

Base and Adjusted Base Module



NEVADA STATE BUDGETING

A course designed for fiscal staff who will be building the agency's biennial budget in NEBS. To provide an understanding to the users on how to build an agency base budget request and manual adjusted base entries to maintain the current level of services.

General Housekeeping

2

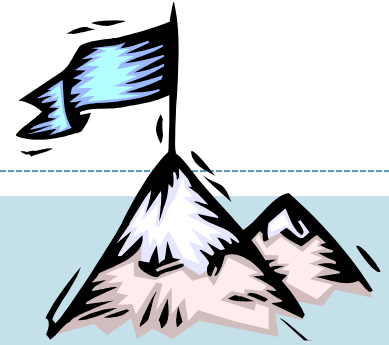
★ Breaks

★ Cell phones – silent mode please and put them away!

★ Ask Questions!

Module Goals

3



- ★ Understanding of the Agency Base Budget Process
- ★ NEBS Base and Adjusted Base (M150) Entries
- ★ Required Base Budget Attachments

Purpose of Budget Requests

4

- The State Budget Act (NRS 353.150-353.246) requires that a budget request must be prepared by each agency of the Executive Branch. Requests are reviewed by the Budget Division on behalf of the Governor :
 - for compliance with basic budget policies
 - to ensure that efficient, economical methods are used to carry out state responsibilities
 - to ensure essential public services are provided within available resources

What is a Budget?

5

- It is an action plan for the future.
- It is a tool used to prioritize spending and manage resources.
- It is within a specific set of goals and objectives.
- It is within a stated period of time, Nevada's fiscal year is July 1 – June 30.

Types of Budgets

6

Operating Budget:

- provides funding for the day–to–day operation of state agencies/entities.
- agency’s plan of activities for each fiscal year.

Capital Improvement Budget:

- plan for financing the purchase of capital assets (e.g., land, buildings, as well as other major repairs or upgrades).

Non-Executive Operating Budget:

- Non-Executive Operating Budgets are like executive budgets, but they don’t go through the budget approval process and typically don’t include positions.

Major Budget Elements

7

Agency defined budget priorities and objectives as an accumulation of the following budget components:

- **Revenues**
 - Appropriations (General Fund and Highway Fund)
 - Authorizations (grants, fees, licenses, transfers, etc.)
- **Expenditures**
 - Personnel
 - General Operating (travel, training, information technology, maintenance, etc.)
 - Special Programs (programs supported with dedicated funding)
 - Equipment and other costs
- **Statewide Cost Allocation/Cost Recovery**
- **Budget Transfers**
- **Reserves** – These categories are not considered expenditure categories.

Revenues

8

Appropriation

General Fund (RGL 2501)

- The major operating fund of the State that derives its income from unrestricted taxes, fees, & other non-tax sources.

Highway Fund (RGL 2507)

- Revenues from fuel sales & motor vehicle licensing. Supports highway-related functions.

Authorization

- Money coming into the State in the form of taxes, fees, federal and private grants, court assessments, interest income, and other sources.

Balanced Budget

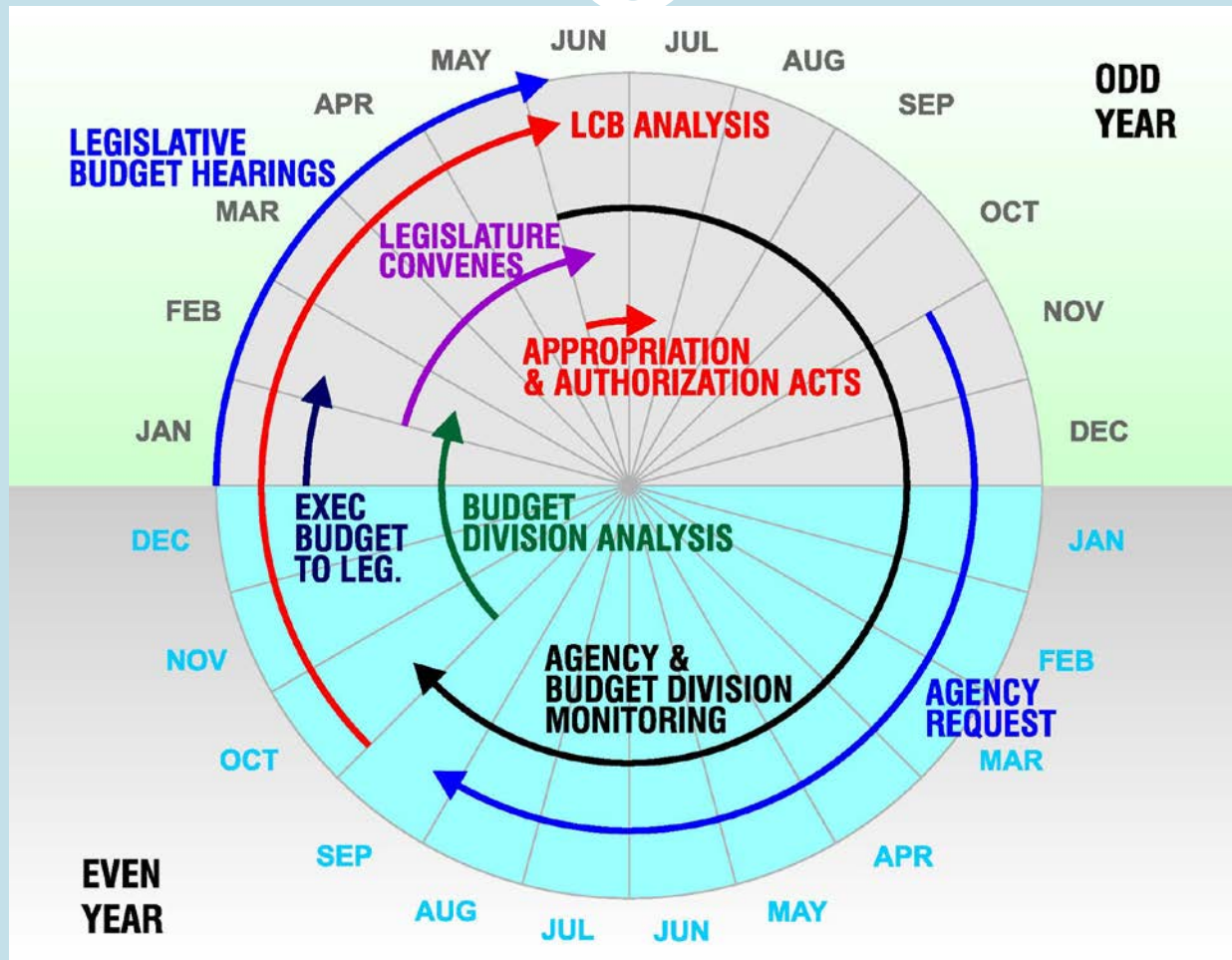
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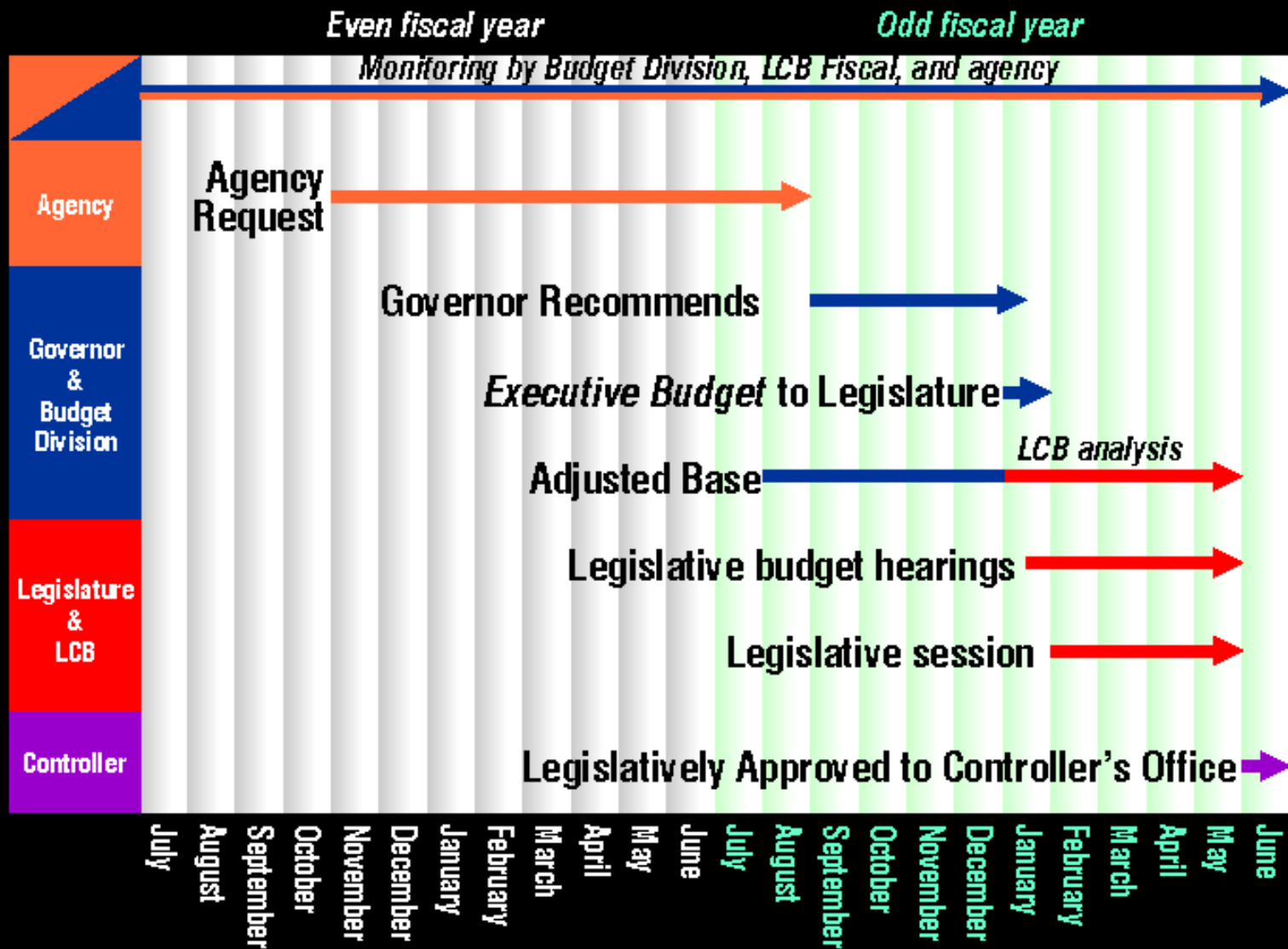
- In Nevada, we are required to have a balanced budget.
- Revenues = Expenditures
 - Nevada Constitution, Article 9, Section 2.
- Overspending your budget is a misdemeanor (NRS 353.260)

Biennial Budget Cycle

10



Executive Budget Development Process



Agency Pre-Planning Phase

12

- **Meet with program staff**
 - **Discuss needs for upcoming biennium – may include**
 - Performance measure data
 - New programs
 - Revisions to current programs
 - New federal grants
 - Sunset or reduced federal grants
 - New positions
 - Position reclassifications
 - Technology investment requests (TIR)
 - Capital improvement projects (CIP)
 - Replacement equipment
 - Statute Review (BDRs)

Agency Pre-Planning Phase (continued...)

13

- Provide high-level budget training/overview to program staff.
- Gather data from program staff of needed enhancements or new programs.
- Develop a budget timeline with due dates (samples are available on the Budget Division website)
- Develop a weekly progress report for fiscal staff preparing the budget submission.

Agency Budget Preparation for NEBS

14

- **Position reconciliation – 2-phase process, work with Budget Division analyst to update any changes.**
 - Review/update position groupings
- **Travel and training logs**
- **Justification for retaining vacant positions**
- **Contract information**
- **EITS Utilization information**
- **Equipment schedule**
- **Building Lease information**
- **Vehicle information – Fleet Service or Agency owned**
- **Caseload projections**
- **NPD-19s for New positions or reclassifications**
- **Fund maps**

Recap of the Budget Process

15

- Agency Request to Budget Division on or before September 1st
- Budget Division reviews, revises and makes recommendations to the Governor (Sept. – December)
- Governor's recommendation to Legislature is released after the State of the State address in January
- Legislative money committees hear budgets & make changes (Feb. – May)
- Budgets are approved by the end of the Legislature's 120 day session (June)

Overview of Budget Structure

16

Base and Adjusted Base

- The continuation of justified, essential levels of service.
Base Budget = actual costs for base year with payroll costs calculated by NEBS for all approved FTE.
 - Note: Base and Adjusted Base is typically 90% of an agency's entire budget.
- Actual budget expenditures are adjusted for one-time and partial year costs.
- Adjusted Base = Base +/- M150

Overview of Budget Structure (cont.)

17

➤ Decision Unit

- A stand-alone mini budget; balanced request that displays the revenue & expenditures associated with a new program, with changing existing programs, or with adding/subtracting from ongoing budgetary levels.
- Maintenance – request associated with continuing an existing program at increased or decreased levels affected by external factors
- Enhancement – request associated with a new program or services
- This class is covering base (B000) and M150 decision units

Overview of the Budget Structure (cont.)

18

A Simple Example of What an Adjusted Base Budget Looks Like

- $B000 = \$10,000$
- $M150 = \$5,000$ Annualize partial year costs
- $M150 = (\$2,000)$ Removal of one-time costs

Therefore, Adjusted Base = \$13,000

Adjusted Base = Base +/- M150 changes made

Base Budget Preparation in NEBS

19

NEBS will be available on March 10th

What will be in NEBS when it is opened?

- ★ Line items will reflect the FY 2016 and FY 2017 Legislatively approved budget
- ★ New categories and revenue general ledgers will be added, though they are not all-inclusive!
- ★ Current positions are downloaded from the HR Data Warehouse
 - ★ The download was completed as of February 12, 2016

Base Budget Preparation in NEBS

20

What Agencies Need to Do First

- ★ Verify that the positions shown in each budget account match your current position list (more on how to do this shortly).

- ★ Verify and update NEBS for any work program or new positions that happen from Leg Approved (L01).
 - Add line items, categories, positions as necessary
 - The next NEBS data upload will be in July

Base Budget Preparation in NEBS

21

Account Maintenance

- ★ Add revenue General Ledgers (RGLs) that are unique to your accounts; you can also rename for better descriptiveness
- ★ Add decision units you will need (e.g., E710, E800, E900)
- ★ Add special categories you need; the usual categories should already be listed
- ★ Review and verify budget account, category and RGL titles so they're consistent (DAWN vs NEBS)
- ★ You may establish line item position groups to assist your fund mapping

Base Budget Preparation in NEBS

22

Travel Logs for In-State and Out of State Trips

★ Provide travel logs that detail the trips taken by each position in the base year, must include:

- Position title of traveler(s)
- Date(s)
- Destination
- Purpose
- Cost for travel and registration, listed by G/L
- This log must balance to actual expenditures in the base year

★ The spreadsheet form is on the Budget Division website; it must be attached in NEBS under the Account Maintenance tab in the B000 narrative section

Base and WP Year Entry

23

Base Year Budget Update (SFY 2016)

- ★ Projected revenue and expenditures through fiscal year end
 - ★ The revenue and expenditure projections need to be completed to the general ledger detail
 - ★ The revenue and expenditure must balance
 - ★ Reserve amount from SFY 2016 is used for the balance forward into SFY 2017

Work Program Budget Update (SFY 2017)

- ★ The work program column for balance forward and reserve
- ★ Any approved work program for state fiscal year 2017

Revenue Adjustments – Base & WP Year

24

Projecting Your Budget's Revenues for the Upcoming Biennium

- ★ Update revenue projections and enter the expected total amount for each revenue source for Actual, Year 1 and Year 2.

- ★ Back up your projections - a note is required to thoroughly explain each revenue source, the statutory authority, its purpose and how the revised amount was calculated
 - Attach supporting spreadsheets at the revenue general ledger to support the request. This distinguishes the current biennium's updated revenues from the M150 adjustments for the upcoming biennium's projected revenues.

Expenditure Adjustments – Base & WP Year

25

Projecting Your Budget's Expenditures

- ★ Update base year actuals with projected year-end actual expenditures and any reserves projected to be on hand.
- ★ When the base budget expenditures are entered into NEBS the amounts are prepopulated in both years of the upcoming biennium.

Why do this? To minimize the M150 adjustments you need to make after the base year is closed in late Sept. If you do not enter projected expenditures, base year actuals may be adjusted out by the Budget Division. The closer you are to actuals, the less work you need to do!

Base Budget Preparation in NEBS

26

Position reconciliation -- what is it/how does one do it?

★ Step 1 (complete before June 30th) – verify that total FTE count is accurate

- a) Look at the NEBS listing, compare total number of FTEs to the Human Resources Data Warehouse – they should match
- b) Briefly examine titles/class codes and Position Control Numbers
- c) Watch for part-time position consolidations, since they will adjust the FTE count by small amounts
- d) If you find a position that needs changes, advise your Budget Division Analyst

Base Budget Preparation in NEBS

27

Position reconciliation, continued

- ★ **Step 2 – complete after final payroll download into NEBS**
 - ★ This will happen mid July for data through June 30th
 - a) **Verify class code, grade, step and retirement code for each PCN**
 - b) **Verify fringe assessments are correctly checked in “Fringe View”**
 - c) **Review/update line item position groupings by funding source**
 - d) **Provide detailed justification for vacant positions**
 - Agencies are required to provide the number of positions (PCN #) that have been vacant for at least 12 months, the number of months each position has been vacant and the reasons for each vacancy. Without that information, the Budget Division will delete the vacant position(s). This spreadsheet is attached at the account maintenance base decision unit section.

Adjusted Base – M150

28

M150 – Purpose & Instructions

- ★ Accounts for partial year expenses, removes one-time expenses, and annualizes interim work program changes to ensure sufficient budget authority to pay a full year of expenditures.
- ★ Requires complete notes explaining the adjustment, including the methodology and calculations for the adjustment.
- ★ Requires user-generated M150 adjustments to be made in GLs that are not contained in one of the schedules.

Enter the “change” from the B000 amount into M150

Remember: Adjusted Base = B000 +/- M150

Revenue Adjustments in M150

29

Projecting Next Biennium's Revenues

- ★ Revenue is adjusted in M150 only if there are corresponding expenditure adjustments, otherwise revenue adjustments are made in B000
- ★ Reconcile grant awards (attach the award document)
- ★ Zero out IFC Contingency allocations and other one-time revenues
- ★ Always attach justification/backup information to line item note

One-Time Expenditures in M150

30

Remove one-time expenditures such as:

- ★ Stale claims
- ★ One-shot appropriations
- ★ Start up costs for programs
- ★ Programs legislatively mandated for elimination
- ★ Moving costs
- ★ Late fees
- ★ Telephone, data and wiring costs
- ★ Equipment purchases
- ★ Completed deferred maintenance projects
- ★ Personnel costs if your agency is not authorized to retain them (leave payouts, overtime, comp time payouts)

Retained Expenditures in M150

31

Expenditures that may be continued in the adjusted base budget include:

- ★ Payroll costs for pre-approved agencies only
- ★ Equipment repair
- ★ Buildings & Grounds Special Services, if applicable
- ★ Some equipment (under \$5,000) may be retained based on a 3-5 year average
- ★ Adjust for expenditures that only occur in one year of the biennium

Grant Programs in M150

32

Eliminated Grants or Sunsetting Programs

- ★ Federal grants or other programs that terminate in the base year or work program year, along with associated operating costs, are adjusted out in the budget through an M150 adjustment. (except payroll)
- ★ Programs that sunset in Year 1 or Year 2 of the biennium should be adjusted out of the budget through an E490 decision unit.

Adjusted Base Examples

33

What can be included in adjusted base vs. what should be an enhancement

- If 2 staff members attended a training course in the base year and now you want to add 3 more staff to take the same training for a total of 5 staff, the training for 2 staff members would remain in base and the training for the additional 3 staff members would be an enhancement.
- If your office opened a new location in January the expenditures such as rent and telephone costs need to be annualized in M150. However, data wiring associated with the move would be removed since it was a one-time expense.

I still have questions!

34

- ★ Contact your assigned budget analyst.
- ★ Staff listing on our website at <http://budget.nv.gov>
- ★ Thank you for your participation!