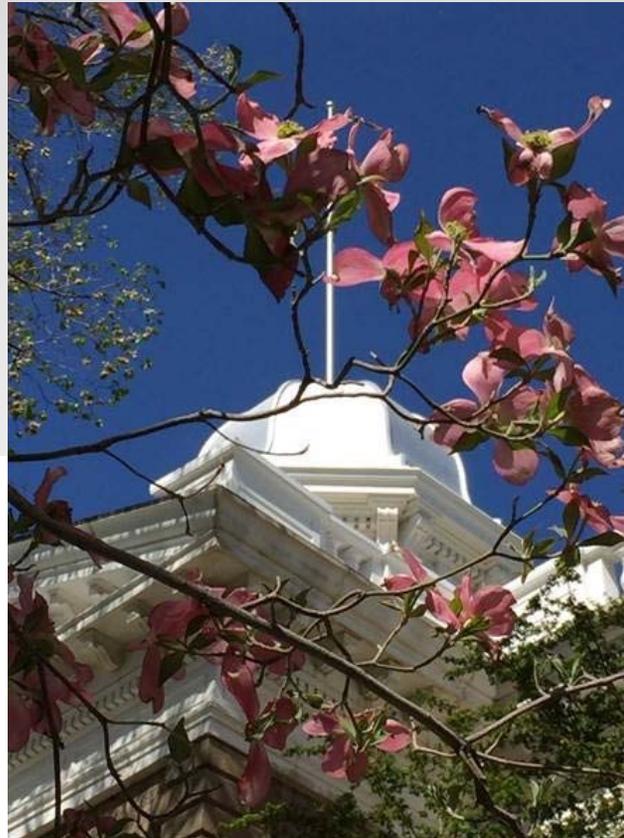


Introduction to State Budgeting

An Overview of the State of Nevada Budget Process



Governor's Finance Office
Budget Division

Course Roadmap

- Definition of a budget
- Three main budget types, and how they impact you
- Who is responsible for developing a budget for the state
- Who are the primary players and what are their roles
- What is the Economic Forum
- Overview of the State of Nevada budget process
- Important budget timelines and deliverables
- Overview of the State of Nevada budget structure
- Discussion of major budget elements
- What happens after the budget is passed and approved
- Helpful budget building tips

What is a Budget?

- A budget is an **action plan** that **balances** your “**need** to haves” and your “**like** to haves” with the **resources** you estimate you will have.
- Within a specific set of goals and objectives.
- Within a stated period of time, Nevada’s fiscal year is July 1 – June 30.

Three Types of Budgets

Capital Improvement Budget:

The capital budget provides funding for design and construction of state facilities and associated infrastructures such as schools, water facilities, parks, correctional facilities, hospitals, fire stations, etc.

Executive Operating Budget:

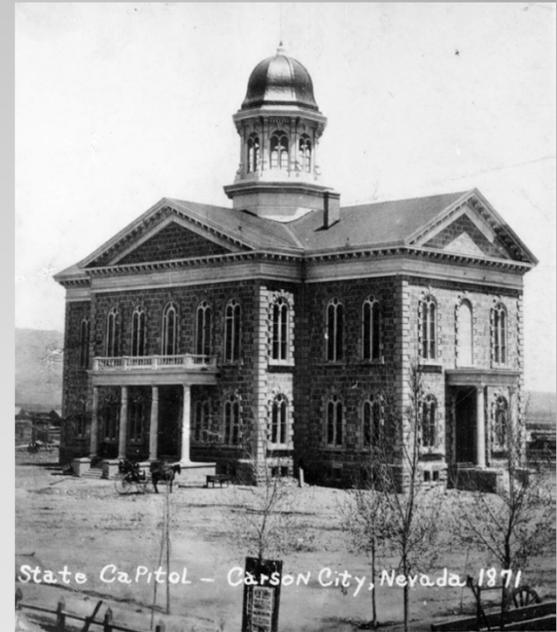
The operating budget provides funding for the day-to-day operation of state agencies/entities. It includes the operation of state buildings and facilities, salaries for state employees, and general cost of the various services to its citizens (travel, training, supplies, technology, etc.).

Non-Executive Operating Budget:

Non-executive operating budgets are like executive budgets but don't go through the approval process and typically don't include positions.

Capital Improvement Budget

- Facilitated by the State Public Works Division (SPWD).
 - Capital improvement requests are submitted to the SPWD by April 1st.
 - Approved by the Legislature by way of a bill, separate from approval of the Executive Budget.
 - Major construction and or modifications (>\$100K) to existing state facilities such as major HVAC, electrical or mechanical system repair or replacement, modifications to buildings, interior replacements or upgrades, etc.
 - CIP Categories – New Construction – Maintenance – Advance Planning – Statewide Maintenance.
- Note:** Ongoing facility maintenance costs must be included in the agency budget request.



Key Dates for the Capital Improvement Projects (CIP)

Even-numbered year:

February SWPD will activate website

Mar. - April SWPD conducts CIP workshops for state agencies

April 1st CIP applications due to SPWD

August Agency CIP presentations to the SPWD are held

September SPWD Manager makes recommendations to the SPW Board

October 1st SPWD Mgr. makes Board's recommendation to the Governor

Odd-numbered year:

January CIP submitted to the Legislature with the Executive Budget

Feb. - May Legislative hearings on the Governor's Recommended CIP

Executive Operating Budget

- Facilitated by the Governor's Finance Office (GFO), Budget Division.
- The Executive Budget is the operating budget of the State.
- A detailed projection of all estimated income and expenses based on forecasted revenues during a given biennium.
- The budgets for Executive Branch agencies, boards and commissions are prepared and presented to the Legislature through the GFO.
- The Legislative and Judicial branches of government and Public Employees Retirement System provide their budget request to the Executive Budget as a pass-thru to the Legislature for review and approval, and are not subject to Executive Branch review.

Key Deadlines - Operating Budget

Even-numbered Year:

- Feb. -Statewide budget kick-off meeting, budget instructions and budget building manual made available.
- April -Deferred maintenance request > \$100K due to SPWD.
-Technology Investment Requests (TIRs) due to Enterprise Information Technology Services (EITS).
- Apr-June -Non-Budgetary Bill Draft Concept Request due 4/15.
-Governor's Office review due 5/6.
-Approved Non-Budgetary Bill Draft Request due 6/1.
- May -Request for non-state building lease due to SPWD, Leasing Unit.
- June -Agencies input EITS services and related utilizations into NEBS.
- June -TIRs returned to agencies by EITS.
- July -Agency presentations to the IT Strategic Planning Committee.

Key Deadlines - Operating Budget*

Even-numbered Year (continued):

Sept. -Agency requests and budget bills due 9/1 (NRS 353).
-Agency presentation to the Budget Division.

Oct. -Agency Request transmitted to LCB's Fiscal Analysis Division (NRS 353)

Dec. -Economic Forum projections (NRS 353).

Odd-numbered Year:

Jan. -Governor's Executive budget transmitted to LCB's Fiscal Analysis Division and presented in the Governor's State-of-the-State Address (NRS 353).

Feb. -Legislative Session begins on the first Monday (Article 4).

May -Final Economic Forum Projections (NRS 353).

June -Budgets are approved and the Legislative Session ends.

* Dates vary and are provided in the Budget Instructions.

Who is Responsible for Developing the State Budget?

The State Budget Act NRS 353.150 – 353.246

The Budget Division in cooperation with state agencies, the Governor's Office and the Legislature:

- Prepares and formats the Governor's Executive Budget.
- Assists state agencies in implementing, monitoring, and/or modifying the legislatively approved budget.
- Develops comprehensive, long-range plans for Capital Improvement Projects in conjunction with SPWD.
- Monitors and reports on the financial status of the state as required to formulate plans for better and more effective state management.

Balanced Budget

Nevada Constitution, Article IX, Section 2

- Requires the State of Nevada to have a balanced budget.
- Revenues **must equal** Expenditures.

NRS 353.260

- References it is unlawful for any state officer, commissioner, head of state department or other employee, whether elected or appointed, to expend more money than the sum specifically appropriated by law for any such office, commission or department.



Various Budget Approaches

Biennial vs. Annual Budgets

Nevada budgets on a biennial schedule (every other odd year).

- 4 other states budget biennially, with a biennial Legislative Session.
- 31 states budget annually.
- 15 states budget biennially but conduct annual Legislative Sessions

Nevada Produces a 3-Part Line Item Budget

- FY 2011-2013 Budget first attempt at transitioning to a Priority and Performance Based budgeting process.
- A bifurcated budget essentially producing two budgets - Line Item and a Priority and Performance Based Budget.

The Executive Budget Process

- The process starts with the Governor communicating goals and objectives to cabinet members and other executive agency/department heads.
- Department heads then convey that direction to their respective senior management by conducting strategic planning sessions.
- The management teams apply the agreed strategic directions to a series of plans (budget decisions) that roll up to an agency master plan (budget).
- Those plans (Per **NRS 353.210** Agency Request is due on or before **September 1st** of each even-numbered year) are submitted to the Budget Division and Legislative Counsel Bureau (LCB), Fiscal Division for review.
- The Budget Division analyzes Agency Request (base) and makes adjustments based on direction by the Governor's Office, state law and budgetary policy.

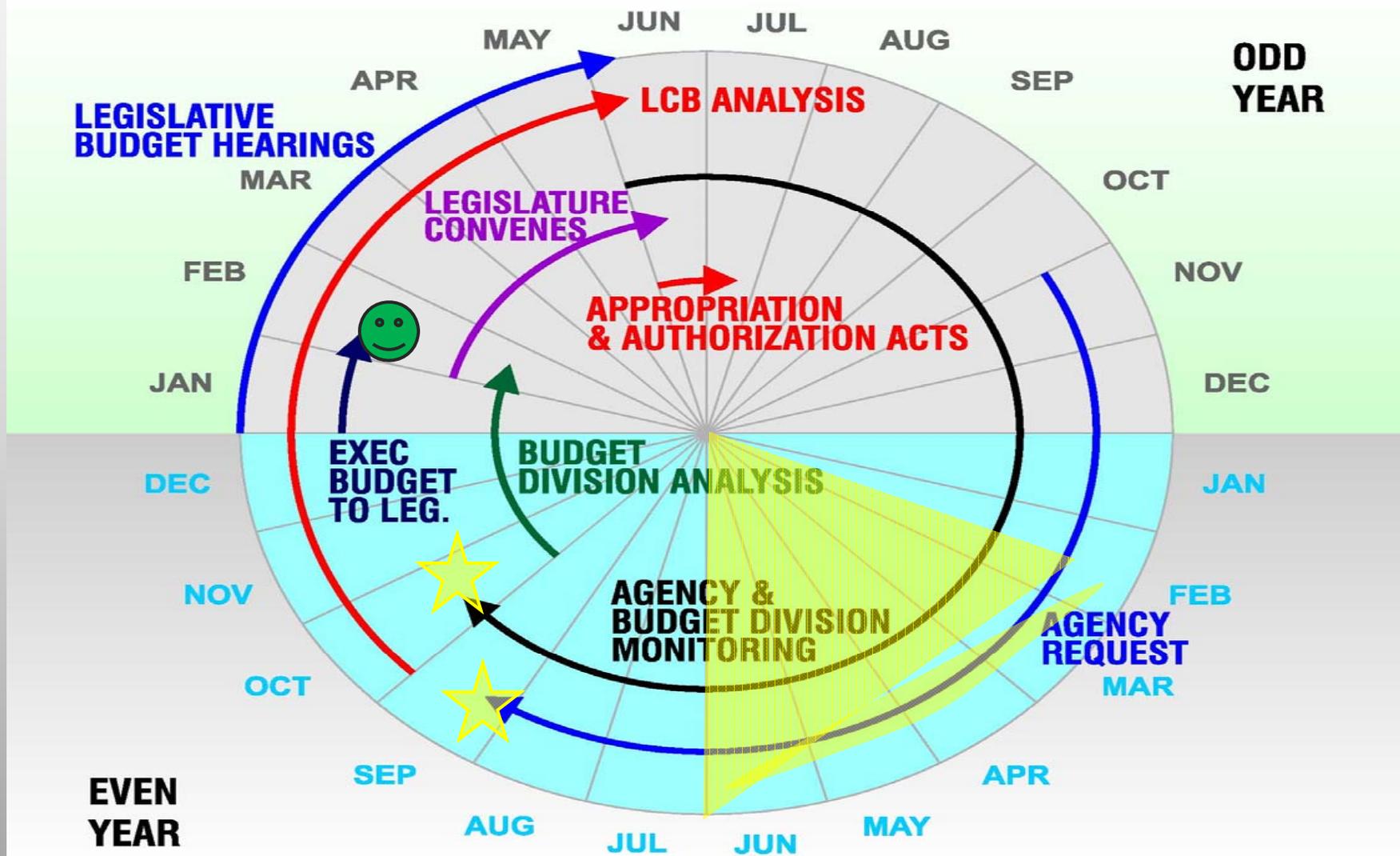
The Executive Budget Process

- A copy of the Agency Request is transmitted to the LCB's Fiscal Analysis Division on or before October 15th.
- The Budget Division then evaluates Agency Request Budgets which becomes the Governor's Recommended Budget.

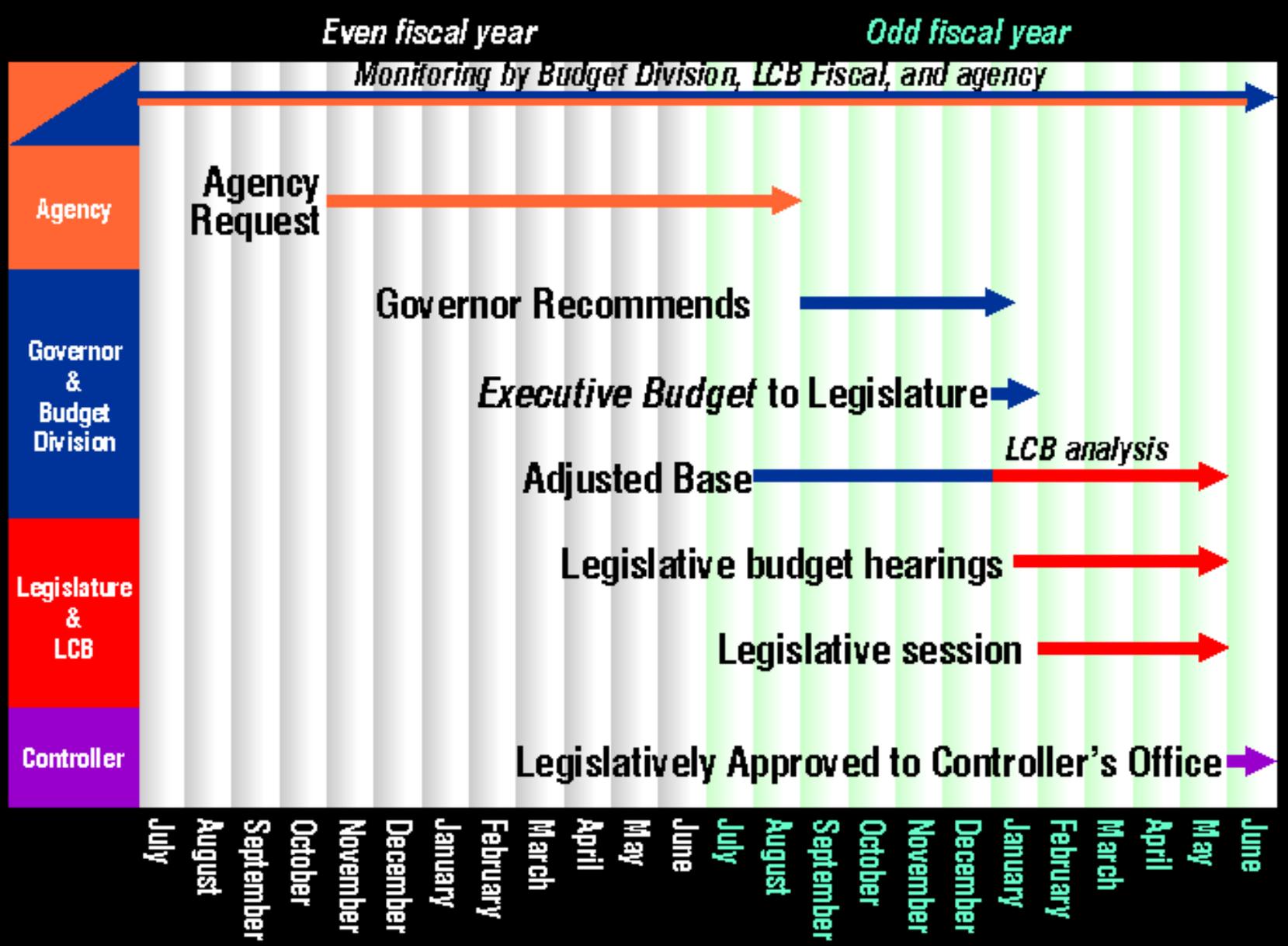
This phase is confidential and is not shared outside the executive branch.

- The budget is submitted to the Legislature approximately two weeks prior to the start of the Legislative session.
- The First Monday in February of the odd-numbered year, the Legislature begins its maximum 120 day review and approval of the state budget.
- In June of the odd-numbered year, the final Legislative approved budget is transmitted back to the Budget Division for implementation and agency management.

Biennial Budget Cycle



Executive Budget Development Process



Primary Players in the State Budgeting Process

- The Governor** Establishes the policy and direction for executive branch agencies, boards and commissions.
- State Agencies** Responsible for developing, implementing and supporting the agency's budget request.
- Budget Division** Establishes the technical guidelines for the budget, assists state agencies in the development of their budget and prepares the Governor's Recommended Budget.
- The Legislature** Reviews and approves the Governor's Recommended Budget.
- Economic Forum** Sets the revenue limits for the state budget.

State Agency's Role

- Develop priorities according to their strategic plan and the Governor's initiatives/direction and provide for those priorities in the Agency Request budget.
- Gather data, perform critical program cost analysis, develop supporting documentation and make overall program decisions based on projected resources.
- Develop, document and maintain agency performance measures to support the budget.
- Input the agency requested budget into NEBS and make all required technical adjustments to the budget.

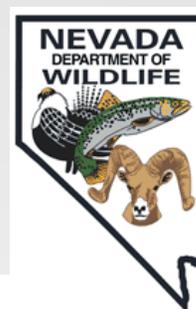
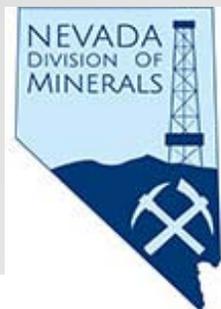


Nevada Department of
Health and Human Services
DIVISION OF HEALTH CARE
FINANCING AND POLICY



State Agency's Role

- Make adjustments to the base budget for one-time and partial-year expenses (i.e. equipment, vehicles, other unplanned program costs or expansions).
- Request statutory changes (BDRs) as needed to accommodate policy decisions and the Agency Request budget.
- Submit the completed Agency Request budget, along with any required BDRs, to the Budget Division on or before September 1st of the even-numbered year.



Budget Division's Role

- Develop and provide guidance and resources.
- Provide technical assistance and training.
- Analyze and adjust Agency Request per applicable laws, regulations, budget manual.
- Recommend program modifications.
- Implement the Governor's priorities.
- Balance the Governor Recommends Budget with the Economic Forum's December revenue projections.
- Review BDRs and monitor fiscal notes.



LCB Fiscal Division's Role

- Present Governor Recommends Budget to the Legislature.
- Evaluate major policy issues and analyze programs.
- May make further technical adjustments for budget errors, omission and updates.
- Track budget BDRs (and request associated fiscal notes).
- Produce the five major budget bills.
- Review fiscal notes.



Note: Include your Executive Branch Budget Officer in response to any information requested by LCB Fiscal.

Legislature's Role



- Conduct public hearings on the Governor Recommends Budget.
- Make decisions regarding the Governor Recommends Budget.
- Pass Appropriations and Authorizations bills and other bills to fund state operations including K-12 education system.
- Complete the legislative process in no more than 120 consecutive calendar days.

The Money Committee Process

- **Article IV, Sec. 2** of the **Nevada Constitution** - the Legislature shall be biennial and begin the first Monday of February in odd-numbered years.
- Two weeks before the beginning of the legislative session, the LCB Fiscal Analysis Division conducts pre-session budget hearings with the Legislative money committees from both houses.
- The Agency's budget is introduced to the two money committees. Joint money committees are assigned and are comprised of members from each house. These subcommittees thoroughly review state budgets with an emphasis on maintenance and enhancements to the agencies budgets.
- The money committees receive budget recommendations from the appointed subcommittees.
- LCB Fiscal coordinates all information from agencies to legislative committees and processes changes resulting from committee actions.

Economic Forum Role's

- Established by NRS 353.226 – 353.229
- Economic Forum impaneled by July 1 of even-numbered years.
- Economic Forum: A five-member committee from the private sector: three selected by the Governor, one by the Senate, and one by the Assembly.
- Members serve on the Economic Forum for a term of two years.
- The budget is restricted to General Fund revenues projected by the forum (NRS 353.230).
- The forum submits revenue projections to the Governor and the Legislature by December 3, of even-numbered years, and May 1 of odd-numbered years.
- A seven member Technical Advisory Committee (the TAC) advises the Economic Forum, as requested.

Overview - State Budget Structure

- The budget is developed in NEBS.
- Nevada Produces a bifurcated budget:
 1. A three-part line item budget:
 - Base and adjusted base
 - Maintenance
 - Enhancements
 2. An activity budget
- Each component of the line item budget is called a “Decision Unit”.
- Each decision unit is evaluated and considered on its own (stand-alone mini budgets).

Overview - State Budget Structure

Base Budget (B000)

The base budget is the continuation of budgeting for existing levels of services. The expenditures made in the even-numbered year of the biennium constitutes the “base”.

Adjusted Base (M150)

M150 includes adjustments to base for one-time purchases and partial-year expenditures (The adjusted base budget is equal to the base budget plus or minus decision unit M150).

Enhancement (E Decision Units)

Enhancements represent the costs of new or expanding programs and other adjustments to enhance/maintain ongoing operations. Each enhancement request must be tied to a strategic priority as determined by the Governor.

List of Common Enhancement Decision Units

- E100-E599 - Governor's functional goals
- E600-E609 - Budget Reductions
- E710 - Replacement equipment
- E720 - New equipment
- E730 - Maintenance
- E800 - Agency-specific cost allocations
- E805-E809 - Classified position reclassifications
- E815-E819 - Unclassified position changes
- E877 - Supplemental appropriations (Odd-Numbered Years Only)
- E888 - One-shots Appropriations (Budget Division Only)
- E900 - Transfers between budget accounts

Overview - State Budget Structure

Maintenance (M Decision Units)

The maintenance decision unit represents the incremental costs to continue existing programs at levels needed to meet demands caused by external factors such as:

- Caseload and population growth
- Federal mandates
- Court orders
- Consent decrees
- Inflation

A list of agencies with Legislatively approved caseload decision units and detailed instruction on the budget building process can be found in the Budget Building Manual.

List of Common Maintenance Decision Units

Agency use:

- M101 - Inflation, agency specific
- M150 - Adjusted base
- M200 - Caseload
- M425 - Deferred maintenance
- M500/600 - Federal mandates/court orders
- M800 - Agency-specific cost allocation

Budget Division use:

- M100 - Inflation (Statewide)
- M300 - Salary and fringe rate adjustment

The Activity Budget

The 2011 Session introduced the concept for a performance based budget component to the state budget (see Assembly Bill 248).

The Governor identifies strategic priorities of his/her administration.

The Activity Budget is a combination of a “top down” and “bottom up” approach to performance budgeting.

- Top Down - Identifies strategic priorities
- Bottom Up
 - Activities as primary building block
 - Activities tie to objectives
 - Performance measures are used to monitor activities

The Activity Budget

By grouping activities through objectives, we accomplished the following:

- Identify Activities of different agencies seeking the same objective
- Generate synergies between activities in different departments
- Compare efficiency and effectiveness of activities towards the objective
- Identify inconsistency in performance measures for activities that are tied to a common objective

Performance Measures are used to monitor activities.

- Performance measures are used for each activity to monitor its effectiveness at providing the service
- Performance measures are a key means that decision makers and the public monitor whether resources applied are having the desired impact

Note: Additional information and training on the activity budget is found online under the training section of the Governor's Finance Office website.

Performance Measures

A method of systematically and objectively tracking and quantifying the agency's progress toward achieving its mission and goals

Performance Measures: Outcome, Efficiency – cost or per input, Efficiency – timeliness, Quality, Output					
Type	0	Title	Entity	Description	FY 10 value
Quality	1	Percent of Customers Satisfied	Administration – Director's Office	Customers satisfied or better with services from the department's divisions. From the department's biennial customer satisfaction survey; Fiscal Year 11 is actual.	FY 11 –93%
Outcome	2	Percent of Employees with Payroll Overpayments	Administration – Human Resource Management	Percent of employees with payroll overpayments identified through internal review process. In fiscal year 2010, 17,627 employees received pay checks from Central Payroll.	1%
Efficiency – Timeliness	3	Days Needed to Close Complaints	Administration – Human Resource Management	Average number of days to close a formal discrimination or sexual harassment complaint.	40
Efficiency – Timeliness	4	Days to Produce Applicant List	Administration – Human Resource Management		25
Efficiency – Cost	5	Benefits for Each Dollar Spent on the Internal Audit Section	Administration – Internal Audits		63

Major Budget Elements

Agency defined budget priorities and objectives are 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, IT, maintenance, etc.)
 - Special programs (supported with dedicated funding)
 - Equipment and other costs
- **Statewide Cost Allocation/Cost Recovery**
- **Budget Transfers**

Revenue Sources

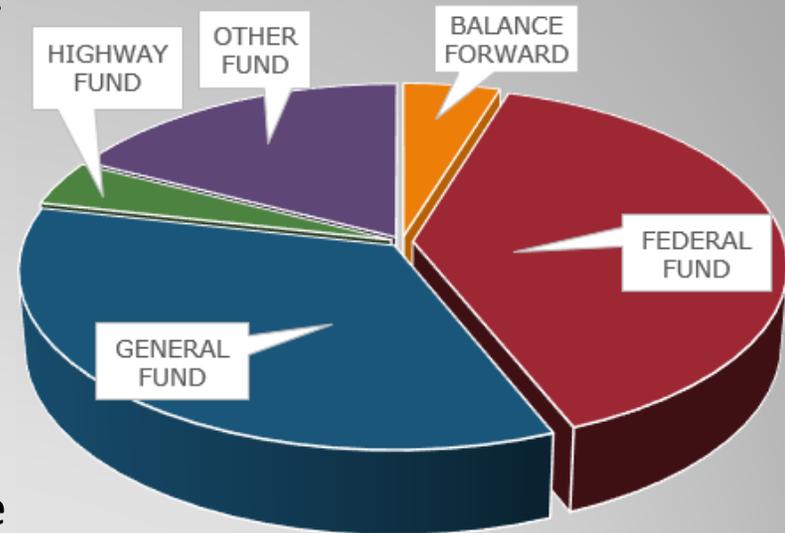
General Fund: The chief operating fund of the State that derives its income from taxes, fees, and other non-tax sources, limited to Economic Forum projections.

Highway Fund: Revenues from fuel sales and motor vehicle licensing (supports highway infrastructure and related items).

Other: Money coming into the state in the form of fees, licenses, federal and private grants, court assessments, interest income, gifts, and other sources.

Balance Forward: Funds in the previous fiscal year to balance forward.

Federal Fund: Funding provided by the federal government to support a programs and special uses that may have restrictions on use of funds.



Appropriation vs Authorization

Appropriation:

Legislative allocation from the State General Fund or State Highway Fund for a specific purpose or operation of an agency.

Authorization:

The authority granted by the Legislature that allows state agencies to collect and expend funds other than General Fund or Highway Fund (example: grants, county funds, gifts, donations, fees, sales, etc.).

Supplemental and One-Shot Appropriations

E877 Supplemental Appropriations

- Used to meet a shortfall in the odd-numbered fiscal year, when the Legislature is in session.

E888 One-Shot Appropriations

- Used for one-time medium to large-sized expenses of items such as vehicles, telephone systems, specialized equipment, etc.

Note: Interim Finance Contingency Account funds are not available during the Legislative sessions.

Expenditures

- Expenditures represent decreases in financial resources available within an account.
- Expenditures include costs for personnel, travel, operating, equipment, building maintenance, information services, utilities, training, special programs, etc.

Note: Reserve categories are **not** considered an expenditure category.

Technology Investments

Information Technology (IT) Project: enactment of IT improvements (computer, telecommunications or any other IT developments) or enhanced capabilities using IT services within a defined period of time.

Required:

- Project costs >\$50,000 (including all amendments)
- Part of biennial budget process and interim budget process
- Contracts related to an IT project

Provides:

- A business case for IT investment
- Examination of benefits
- Evaluates risks and assumptions
- Analysis of plausible solutions
- Recommendation of action

Includes:

- Executive project summary
- Cost and funding summary
- Current business environment
- Expected benefits
- Detailed application requirements
- Alternative evaluation
- Risk evaluation
- Project characteristics
- Project budget estimates

EITS will be conducting training regarding the revised process

TAdmin@admin.nv.gov

Statewide Cost Allocation

Statewide Cost Allocation Plan (SWCAP)

- Method of recovery for costs associated with statewide administrative functions provided by agencies such as:
 - Controller
 - Treasurer
 - Governor's Finance Office:
 - Budget Division and Internal Audit
 - Legislative Auditor
 - State Library and Archives



Attorney General Cost Allocation (AGCAP)

- Method of recovery for costs associated with legal, investigative and administrative services provided to state agencies.

Budget Transfers

- Budget Transfers (E900 Decision Units)
- E900 series decision units are used to facilitate the transfer of budgetary resources between two budget accounts. As such, the sum of each pair of transfer units will always equal zero.
- Can be used to transfer personnel, funding and/or whole programs, etc. between budgets accounts. Transfers can cross agencies and departments.

Further discussion on transfers is provided in the Budget Building Manual.

Facility Maintenance

There are two types of facility maintenance costs provided for in the Executive Budget (state-owned facilities only):

- Regular ongoing facility maintenance
- Deferred maintenance

Regular Ongoing Facility Maintenance

Expenditures related to the ongoing maintenance of buildings and grounds may include: contracts, supplies and materials for electrical, plumbing, air conditioning, heating, and sprinkler systems; building materials such as lumber, paint, locks, doors, etc. for minor improvements; equipment rental to make building or grounds repairs; and minor building improvements.

Deferred Maintenance

Deferred Maintenance (M425)

Facility maintenance that has been previously requested in the agency budget request, but due to budgetary constraints was not funded, and, as a result, diminish the quality of the work environment for employees, clients, and the general public. Agency must reference previous qualifying submittal where the requested maintenance was rejected in its deferred maintenance request.

- Deferred maintenance projects are not restricted to the \$100,000 CIP limit.
- Deferred maintenance items may qualify for an M425 request or a CIP request depending on the size, priority and complexity of the project.

More information on the State Public Works Board website at:

<http://publicworks.nv.gov>

Bill Draft Request

Bill Draft Request (BDR) - A written request submitted to LCB proposing a new or modified law (Nevada Revised Statutes). The following may request BDRs:

- A legislator
- An executive agency
- The Judicial Branch
- Local government
- A school district
- An association of cities or counties
- The Nevada Silver Haired Legislative Forum

Bill Draft Request Important Dates

- April** – Agency deadline for submittal of **non-budgetary** (i.e., policy) Bill Draft Requests (BDRs) concepts to the Budget Division.
- May** – Governors Office approval/denial of **non-budgetary** (i.e., policy) BDRs concepts to the Agency.
- June** – Agency deadline for submittal of **non-budgetary** (i.e., policy) BDRs to the Budget Division.
- Sept.** – Agency deadline for submittal of **budgetary** BDRs to the Budget Division of in-depth justification for implementation of the Governor Recommends Budget request.

Fiscal Notes

Fiscal Note: NRS 218D.400 to 218D.495 requires a fiscal note be prepared for every bill or joint resolution which:

- makes an appropriation or increases to any existing appropriations
- creates or increases any fiscal liability or decreases any revenue which appears to be in excess of \$2,000
- increases or requires a term of imprisonment in the state prison or makes release on parole or probation from the state prison less likely

Fiscal notes requested by the Legislative Branch must:

- be prepared by the agency receiving the appropriation or collecting the revenue, reviewed by the Governor's Finance Office and returned to the LCB **within 5 working days of the note's request date**
- contain a reliable estimate of the anticipated change in appropriation authority, fiscal liability of State revenue and, to the extent possible, a projection of such changes in future biennia

What happens after the Budget is passed and approved?

- The **framework** has been set for your budget for the next two years
- The agency will **implement and monitor** the approved budget
- Requests for **budget changes**, **contracts** and **leases** are prepared by the agency and then provided to the Budget Division to ensure such changes are consistent with legislative intent, all appropriate laws, regulations, policies and procedures

Recap - Agency Request Dates

Even-numbered year:

Feb. - Mar. -Budget Kick-off meeting (account access opens in NEBS)

April

- Technology investments due to EITS
- Capital improvement requests due to the SPWD
- New/replacement vehicle requests to Fleet Services Division

April – June -Non-budgetary BDRs concept process to the Budget Division

June -EITS services and utilizations due in NEBS

August 31 -Agency Requests due to the Budget Division and LCB Fiscal

September

- Agency submittal of final modifications to the Budget Division
- Budget hearings with the Governor's Office, Budget Division and LCB Fiscal Division

Helpful Budget Building Tips

- Read and follow the budget instructions, they are updated each biennium.
- Start early on building your budgets, break it down into manageable bites, create internal deadlines and share these deadlines with agency program staff and management.
- Set Outlook to open on the calendar page so you are briefed on your day prior to reading emails.
- Allow time for entry into NEBS as it can be time consuming and there may be unexpected system downtime.
- Provide detailed documentation, calculations and backup to support the request.
- Be proud of your work submitted, take time to proof read, ensure all attachments are legible, facing the right way, and the font size is readable.

Resources

- Budget Division – budget.nv.gov
- Enterprise IT Services – it.nv.gov
- State Public Works Division – publicworks.nv.gov
- Division of Buildings & Grounds – publicworks.nv.gov
- Purchasing Division – purchasing.nv.gov
- Controller's Office – controller.nv.gov
- Data Warehouse of Nevada (DAWN) – dawn.state.nv.us
- Legislative Website – leg.state.nv.us
- Your friendly Executive Branch Budget Officer – WE CARE