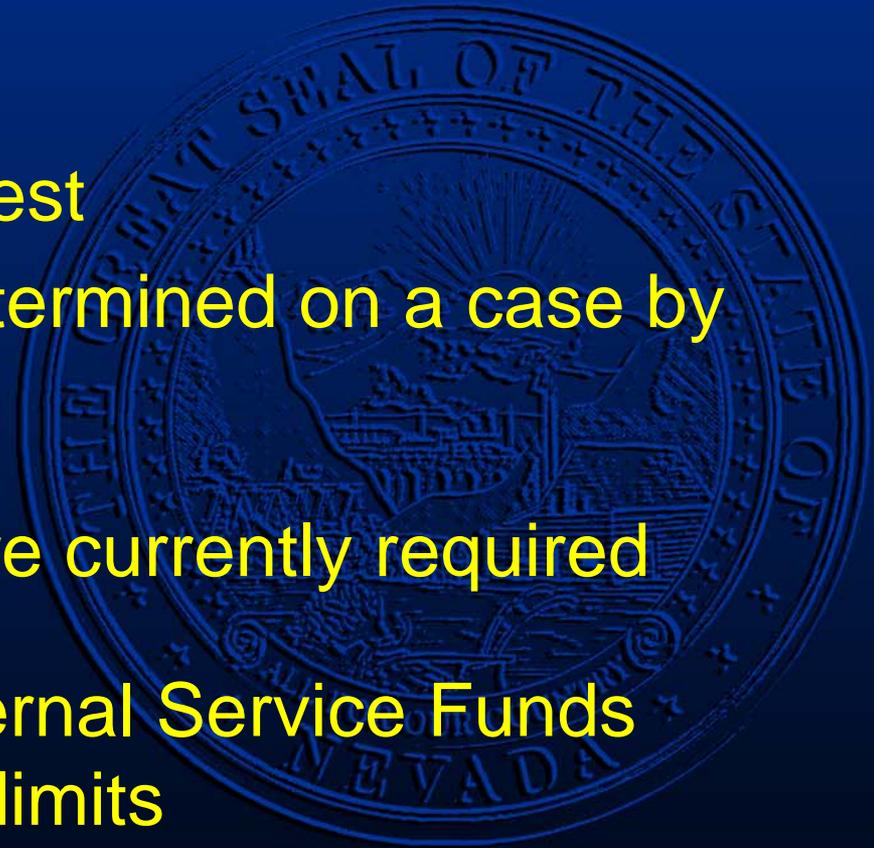


**FY14-15 Biennium
Budget Targets
for General Fund
will be Established**



FY14-15 BUDGET

- “Flat” general fund request
 - Exceptions will be determined on a case by case basis
- No budget reductions are currently required
- Highway Funds and Internal Service Funds will also have spending limits



What Does “Flat” Mean?

- Spending caps at the Departmental level
- Directors have flexibility within the cap
- Certain general fund expenditures will be allowable outside of the cap
- All other expenditure requests over the cap must be submitted in Items for Special Consideration.

Note: Items for Special Consideration are NOT part of the official agency request budget.

How the Cap Works

- FY13 appropriation is the beginning point
- The Budget Division multiplies this number by 2
- The Budget Division adds back costs associated with employee pay reductions that sunset (pay reduction, furloughs, merit and step increases, and longevity).

Note: Statewide rate adjustments such as employee medical and retirement contributions will be calculated by the Budget Division and are NOT part of the cap.

Allowable Non-Cap Expenditures

- **M-200 Caseload Changes**
(Legislature Approved)
- **M-500 Federal Mandates**
(e.g., Health Care Reform)
- **M-101 Agency Specific Inflation**
(e.g., Medical Inflation, Highway Related Materials)

Note: Most of these items are readily identifiable with a historical precedent. If not, please coordinate with your budget analyst whether your expenditure qualifies as a non-cap expenditure **BEFORE** putting in the time and effort.

Items for Special Consideration

- Agency Identified “Think Big - Go Bold” Ideas
- Replacement Equipment Requests
(that do not fall within your cap)
- Deferred Maintenance Requests
(that do not fall within your cap)

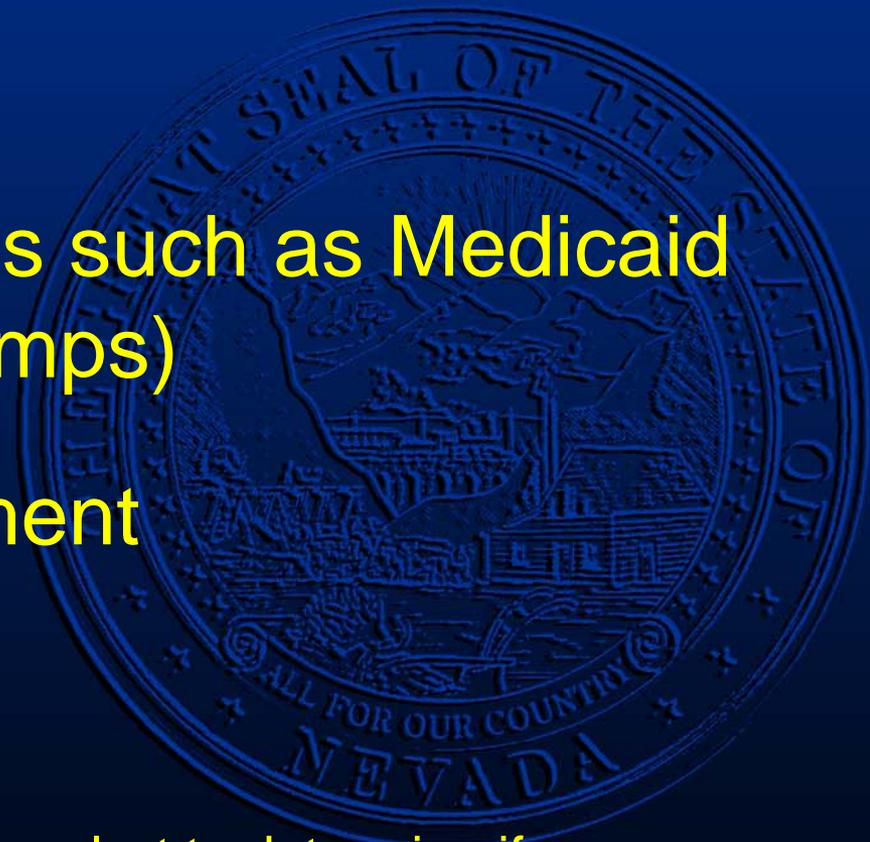
We understand there is a need for both replacement equipment and deferred maintenance projects.

These items and other requests will be prioritized on a statewide basis.

Examples of Legislature Approved Caseloads

- Entitlement programs such as Medicaid and SNAP (food stamps)
- K-12 student enrollment
- Inmate populations

Note: Coordinate with your budget analyst to determine if your caseload qualifies.



STATE PUBLIC WORKS BOARD

2013 CAPITAL IMPROVEMENT PLAN (CIP)

- On-Line 2013 Capital Improvement Plan application is available on www.spwb.state.nv.us
- The new application includes an emphasis on deferred maintenance needs at existing facilities.
- Functionality has been improved to allow saving of partially completed forms rather than requiring all work be performed in one session.
- All applications must be submitted by April 10, 2012.

Technology Investment Requests (TIR)

- Projects will be evaluated on a case by case basis
- Cost/benefit analysis will be applied
- Leveraging resources to reduce capital requirements will be required

