



BUDGET KICKOFF MEETING 2014



Section 1

Economic Overview

Janet Rogers, Budget Economist



Nevada Economic Forecast Then & Now

- Budget Kickoff 2010: Stormy
 - Economy still in freefall
- Budget Kickoff 2012: Cloudy
 - Signs that worst behind us
- Budget Kickoff 2014: Mostly sunny
 - Recovery under way

BUDGET KICKOFF 2015-2017 Biennium Executive Budget



		US	Nevada	
		Rate	Rate	Rank 1 = best
Foreclosure Filings Rate	Jan '14	0.1%	0.2%	49
Home Price Index (FHFA)	2013q3 v 2012q3	8.5%	25.3%	1
	2013q3 v 2008q3	0.5%	-14.8%	51
Wage & Salary Disbursements	2013q3 v 2012q3	3.8%	4.9%	8
Personal Income	2013q3 v 2012q3	3.6%	4.3%	13
Employment*	Dec '13 v Dec '12	1.6%	1.8%	10
Unemployment**	Dec '13	6.7%	9.0%	49
*Not seasonally adjusted.				
**Seasonally adjusted.				

- In 2010, Nevada ranked at the bottom in every measure.
 In 2014, Nevada is among the top in most categories.
- Unfortunately, the competition is lackluster at best.



Unemployment

- Unemployment rate steadily declining
 - 9.0% in Dec. 2013 (2nd highest behind Rhode Island)
 - Lowest rate since November 2008
 - 5.0 percentage points lower than peak
- Long-term unemployment remains a problem
 - Federally-funded benefit extension stopped Dec. 28
 - 17,000 Nevadan's lost unemployment compensation

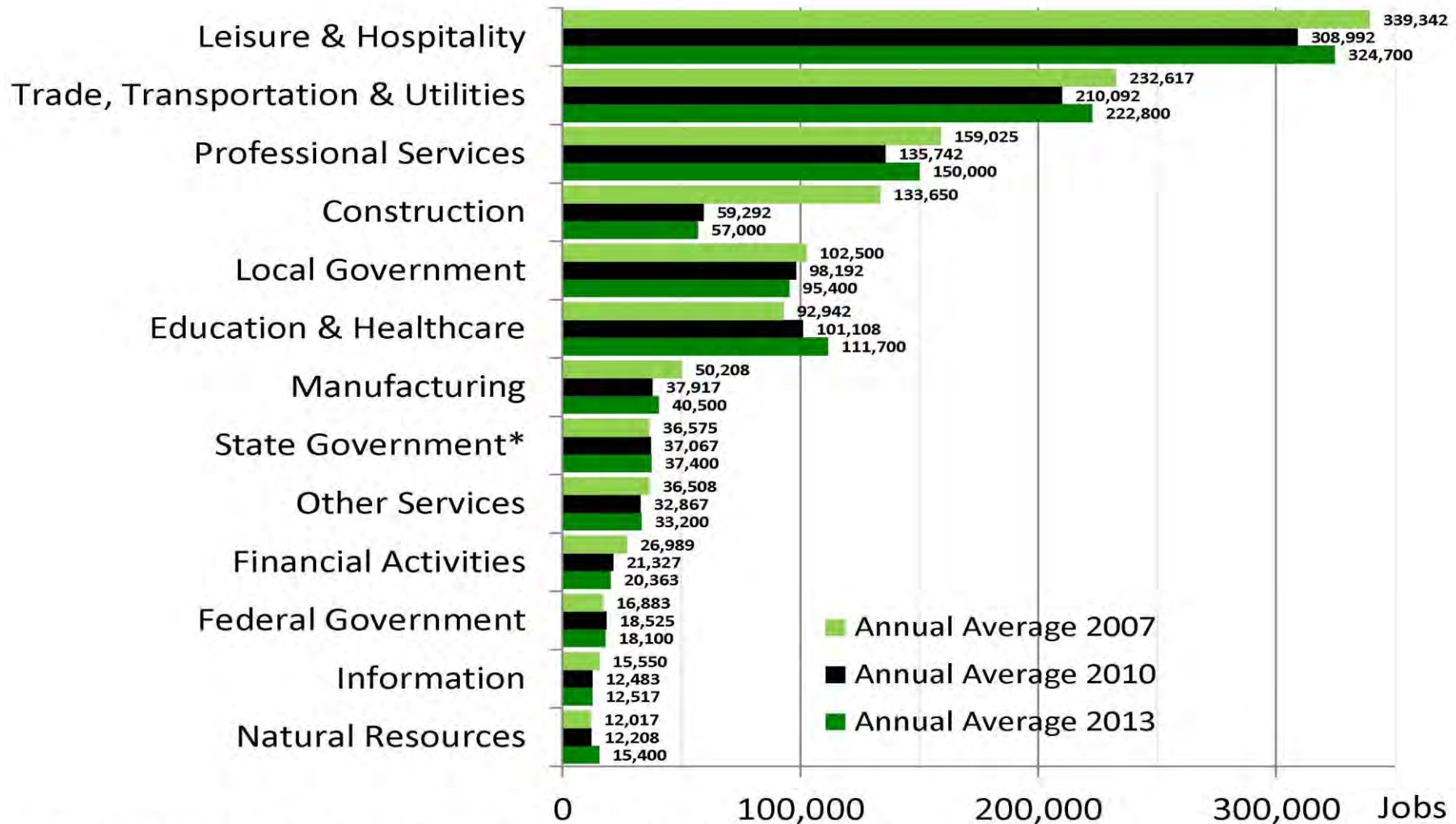


Employment Opportunities

- Number of jobs increasing since 2011
 - Grew 2.7% in CY 2013 compared to CY 2012
 - Slower pace than in previous recoveries
 - 60,000 private sector jobs added since 2010
 - Most sectors showing consistent improvement
 - Still below peak by more than 115,000 jobs
 - 85,000 jobs in construction sector gone



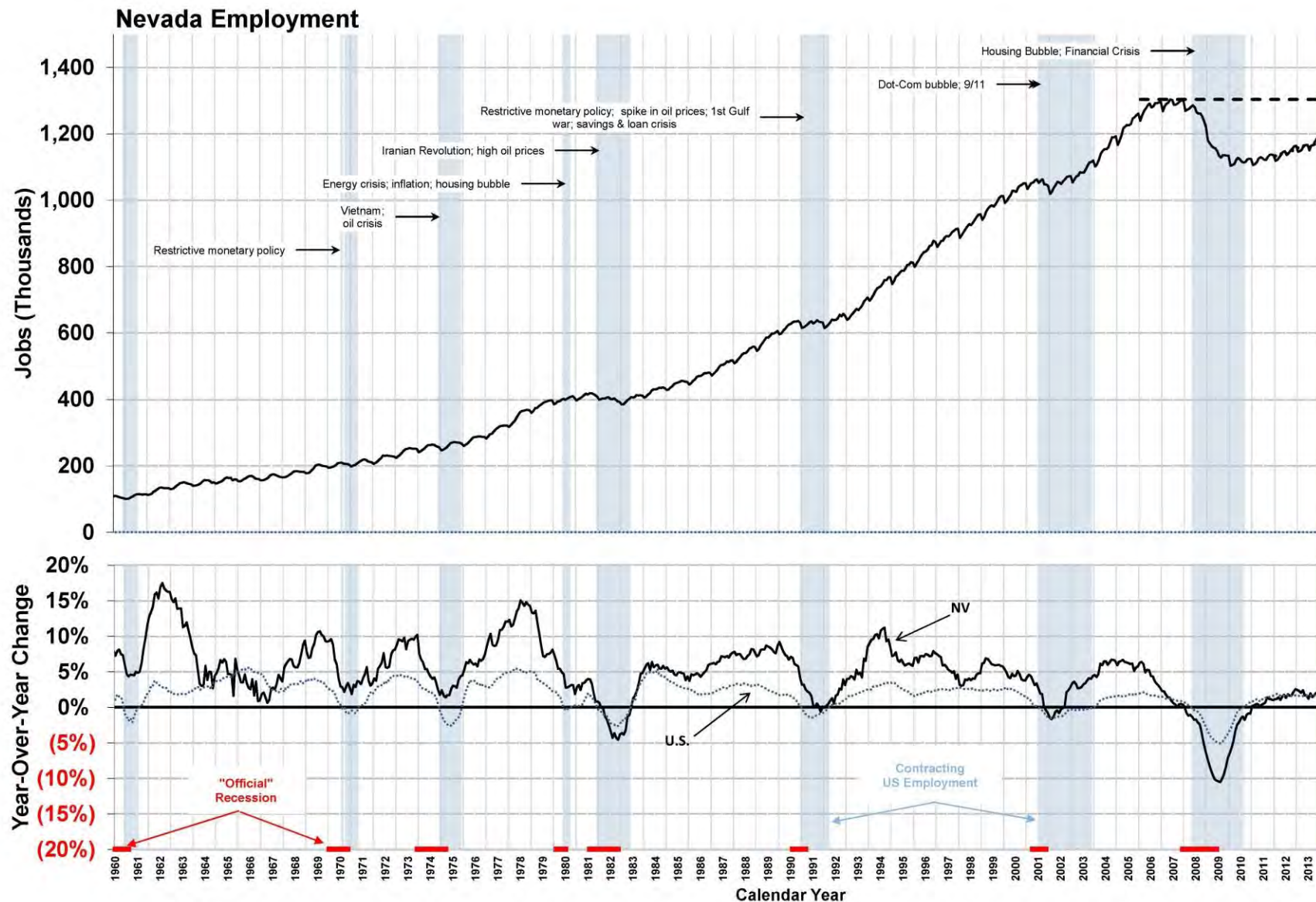
Nevada Full & Part-time Jobs by Sector



*FY 2007 Full Time Equivalency Count: 25,780 positions

FY 2013 Full Time Equivalency Count: 24,578 positions

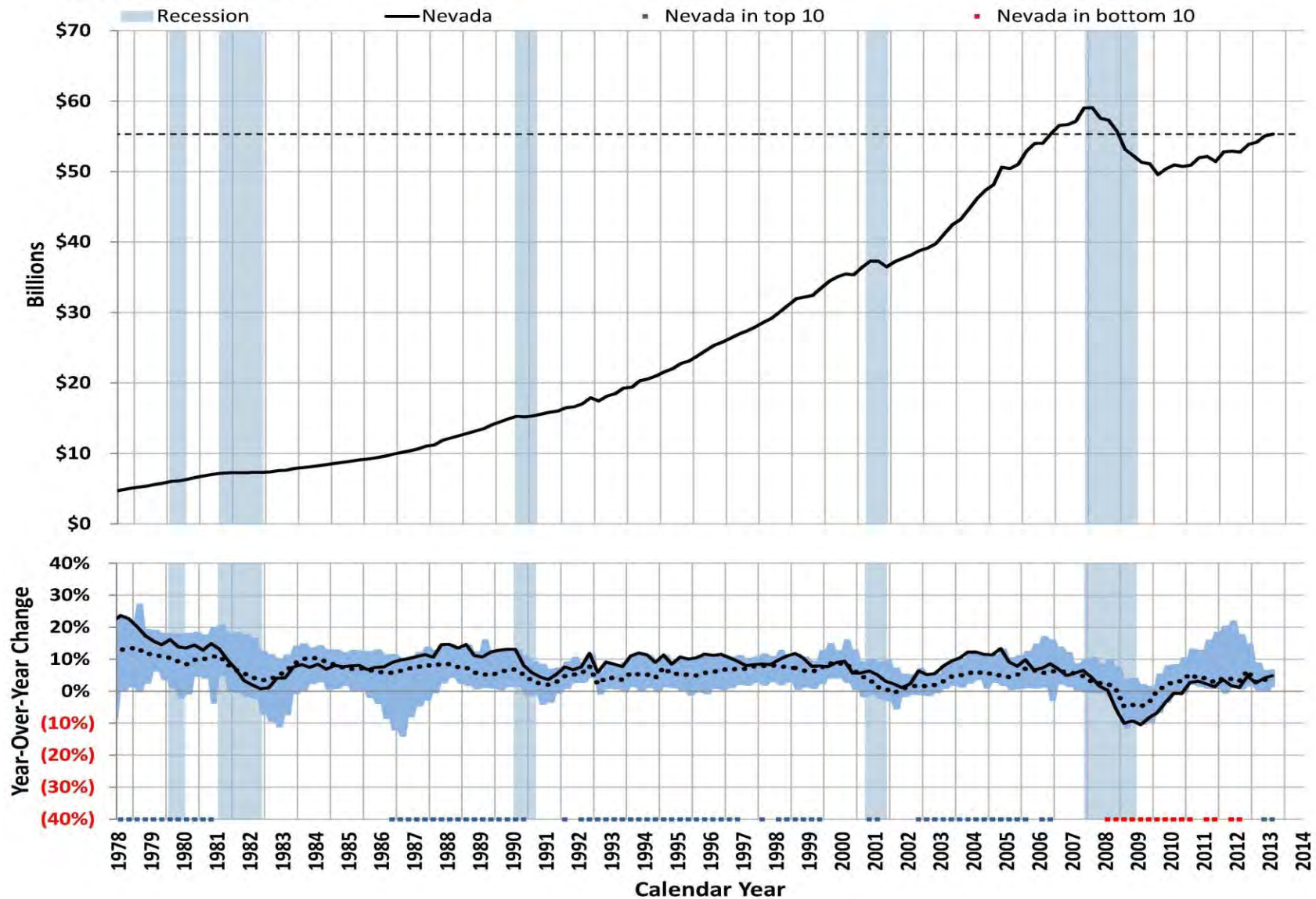
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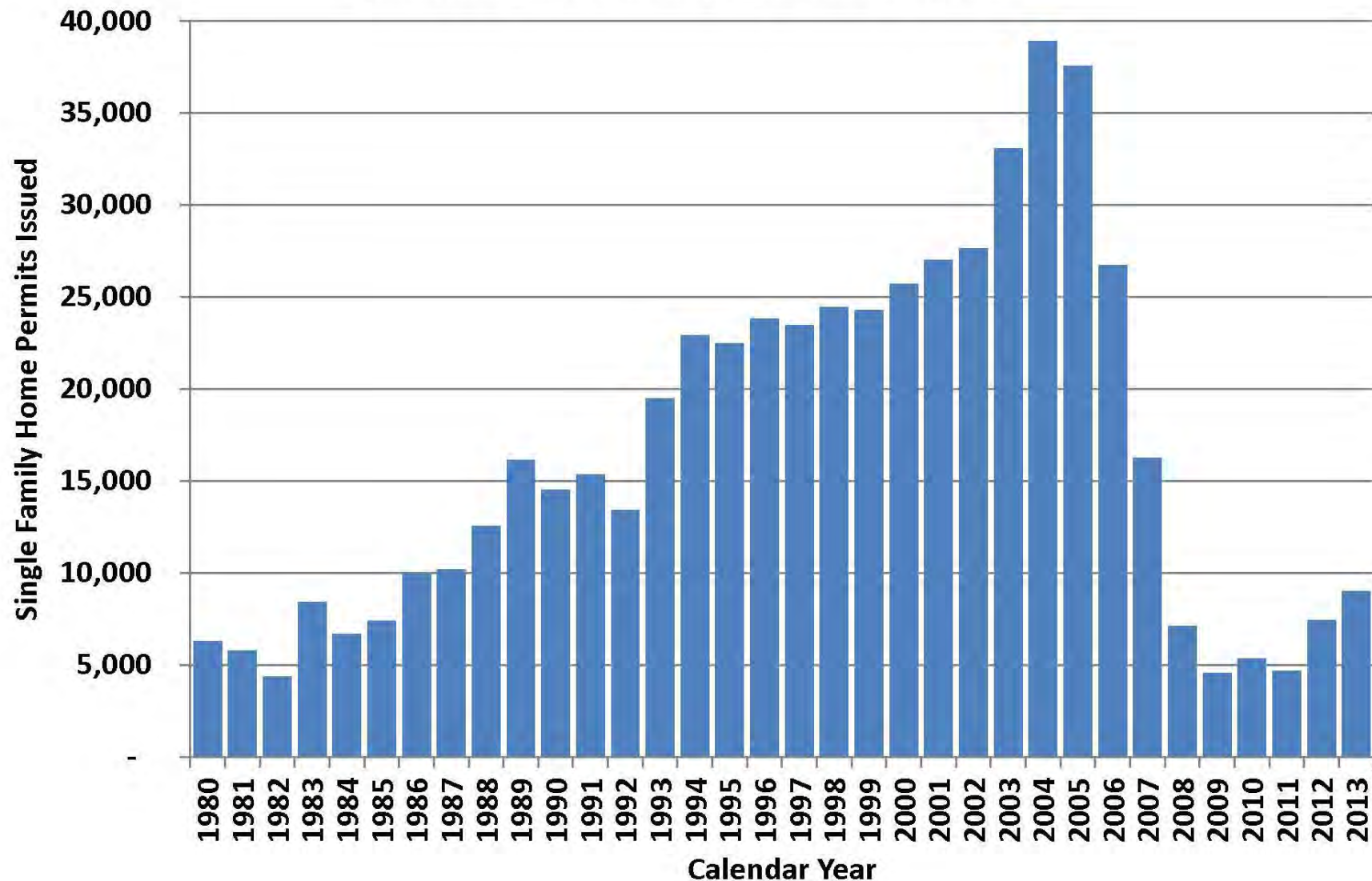


Total Wages & Salaries





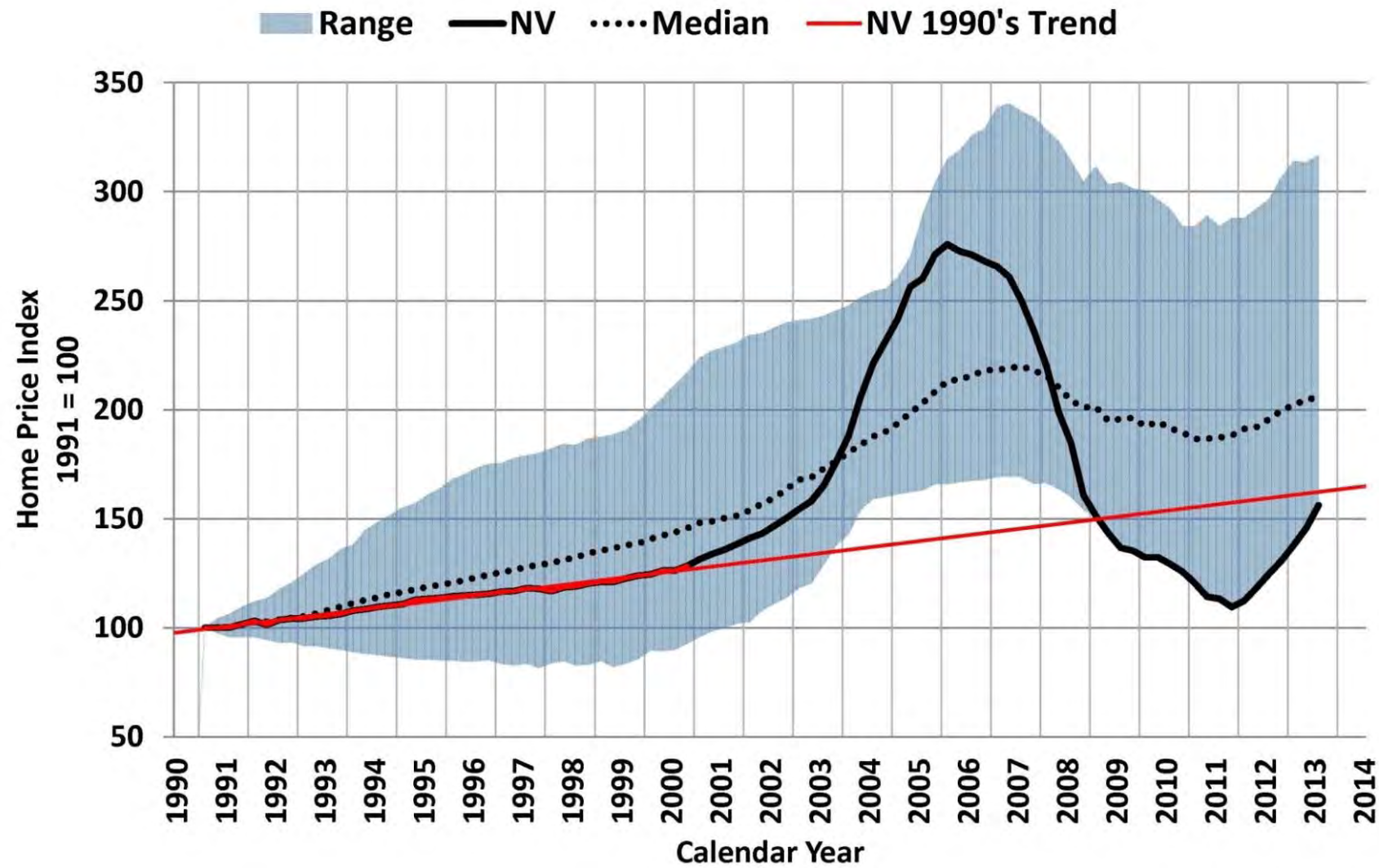
Nevada Residential Construction



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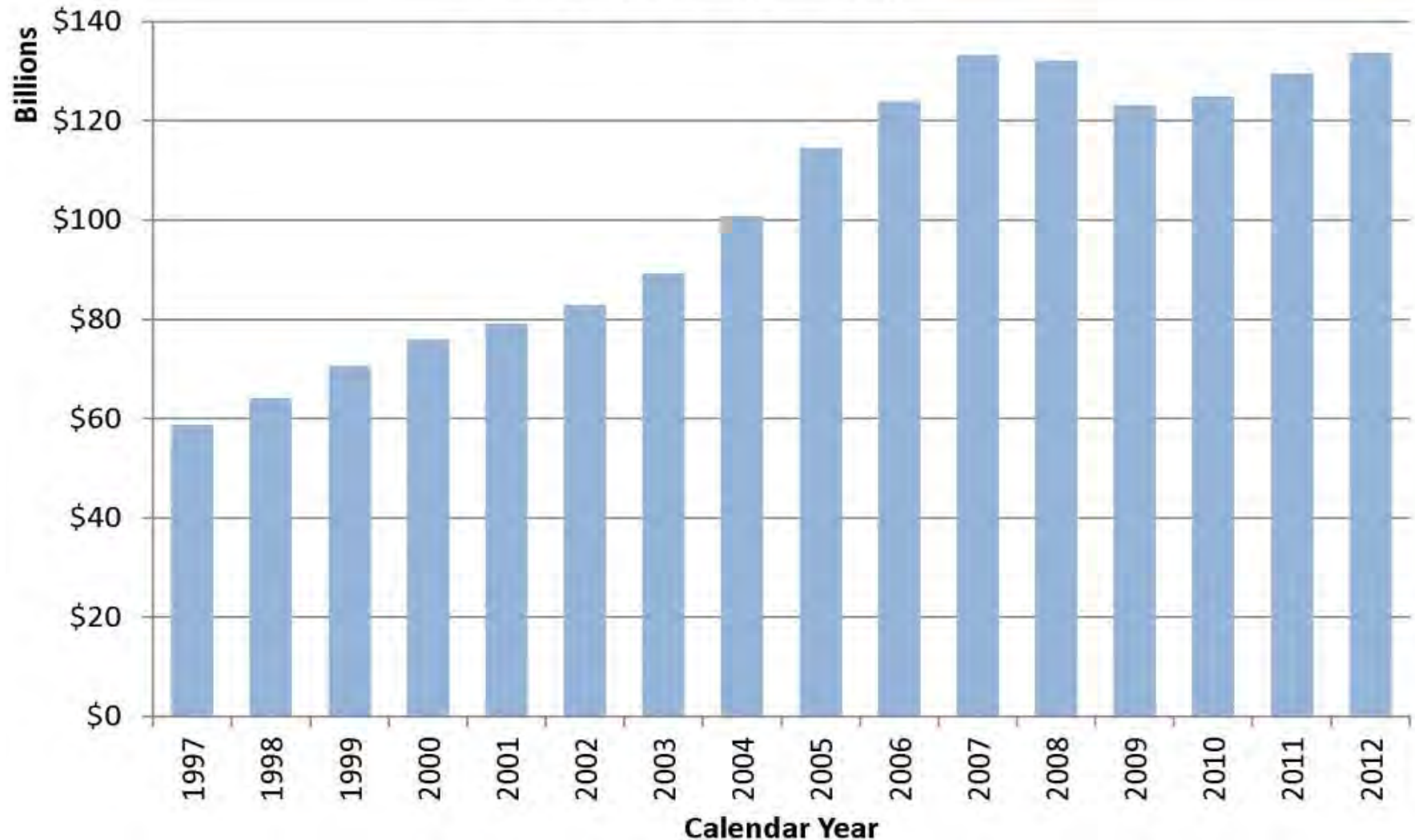
Federal Housing Finance Agency Home Price Index for States
(seasonally adjusted)



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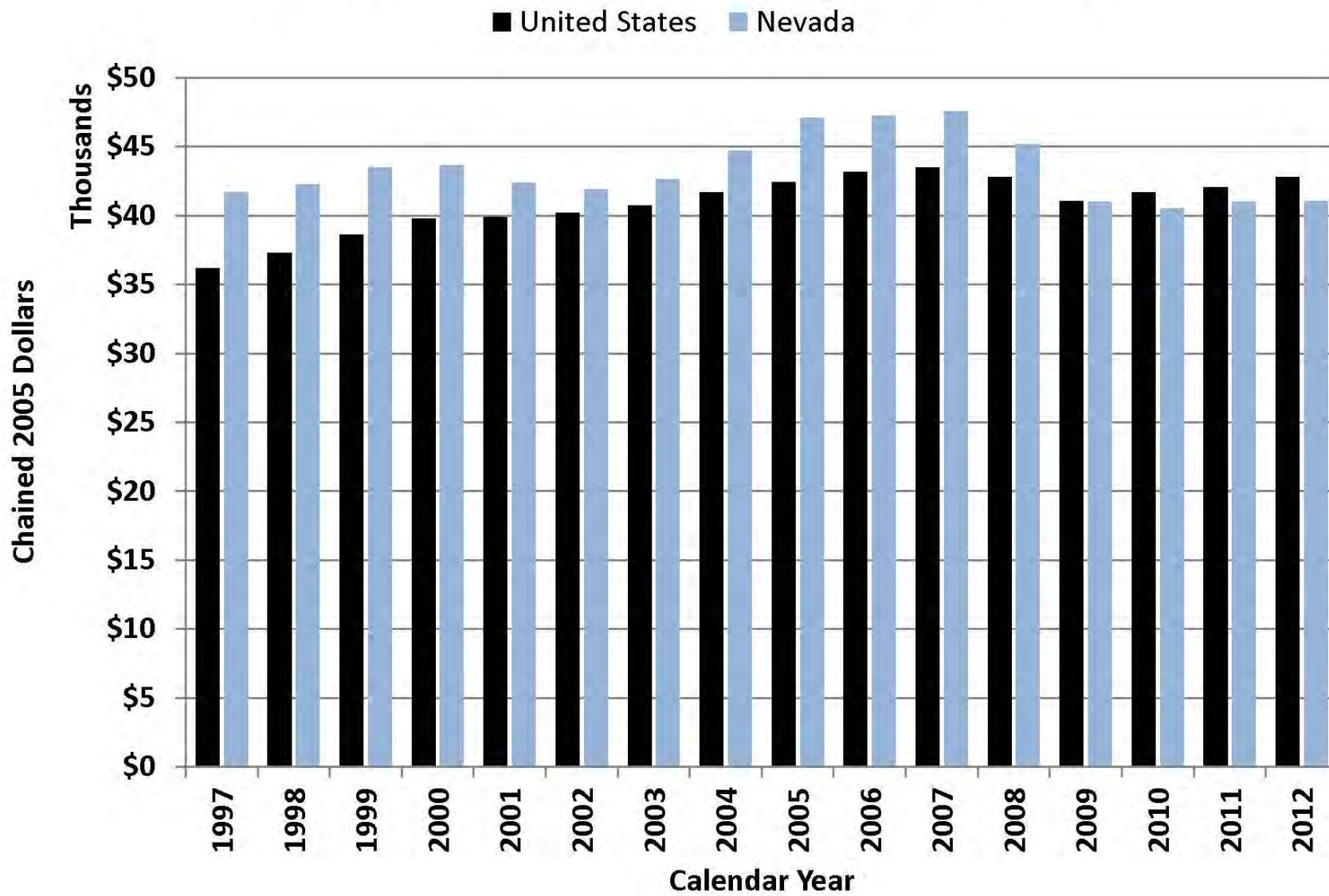
**Nevada Gross Domestic Product
Not Adjusted for Inflation**



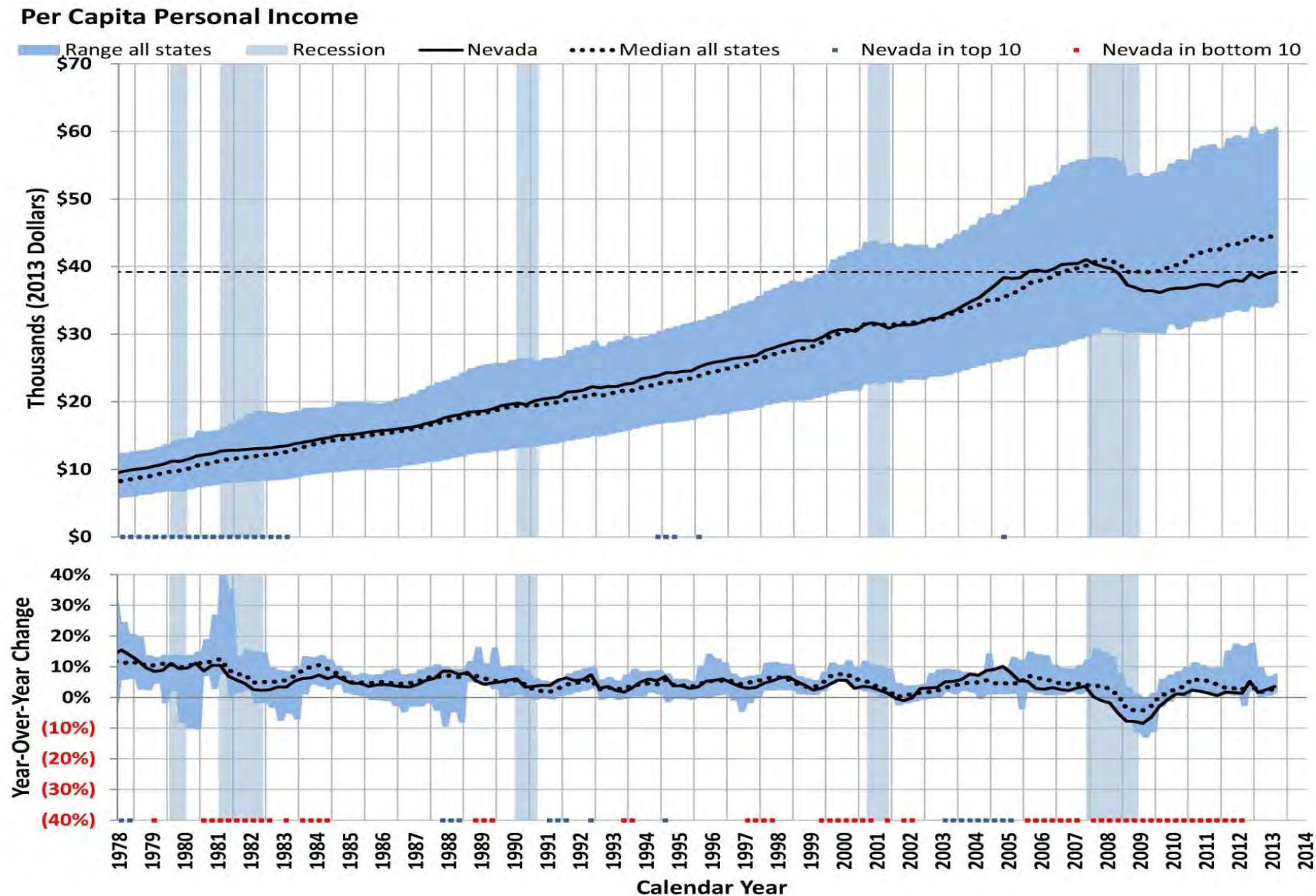
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Inflation-Adjusted Per Capita Gross Domestic Product



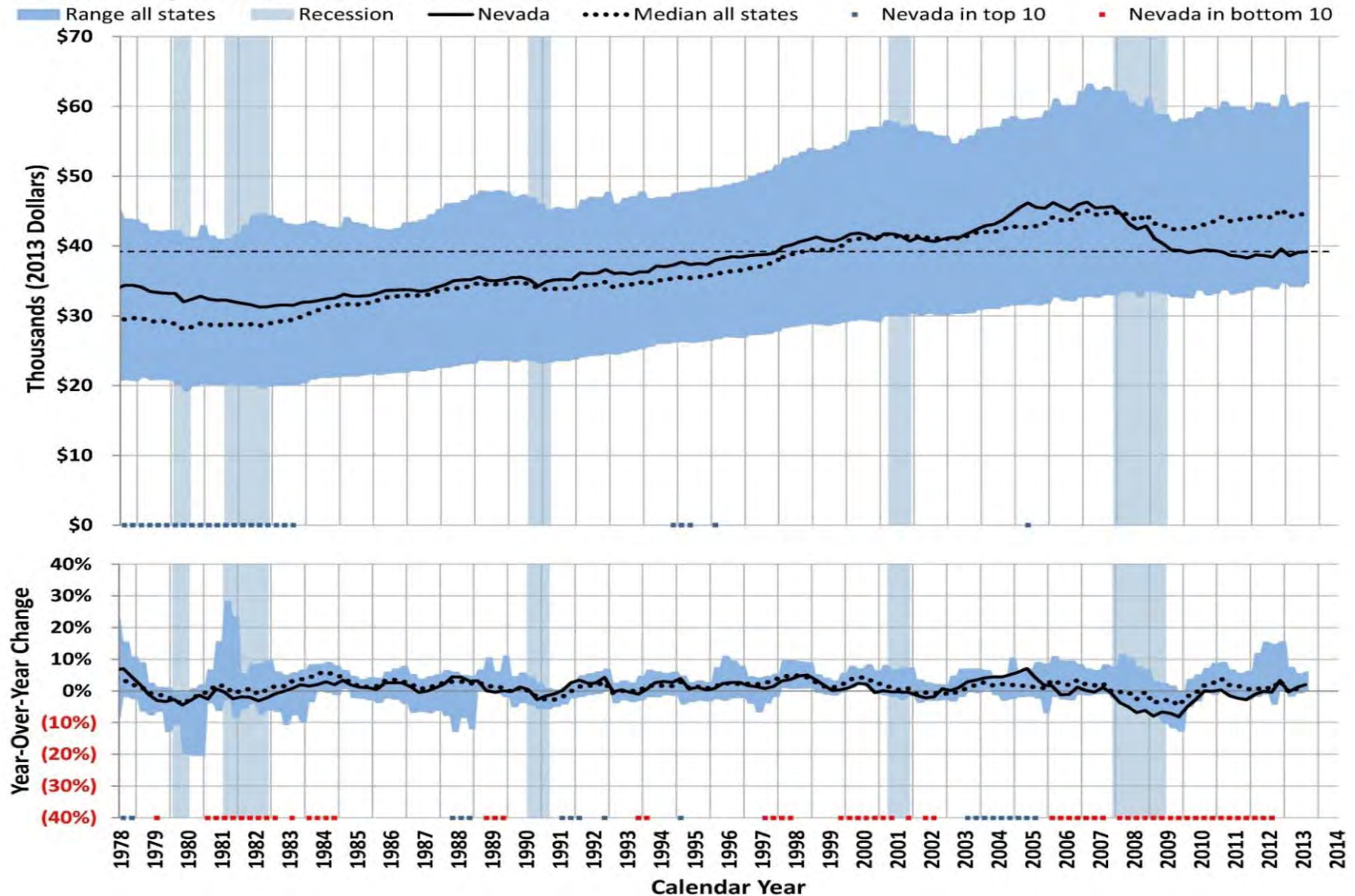
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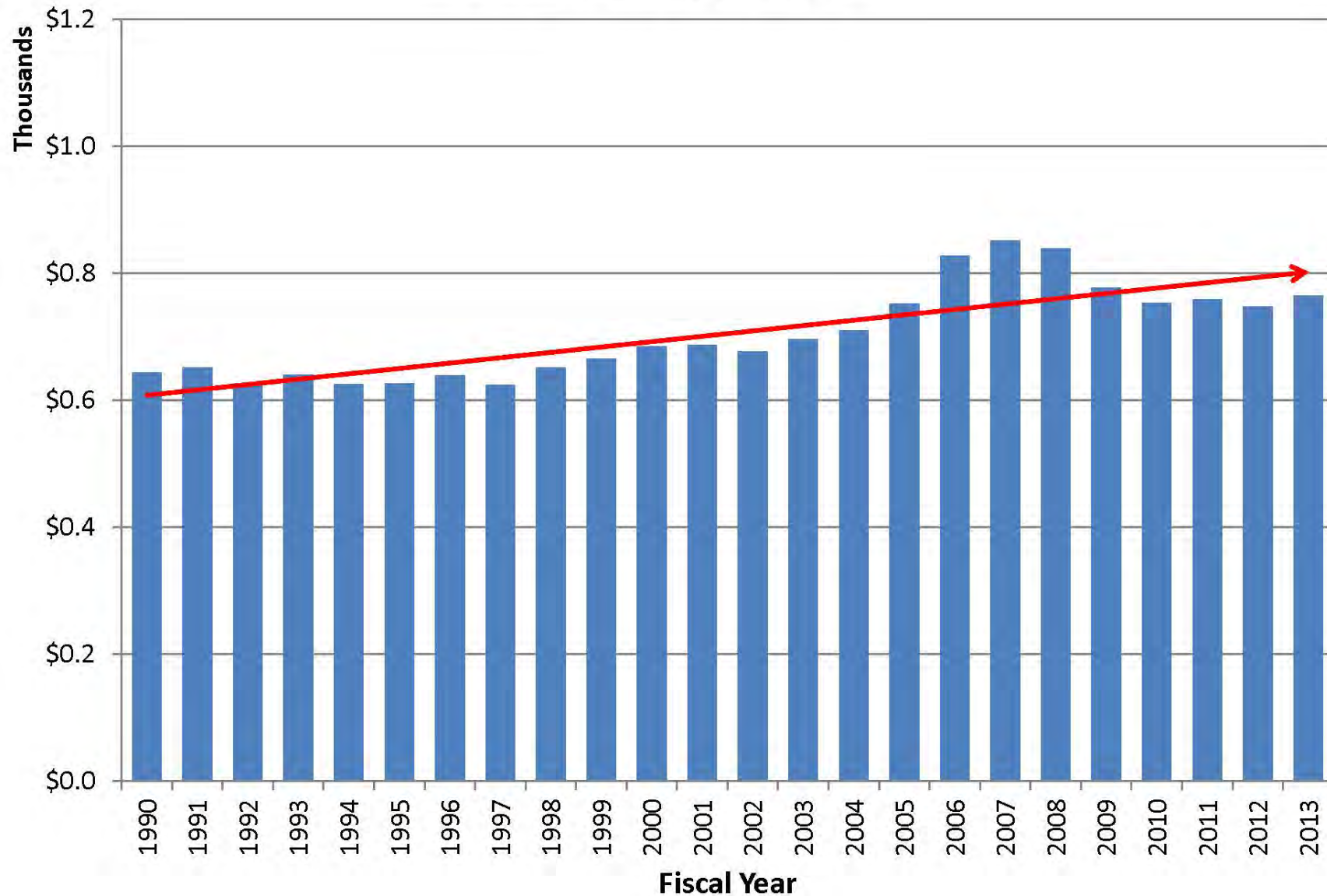
Inflation-Adjusted Per Capita Personal Income



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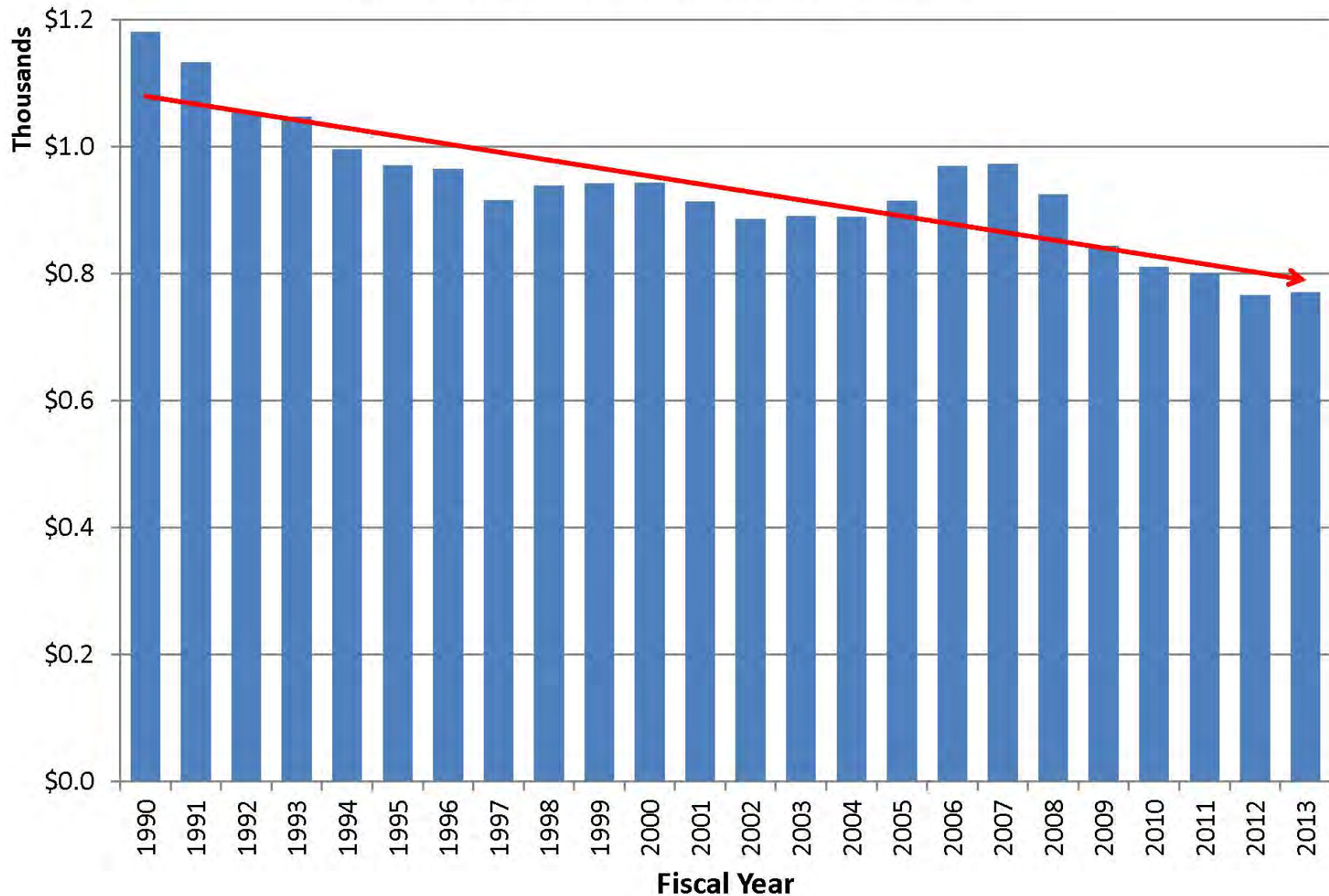
Win Per Las Vegas Visitor



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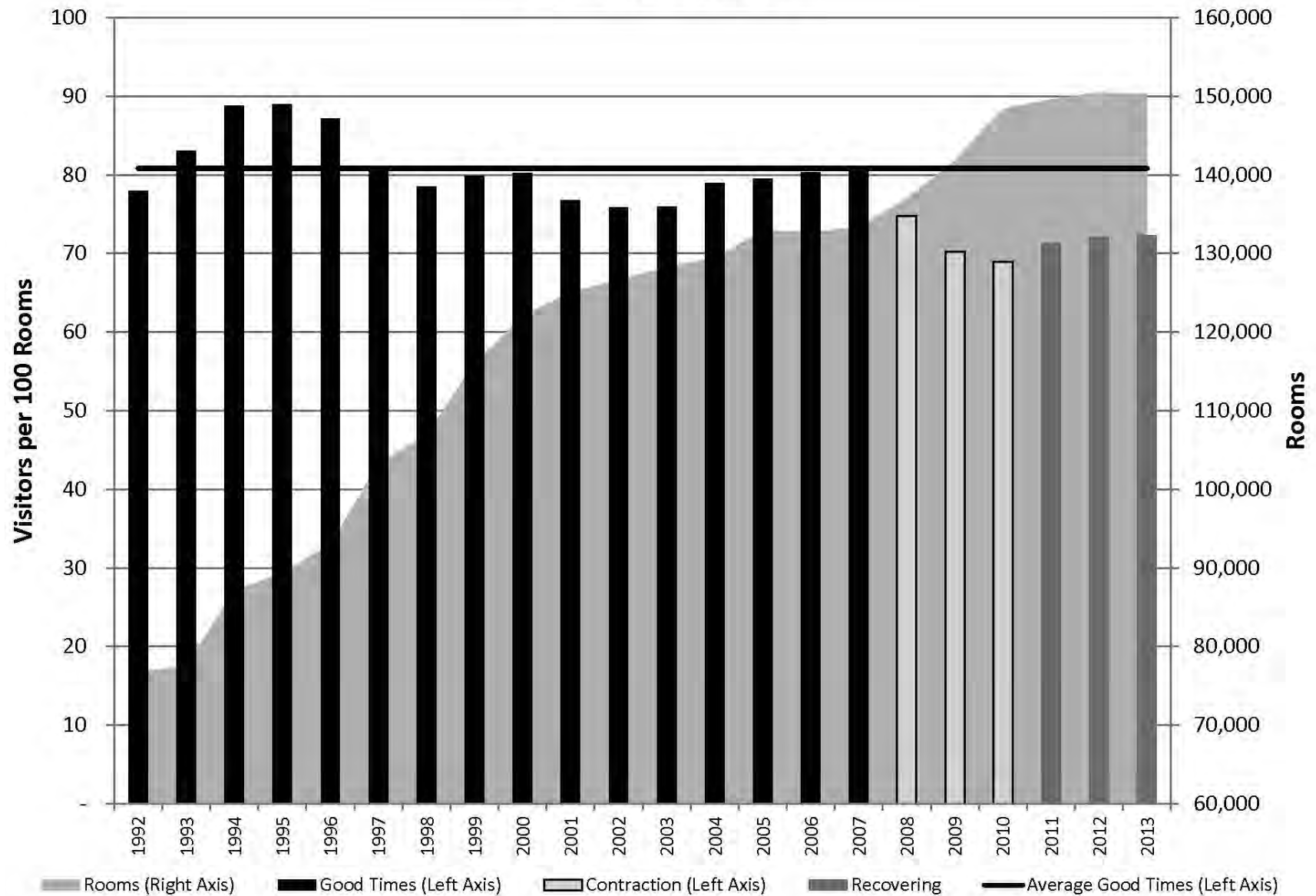
Inflation-Adjusted Win Per Las Vegas Visitor



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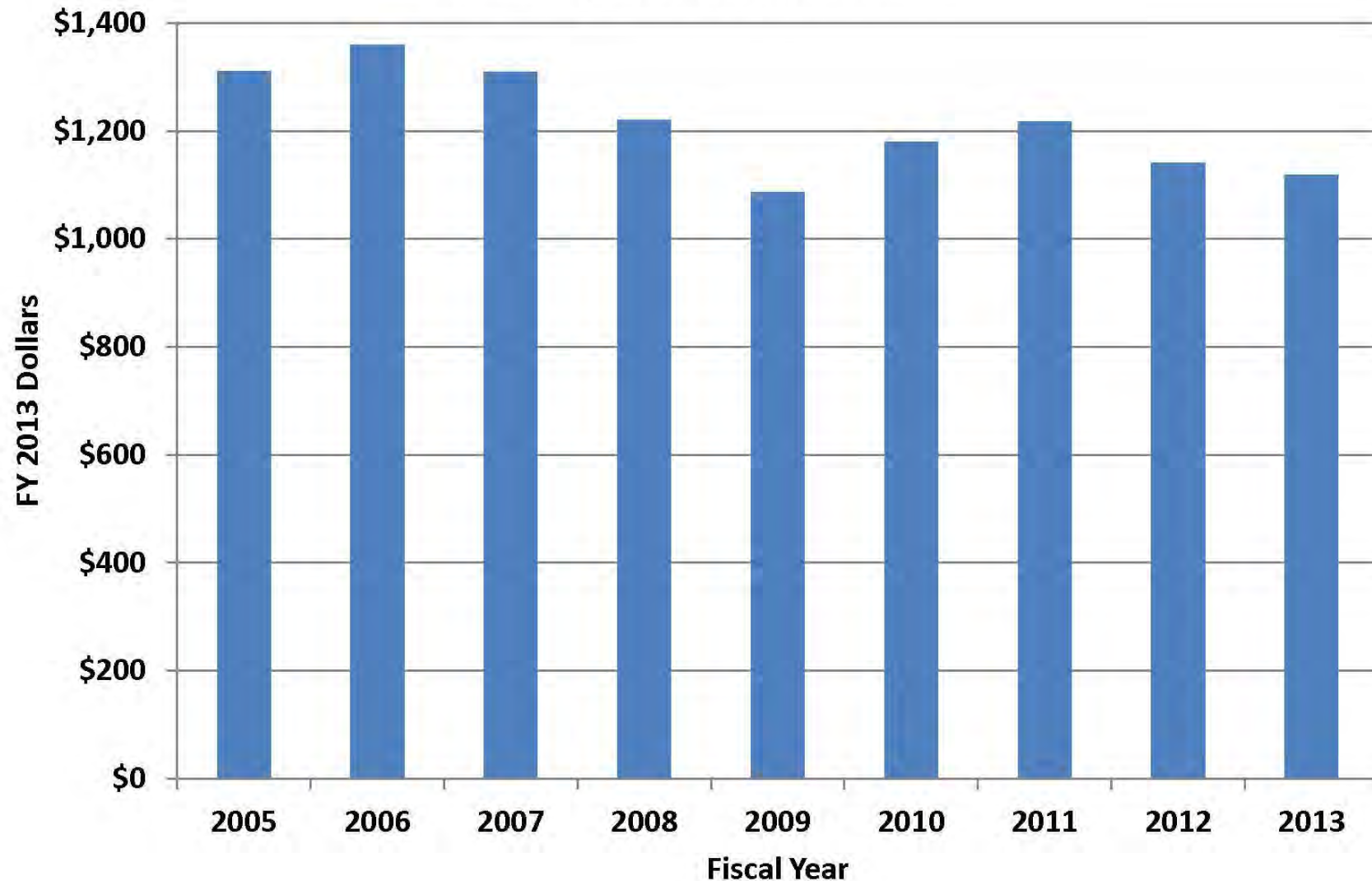
Las Vegas Visitors



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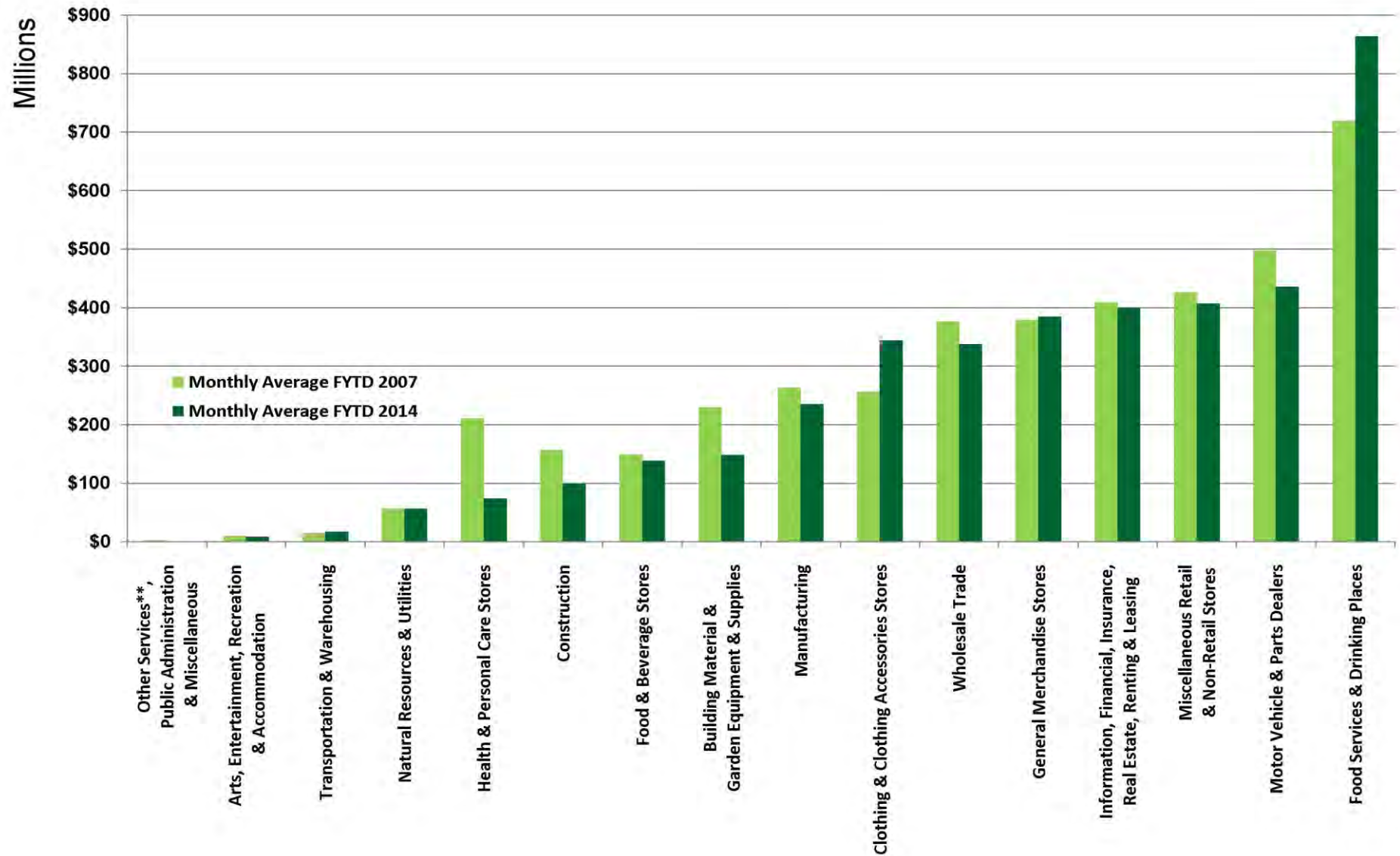


**Inflation-Adjusted Per Capita General Fund Revenues
Including Sunsets & Diversions**



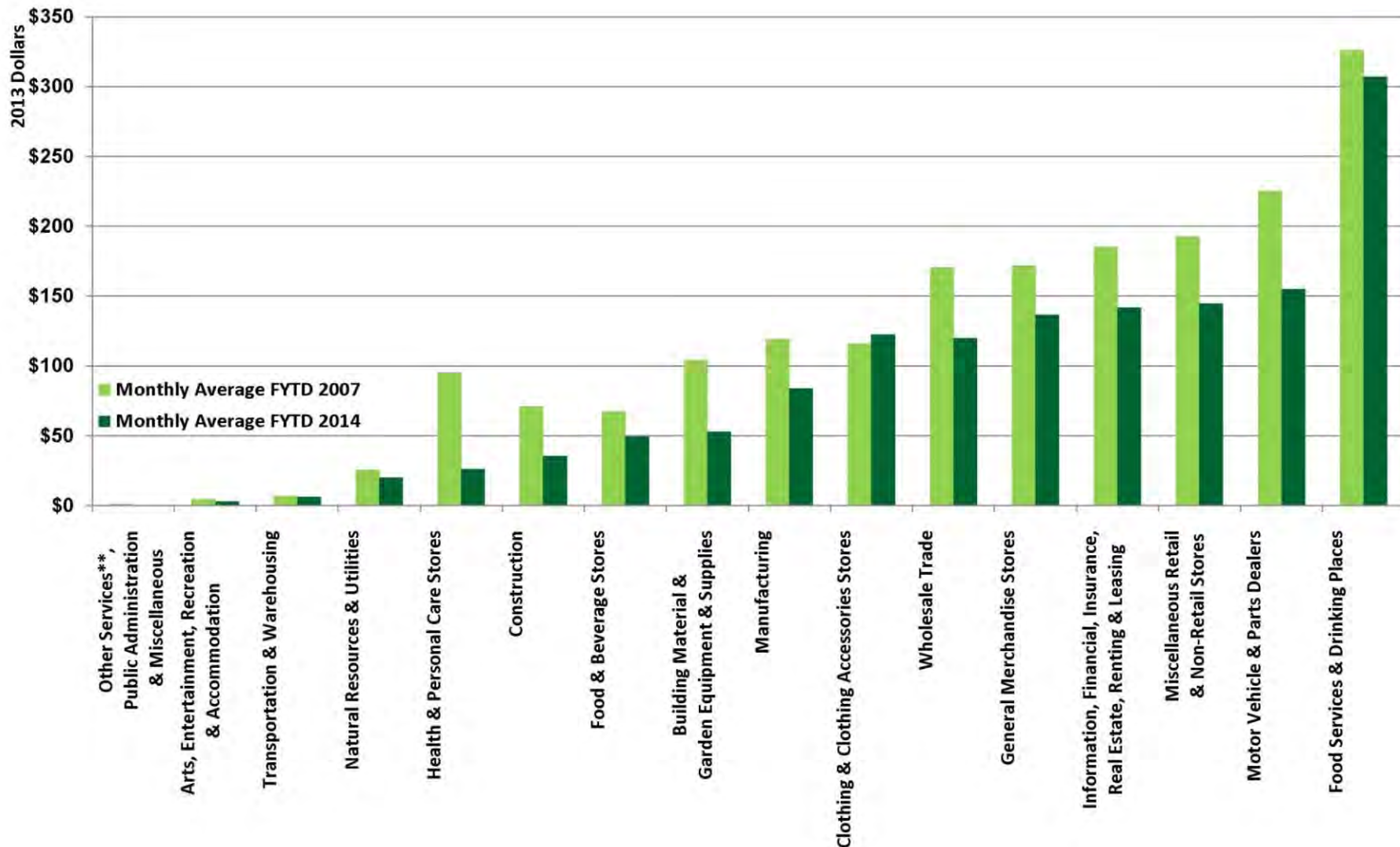


Nevada Retail Sales by Sector

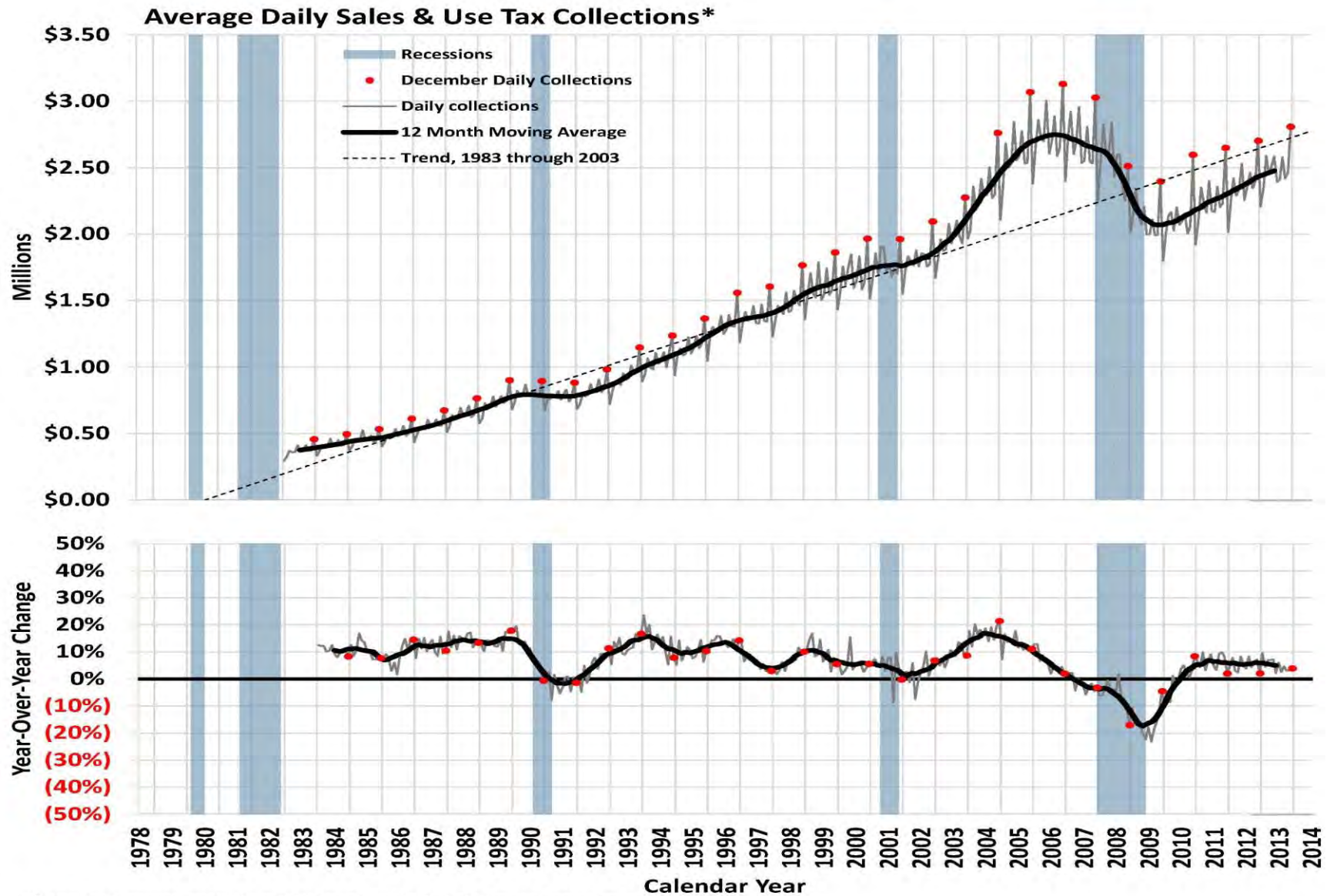




Inflation-Adjusted Per Capita Nevada Retail Sales by Sector

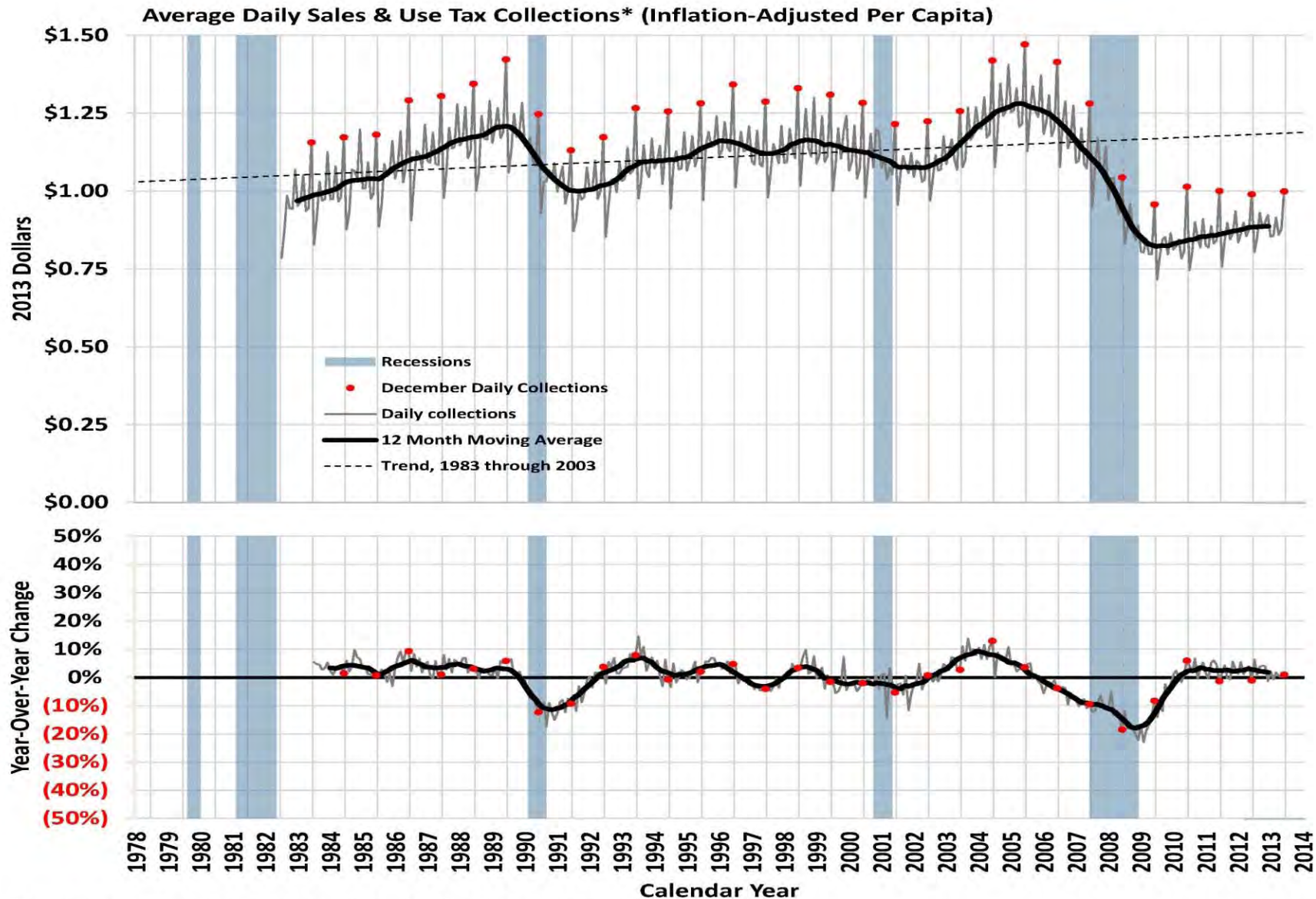


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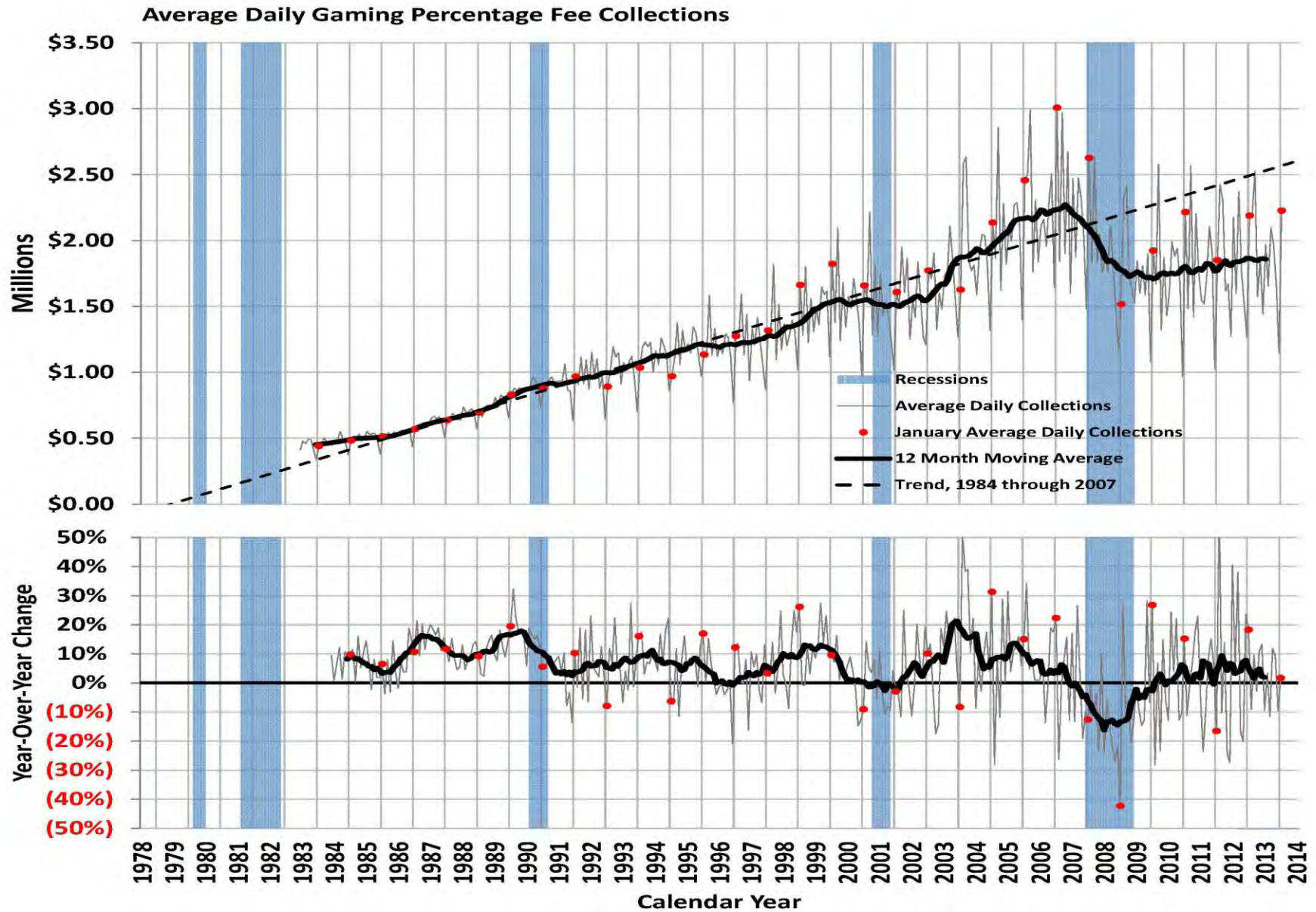
*Reported values exclude amounts collected under state tax amnesty programs.

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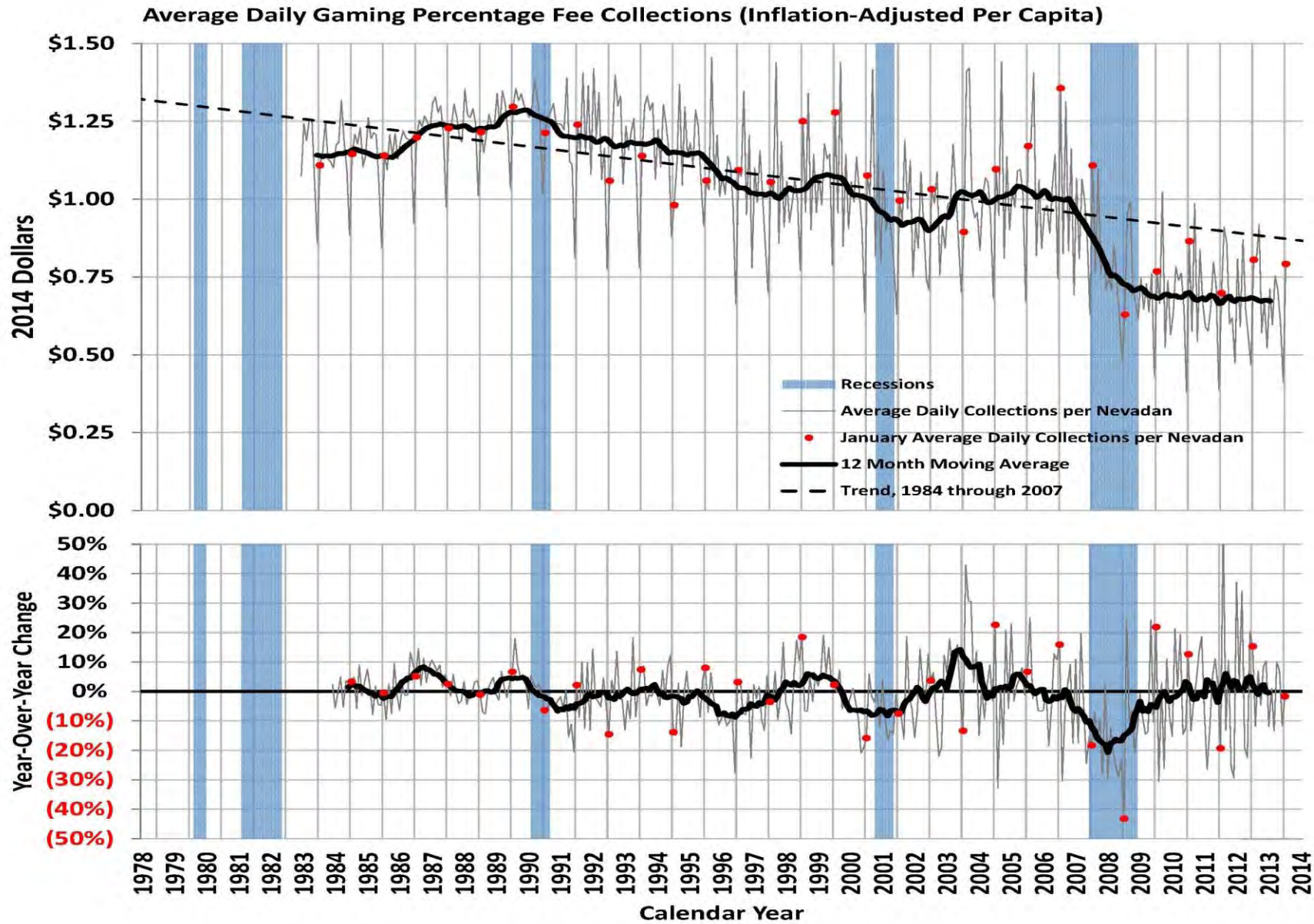


*Reported values exclude amounts collected under state tax amnesty programs.

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BUDGET KICKOFF 2015-2017 Biennium Executive Budget





General Fund Outlook

- May 2013 Economic Forum Forecast
 - FY 2013: up 0.2% compared to FY 2012
 - FY 2014: up 1.2% compared to FY 2013
 - FY 2015: up 5.4% compared to FY 2014
- FY 2013 revenues 1.4 pct.pt. above forecast
 - 1.6% year-over-year increase
- FY 2014 revenues 0.3 pct.pt. below forecast ytd
 - 1.0% year-over-year increase



Conclusions

- Nevada's economy is recovering
 - Not at rapid pace seen in past recoveries, but slow & steady beats boom & bust!
- Revenues are where they were forecast to be
- No extreme change (up or down) anticipated



QUESTIONS?

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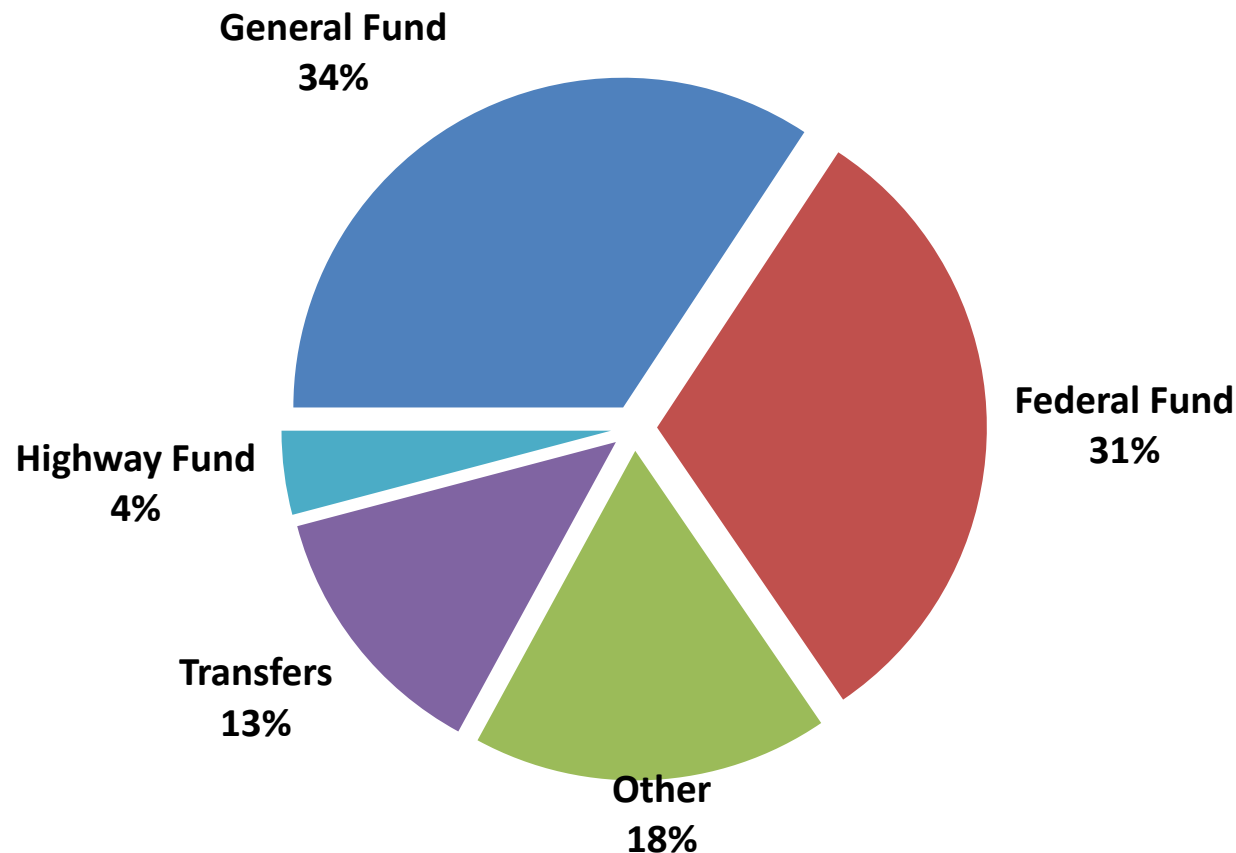
Section 2

Budget Overview
2015-2017 Biennium

Jeff Mohlenkamp, Budget Director

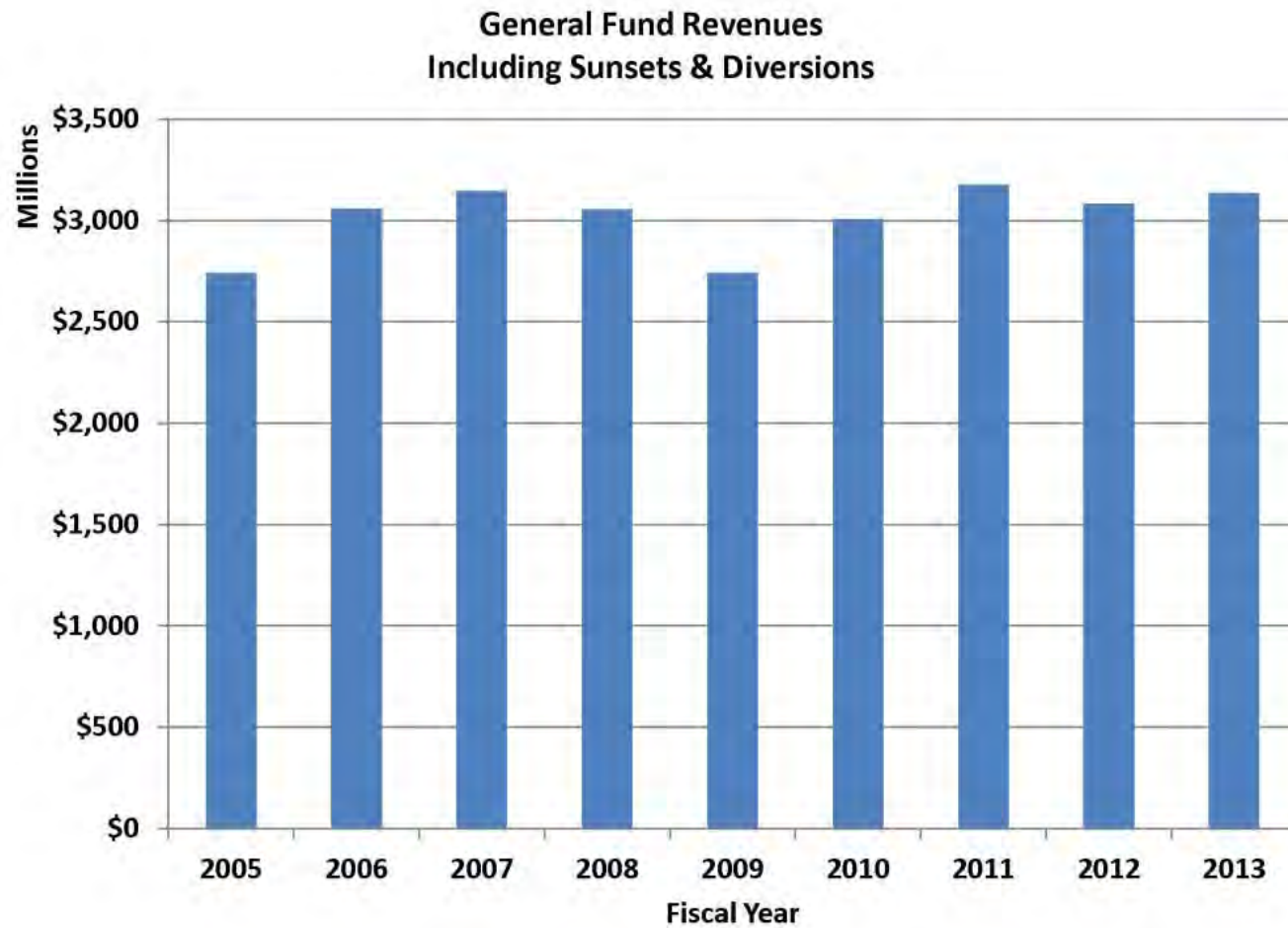


Breakdown of State Revenues 2013 – 2015 Biennium



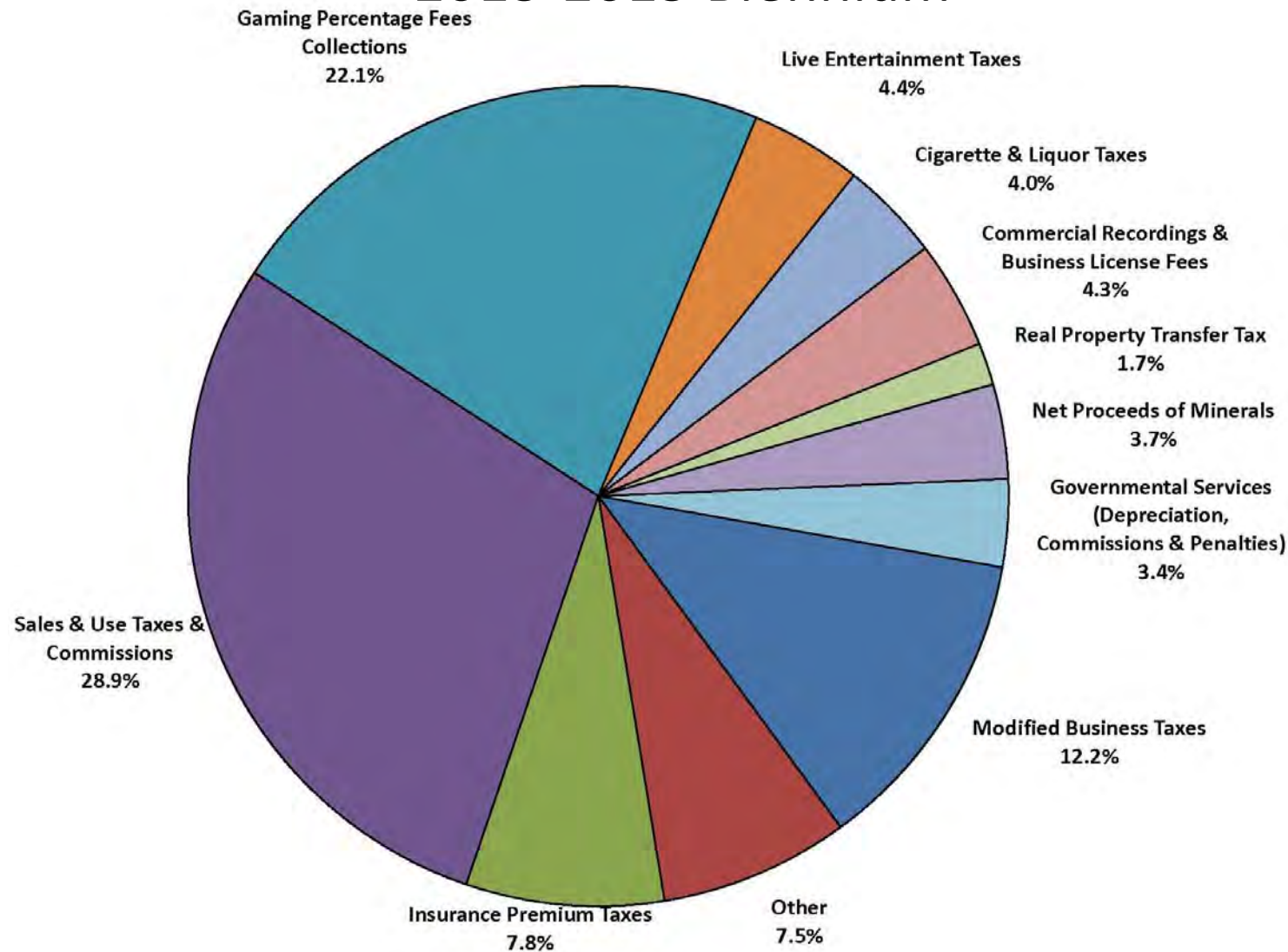


General Funds Comparison Over Time





Sources of General Fund Revenue 2013-2015 Biennium





General Fund

FY 2013 Actual Compared to Budget

- Actual Ending GF Balance - \$299.9 million
- Required 5% ending GF Balance - \$160.4 million
- Over the 5% requirement - \$139.5 million
- *Transfer to Rainy Day Fund* \$28 million



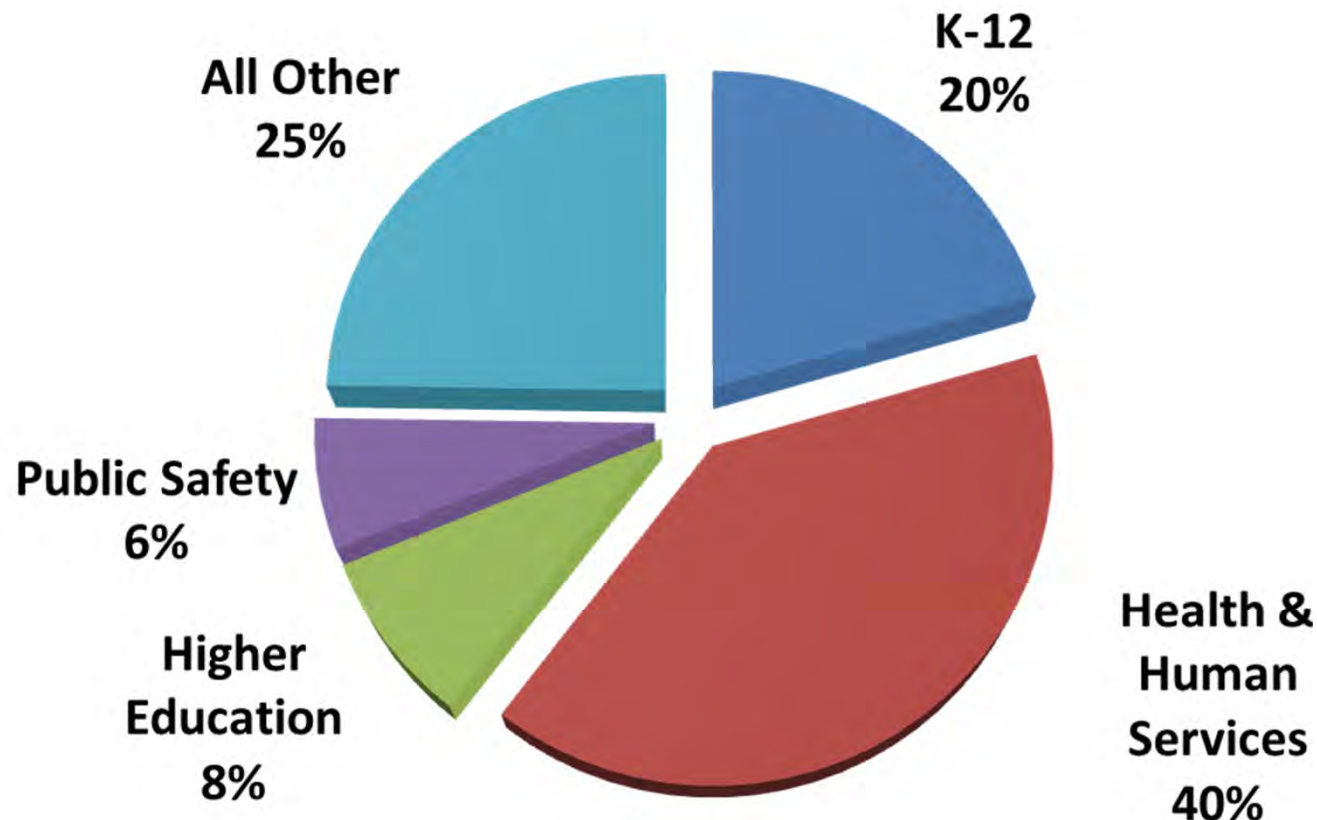
General Fund FY 2014 Year to Date Revenues

General Fund Revenue Sources	FY 2014 Budget			FY 2014 Collections vs Budget			
	Total	Yr/Yr Change		Through	Year-to-Date		
	millions	millions	%		Actual millions	Over (Under) millions	%
Sales Tax	\$934.5	\$45.9	5.2	December	\$462.4	(\$8.6)	(1.8)
Gaming Percentage Fees Collections	696.7	17.8	2.6	February	434.4	(11.3)	(2.5)
Modified Business Tax - Financial & Non-Financial [1]	382.9	(3.7)	(0.9)	December	193.1	(0.6)	(0.3)
Insurance Premium Tax	262.2	13.7	5.5	December	135.0	5.4	4.2
Live Entertainment Tax - Gaming	124.5	(1.2)	(1.0)	February	80.4	8.2	11.4
Cigarette Tax	80.4	(2.6)	(3.1)	December	41.4	0.6	1.4
Commercial Recordings	64.5	(0.6)	(0.9)	February	42.7	(0.1)	(0.3)
Real Property Transfer Tax	52.2	(2.8)	(5.0)	December	31.1	3.5	12.8
Liquor Tax	39.8	(0.1)	(0.2)	December	21.9	1.4	6.9
Governmental Services Tax-Depreciation	64.2	0.7	1.1	January	35.5	(2.0)	(5.4)
Business License Fee [3]	68.3	(0.7)	(1.1)	February	45.7	0.2	0.3
State Share Various Local SUT	26.2	0.5	1.8	December	13.6	0.4	3.0
State Share LSST [4]	9.1	0.3	3.6	December	4.6	(0.0)	(0.1)
Live Entertainment Tax - NonGaming	11.6	(0.1)	(1.0)	December	6.4	0.7	12.8
Quarterly Slots [5]	20.1	(0.6)	(2.9)	January	9.9	(0.1)	(1.2)
Other General Fund Revenues	158.2	(15.1)	(8.7)	February	88.6	(3.1)	(3.4)
Net Proceeds of Minerals [6]	95.7	(15.6)	(14.0)	n/a	n/a	n/a	n/a
Unclaimed Property [7]	32.3	(0.6)	(2.0)	n/a	n/a	n/a	n/a
Totals	\$3,123.5	(\$9.1)	(0.3)		\$1,646.5	(\$5.4)	(0.3)



FY13-15 Biennium Expenditures (All Revenue Sources)

\$17.7 Billion Legislature Approved

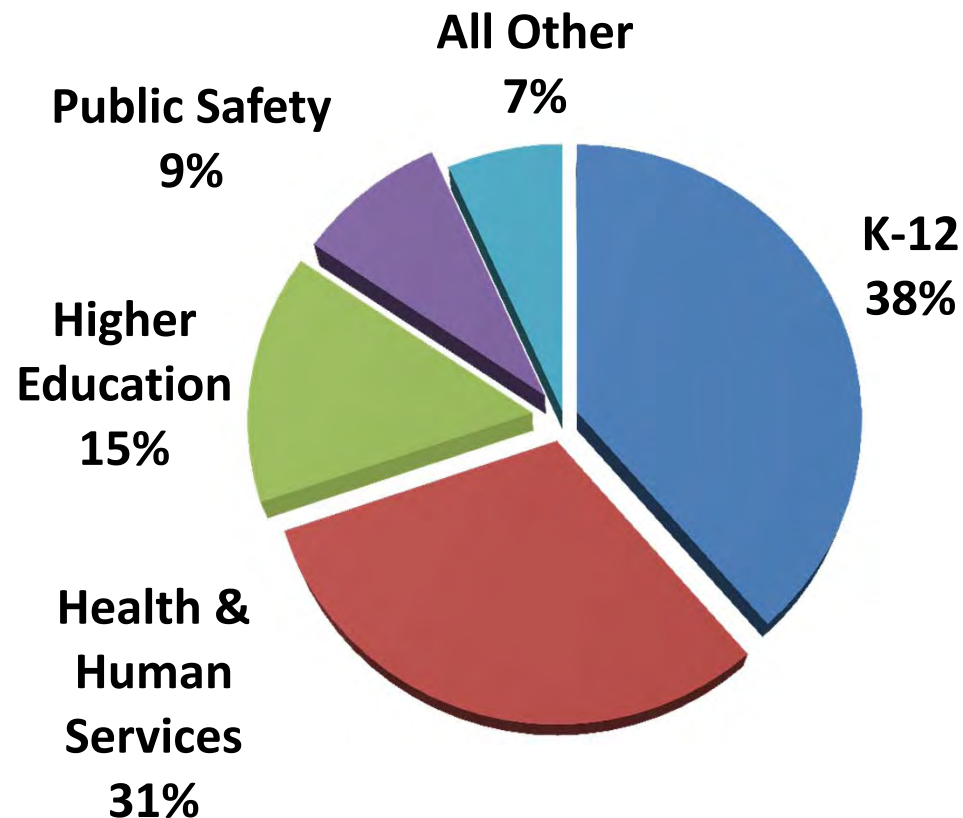




General Fund Appropriations by Function

FY 14-15 Biennium

Total \$6.5 Billion





Moving Ahead to the 2015 -2017 Biennium

What does the upcoming budget look like?



Recovery Warrants Optimism/ State Needs Remain Significant

- Sunsetting revenues need to be addressed
- Employee pay still not fully restored to pre-recession levels
- Despite significant investment in the current biennium – IT needs remain a distinct budget challenge
- Investment in buildings has been low



Health Care Reform and Medicaid Expansion Impacts Remain Uncertain

- While initial enrollment in the Silver State Exchange has been low, the ultimate enrollment is unknown
- Medicaid enrollment has been strong and slightly outpacing expectations



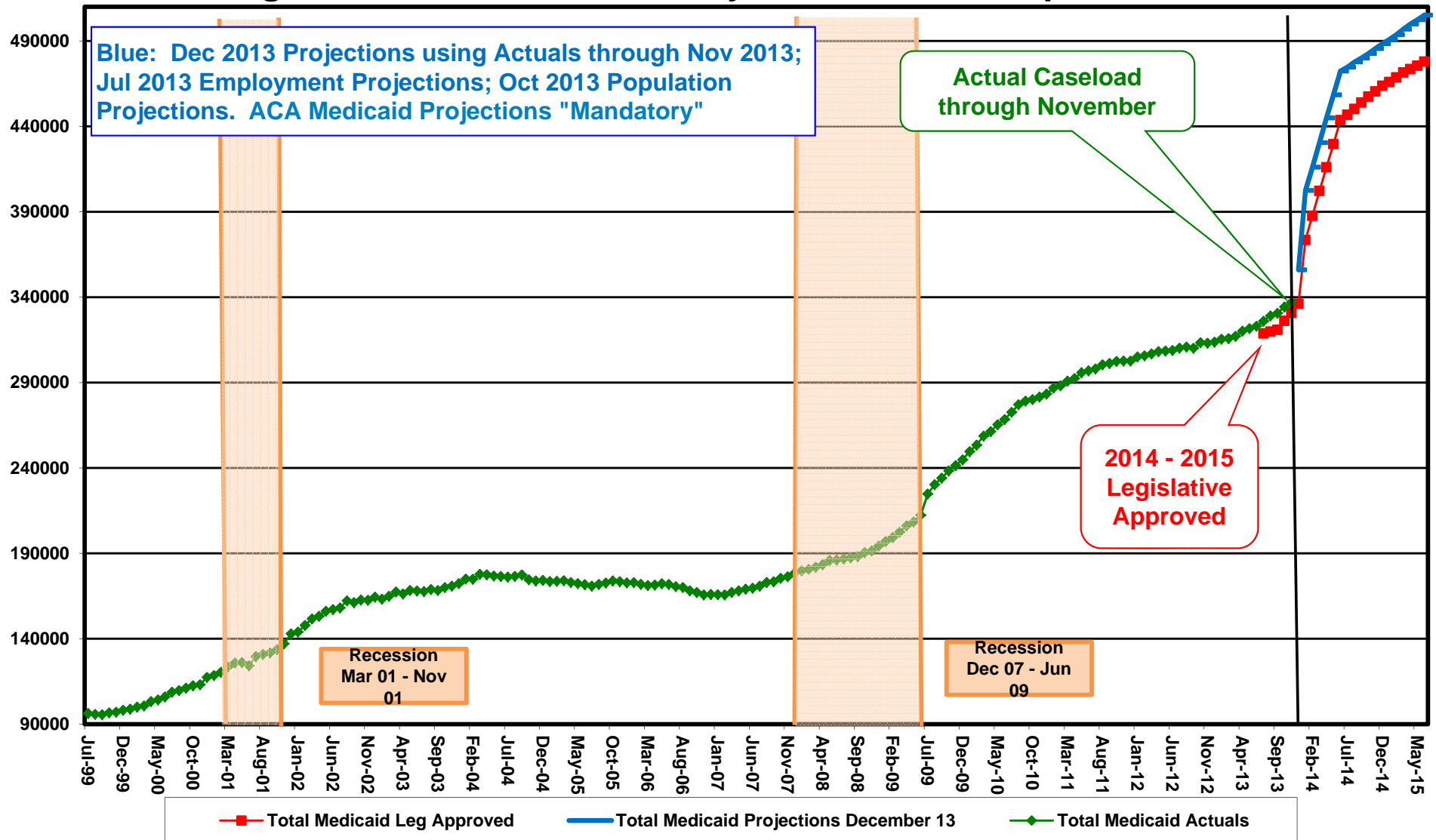
Caseload Growth Needs Require Attention

- Medicaid caseloads
- Other DHHS caseloads (SNAP, TANF, etc.)
- K-12 Education
- Corrections

BUDGET KICKOFF 2015 – 2017 Biennium Executive Budget



Total Medicaid with Retro Projections Using DWSS Home & Community Based Waiver Reported Numbers





Budget Directions for State Departments

- No CAP will be in place for the upcoming agency request budget
- Directors have been given very clear direction to prioritize and be realistic in budget requests
- The Governor has been very engaged in early reviews of budget needs



Budget Directions Continued

- Departments need to identify critical needs and prioritize to allow state government to live within its means
- Only the most important priorities should be brought forward in the budget request (this applies to all funding sources)



Budget Directions Continued

- Major Budget Initiative process will be used to provide a platform for larger budget requests
- Smaller enhancements will need basic input into NEBS by August 1
- Governor and staff will be engaged during August to prioritize requests that will be included in the Agency Request budget



Budget Directions Continued

- We will not be creating an Items for Special Consideration version
- Agency Request will need to closely approximate projected revenues
- Our goal is to reduce unnecessary efforts in developing enhancements that cannot be funded



QUESTIONS?

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**** 15 MINUTE BREAK ****



Section 3

**Priorities and Performance
Based Budget
(PPBB)**

Jeff Mohlenkamp, Budget Director

Melanie Young, PPBB Coordinator



PPBB Overview

- Improve transparency to decision makers and public
- Reduce silos and identify common objectives
- Measure the efforts of state government to determine whether they make a difference
- Link the Agency Activities with the State Objectives
- Provide platform for improvement in funding and budgeting decisions
- Tool for effective management decisions



Core Functions of Government

Business Development & Services	Infrastructure and Communications
Education and Workforce Development	Public Safety
Health Services	Resource Management
Human Services	State Support Services
Legislative Branch	Judicial Branch



PPBB Structure and Hierarchy

Core Functions

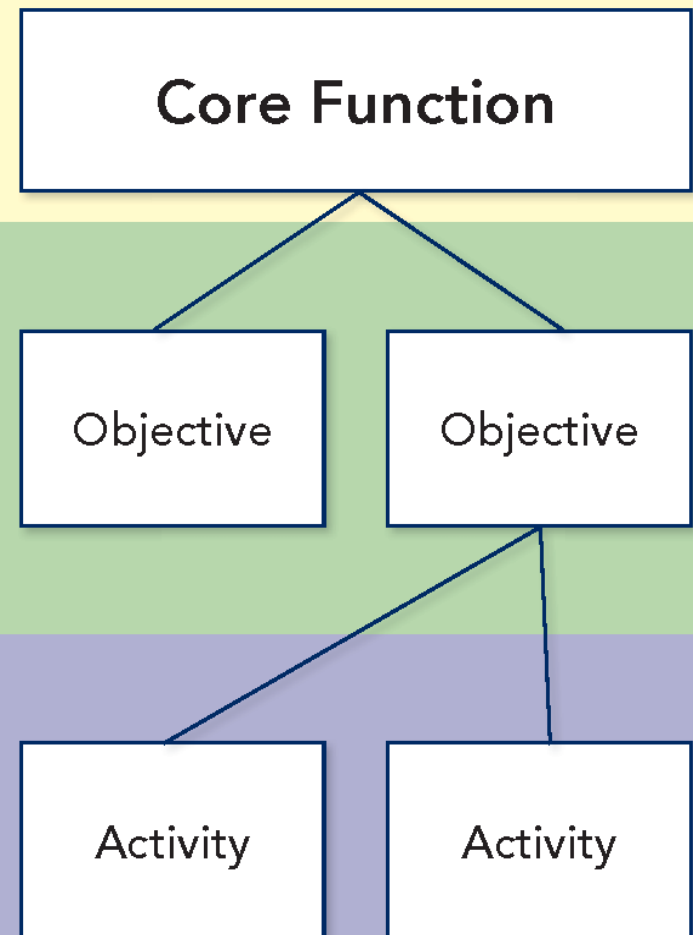
- Core Functions define Statewide categories of services

Objectives link to Core Functions

- Objectives are high-level goals that the State is trying to achieve
- Some Objectives are not entirely within control of the State's Government
- Government can play a key role in advancing all Objectives

Activities link to Objectives

- Resources are budgeted at the Activity level
- Each Activity is specific to a single Division/Department
- Activities from multiple State Agencies can link to a common Objective (goal is to reduce silos and facilitate coordination of resources)

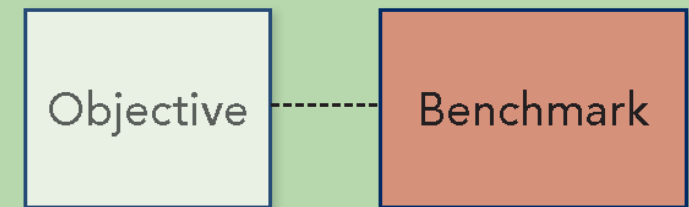




PPBB Metrics

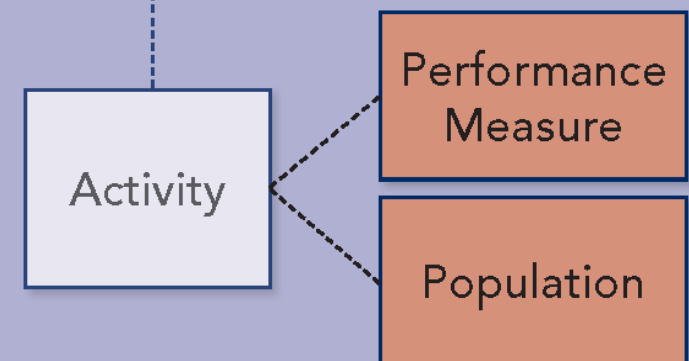
Objectives are tied to Benchmarks

- Benchmarks are high-level measures of how well the state is doing at achieving or making progress on the State's Objectives
- State Government cannot by itself control all Benchmarks, however it should play a key role in all
- Benchmark parameters are correlated with national data and historical data (when available)



Activities are tied to Performance Measures and Populations

- Each Activity can be associated with up to three Performance Measures
- Performance Measures can be Agency-specific (efficiency of administration) or Activity-specific (effectiveness of goal advancement)
- Population data can measure changes in caseload





PPBB Happenings

- The IFC Subcommittee to Review and Advise on the Development of Priorities and Performance Based Budgeting
- NEBS changes
- Hiring of the PPBB Coordinator



Advance PPBB Efforts

- Core Function Teams will be reconvened to evaluate
 - Objectives
 - Do they reflect what the State is trying to accomplish
 - Benchmarks
 - Do they properly measure our objectives
 - Can we obtain the data
 - Are they comparable to National or Regional data



Advance PPBB Efforts Continued

- Agencies have been directed to review:
 - Activities
 - Do they properly reflect the services we perform?
 - Performance measures
 - Do they accurately measure whether we are performing the activity?
 - Is the data available and being reported?



QUESTIONS?

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Section 4

Major Budget Initiatives and Enhancement Requests

Jeff Mohlenkamp, Budget Director



Major Budget Initiative (MBI) Overview

- Definition:
 - Moves the business model forward and/or
 - Improves or increases the level of services an agency performs and/or
 - Demonstrates a material shift in spending and/or
 - Material new services are provided
- NO preset \$\$ level or % change in budget
- Governor will ultimately identify these for his budget



Why Move to Major Budget Initiative Structure?

- Clearly links requests for new funding to expected results
- Ties the line item budget to PPBB
- Provides for an improved method for the Governor and Legislature to access competing demands for funds
- Allows multiple agencies and departments to collaborate on a single initiative



Process for Developing Major Budget Initiatives

- Budget Division had several meetings with LCB Fiscal to develop concept
- Concept embraced by the Governor and Legislative subcommittee
- Budget Director presented new process to the Governor's Cabinet



Process for Developing Major Budget Initiatives Continued

- Governor's office has been meeting with directors to review budget proposals
- Preliminary guidance provided to departments to allow continued development of MBIs



Process for Developing Major Budget Initiatives Continued

- Governor will review MBIs again in late May into early June
 - Governor will provide direction as to which MBIs will be included in the Executive Budget
- Upon approval by the Governor agencies will
 - complete required information for the MBI
 - complete enhancement units in NEBS



Sections of a Major Budget Initiative

- List of lead and any secondary agencies involved
- Description
 - What and How (summary and expanded)
- Justification
 - Why and what other options were considered
- Cost Details
 - Links data from the Decision Unit in NEBS to performance measures within PPBB



Sections of a Major Budget Initiative Continued

- Measurement details
 - how we intend to measure whether the MBI meets expectations
- Cost of measuring the MBI
- Caseload/Population data



Major Budget Initiatives

Lake's Crossing – Case Study



http://ppbb-demo.herokuapp.com/lakes_crossing



Smaller Enhancement Requests

- Limited based upon projected funding
- Directors have been cautioned to prioritize and approve only requests deemed to be necessary to support ongoing operations
- Basic entry, including estimated costs, of all enhancement decision units to be completed in NEBS by August 1st
- Projected resources will be evaluated to determine which enhancements will move forward



Smaller Enhancement Requests

- Agencies should be realistic in budget requests
- Resources available to support enhancements will be limited
- Prioritization at the department level is critical
- Clear and convincing justification is required (safety, security, addressing inequities, etc.)
- Agencies should consider the most cost effective method of meeting needs



QUESTIONS?

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Section 5

Bill Draft Requests
2015 Legislative Session

Stephanie Day, Deputy State Budget Director



Bill Draft Request (BDR)

- A request submitted to the Legislative Counsel Bureau proposing additions, deletions, and/or changes to Nevada Revised Statutes (NRS)



Bill Draft Request (BDR)

- Requests fall into two categories
 - Housekeeping – Clarification or minor changes to existing statutes
 - Substantive – All other requests



Bill Draft Request (BDR)

- Each request must be limited to one subject.
- A BDR may contain proposed revisions to more than one chapter of NRS that relates to the single subject of the proposed bill.
- All requests must be submitted to the Budget Division through the BDR module in the Nevada Executive Budget System (NEBS).



Non-Budgetary Bill Draft Request (BDR)

- Non-Budgetary BDRs
 - No material fiscal impact
 - Due to the Budget Division by May 16, 2014



Budgetary

Bill Draft Request (BDR)

- Budgetary BDRs
 - Necessary to implement the budget proposed by the Governor
 - Provide for the fiscal management of the State
 - Due to the Budget Division by August 29, 2014
 - The fiscal impact of items included in the Executive Budget should not also be included on a fiscal note



QUESTIONS?

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BREAK FOR LUNCH!

