



DEPARTMENT OF ADMINISTRATION

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ALL AGENCY MEMORANDUM #2009-37

December 15, 2009

TO: All Agencies

FROM: Andrew K. Clinger, Director
Department of Administration

SUBJECT: RECOMMENDATIONS FOR 6%, 8%, and 10% GENERAL FUND
BUDGET RESERVE PROPOSALS FOR FY 2010 AND FY 2011

As a result of the most recent revenue reports, agencies will need to determine proposed budget reserves in the amount of 6%, 8% and 10% for FY 2010 and FY 2011 and submit them to the Budget Office by the close of business on Tuesday, January 5, 2010. A separate spreadsheet is attached listing the total target each department's budget reserve recommendations must meet for each fiscal year. Fiscal year 2010 is prorated with an assumed March 1, 2010 implementation date. As with prior budget reserve processes, the Budget Office is requesting that **all** recommendations be entered into the Nevada Executive Budget System (NEBS) in department priority order. Agencies will only have inquiry access after the deadline.

Departments are also being requested to submit a soft copy summarizing the priorities, similar to those used during the prior budget reserve meetings which are due by the close of business on Tuesday, January 5, 2010. Department directors are also required to prioritize the recommended budget reserves in NEBS.

At this time no decision has been made as to whether these budget reserve recommendations will be implemented, however this information will be considered in the decision making process for closing the current projected deficit.

Please note the recommended budget reserves remain confidential and should not be disclosed. The budget reserves will not be made public until the Governor approves a final plan.

The Budget Office has opened three NEBS versions for the budget reserves in Budget Period 2009-2011 Biennium for agencies to use when entering their proposed budget reserves:

1. L01R1 – 6% PROPOSALS
2. L01R2 – 8% PROPOSALS
3. L01R3 – 10% PROPOSALS

The three versions are separate copies of the legislatively approved version (L01) for the 2009-11 biennium. All versions will be out of balance as there are salary and fringe rate changes between the Governor's recommended budgets and those approved by the 2009 Legislature. **Do not balance the versions.** The only balancing required will be for the new decision units you will create to reflect the proposed budget reserves, which is discussed later in this memo. Also, do not utilize these versions for any purposes other than this exercise. The three budget reserve versions can be different or include similar decision units, but all three must stand alone.

As you may recall, the legislatively approved budgets for the 2009-11 biennium include the Governor's recommended suspension of merit salary increases, suspension of longevity and a temporary 6% salary reduction. The 2009 Legislature approved a one-day per month furlough (an approximate 4.6% decrease in salary) instead of the temporary 6% salary reduction. Rather than adjust the agency budgets, the Legislature passed Senate Bill 433, which allocates General Fund and Highway Fund appropriations to the Board of Examiners Salary Adjustment Account to meet any deficiencies created by the gap of approximately 1.4%. The capped amounts each applicable agency can apply for will be provided in a separate spreadsheet posted on our website in the near future. NOTE: Agencies that are eliminating positions, leaving positions vacant or delaying hiring will not be eligible for the entire amount of salary adjustment reflected on the spreadsheet. You will need to work closely with your assigned budget analyst to determine a pro-rated amount based on the proposed budget reserves for personnel services. To determine the pro-rated amount, agencies can use the following formula: total budgeted for salaries less total amount proposed in budget reductions for salaries divided by total budgeted for salaries.

To isolate budget reduction entries into NEBS, **all proposed budget reserves must be entered in decision units E640 through E649 (no other decision units should be used for this exercise).** These decision units are titled FY 2010-FY 2011 Budget Reductions. Please start with decision unit E640 in each of the three versions and increase sequentially as necessary. Each decision unit entered must balance with revenues equaling expenditures. Decision units to reduce general fund expenditures must be entered with a negative appropriation and an equal amount of negative expenditures. Please be sure to include other revenues, such as federal matching funds, that will be lost as a result of the recommended budget reserve.

The notes and attachments for each budget reserve decision unit must be complete and concise and include a description of what is being recommended for reserve and the consequences of that recommendation. For example, if you are eliminating or partially eliminating an enhancement approved by the legislature, please identify that decision unit in the E6XX decision unit narrative. Similarly, if you are eliminating or partially eliminating a one-shot appropriation, please identify the bill and section number. There should be a clear delineation between what was funded versus what is being recommended for budget reserves.

Many agencies will be proposing the elimination of positions or deferring the start date for new or vacant positions. Please note, **any** reclassifications or changes to class codes that were effective **after** the legislatively approved budgets were finalized **will not** be reflected in the three L01R versions. These versions are a copy of the legislatively approved budget and will not be updated to include changes made in Advantage HR after the budgets were closed. Therefore, you will need to be certain you are working with the correct position control numbers (PCNs) when proposing your budget reserves.

The only fringe benefits that can be eliminated are those rates that are calculated against gross salaries. Rates that are calculated by fulltime equivalent (FTE) positions cannot be eliminated from your budget (these would be DoIT assessments, employee bond and tort and payroll and personnel assessments). Make sure you eliminate DoIT utilizations such as voice mail and e-mail for the appropriate months. Eliminate the furniture, equipment, operating and travel (including Motor Pool) as applicable. If you are eliminating equipment that is tied to a DoIT service (DBA, SLA, etc.), you will need to eliminate the corresponding DoIT service.

If you are proposing to create salary savings by leaving positions vacant or delaying hiring, remember to adjust the start or end date within the position schedule to ensure costs calculate correctly, (**Note – NEBS will only accept full months, partial months can't be entered**). If utilizing this strategy, remember the budget account must meet its budgeted vacancy savings prior to any savings being applied to budget reserves. Please make sure any resulting overtime costs do not diminish your reductions.

Agencies may choose to explore savings that could be generated pursuant to NRS 286.477, which outlines provisions for certain employees that could work part-time and still receive full retirement service credit. Agencies choosing to explore this option must work closely with the Public Employees Retirement System to determine eligibility.

Links to detailed instructions and examples for entering the budget reductions in NEBS are provided on the last page of this memo. **It is imperative that you review these instructions and examples prior to making entries in NEBS as directions have changed from those given in previous years due to ongoing complexities with frozen merits, etc.** Please contact your assigned budget analyst if you have any questions regarding this process or using NEBS.

On the last page of this memo is a link to a Position Elimination Summary form to be completed for proposed eliminated positions. The form requests information relating to potential layoffs, possible PERS buyouts and terminal leave costs (only related to positions being eliminated that will result in a layoff). Please contact Mark Anastas (702-486-2902) or Dana Carvin (775-684-0133) at the Department of Personnel for questions related to the layoff process if it appears these will be necessary under the budget reduction proposals. Please contact the Public Employees Retirement System at 775-687-4200 or 702-486-3900 for questions regarding possible PERS buyouts. The information collected on the Position Elimination Summary forms will be kept confidential until a final plan has been approved by the Governor. Upon approval of a final plan, only information related to the positions approved for elimination will be released.

Agencies should not submit work programs for FY 2010 or FY 2011 until a final budget reserve plan has been approved.

Any information provided to the Budget Office related to this budget reserve process must also be provided to the Legislative Counsel Bureau, Fiscal Analysis Division.

This memorandum, and all other All Agency Memorandums issued by the Director of the Department of Administration, is posted on the Budget and Planning Division's website at <http://budget.state.nv.us/> under the memos link.

Thank you,



Andrew K. Clinger, Director

- 1/4 [NEBS Examples for Budget Reserves](#)
- 2/4 [January 2010 Budget Reserve Targets](#)
- 3/4 [Position Elimination Summary](#)
- 4/4 [BOE Salary Adjustment Account](#)