STATE OF NEVADA

BUDGET INSTRUCTIONS

2019-2021 BIENNIUM
July 1, 2019 through June 30, 2021

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Office of the Governor

February 22, 2018

Dear State Agency Leaders:

As we approach the 2019 Nevada legislative session, I write to express my heartfelt gratitude and appreciation to you, for your service to Nevada. The past several years have brought us unique challenges, historic successes and reforms, and transformational opportunities to re-shape the future of the Silver State. It has been my great honor and high privilege to serve as your Governor during this period of momentous growth and dynamic change, and I am deeply thankful for the sacrifice, commitment, and perseverance of every dedicated public servant who supported my vision for a stronger and more vibrant Nevada.

The coming months will be dedicated once again to preparing the Executive Budget for introduction during next year's Legislative Session. In addition, Executive Agency legislative measures will once again be proposed and pre-filed for consideration by the 2019 State Legislature. As in years past, my office will work with agency leadership to ensure that budget and bill draft requests are aligned with the strategic objectives that have defined and informed the efforts of this Administration. While significant progress has been made toward achieving these foundational goals and objectives, we must continue to embrace every opportunity to establish safe and livable communities, support a vibrant and sustainable economy, cultivate an educated and healthy citizenry, and ensure that Nevada's public agencies are efficient and responsive. These strategic priorities continue to serve as the foundation for the New Nevada, a foundation we have labored tirelessly to build and one upon which others will soon have the opportunity and responsibility grow.

Together, we have begun to chart a new course for our great State and the momentum that propels us toward a brighter future is stronger than ever. The solemn duty to ensure that Nevada continues on this trajectory is one to which we must remain fully dedicated, and includes the responsibility to prepare for a transition in leadership that is as successful as possible. To that end, I will encourage agencies to propose measures for more efficient and innovative operations as stewards of limited resources, to be circumspect in addressing present needs for policy revisions, and to be forward-thinking in anticipating new policy reforms that will help safeguard the progress we have made on behalf of the Nevada Family.

Once again, I extend my deepest thanks to you for your continued service and dedication to the improvement of our great State. Your efforts and contributions will have a far-reaching and lasting impact for many years to come.

Sincere regards,

All Nevada!

BRIAN SANDOVAL
Governor

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EXECUTIVE SUMMARY

Background

Since taking office in early 2011, Governor Sandoval has focused on a long-term vision to create the "New Nevada" in leading the State out of the Great Recession. Working with the Legislature, the Governor and his administration identified and implemented efficiencies in the delivery of services and set a foundation for improving the effectiveness of State government. The Governor has championed the expansion of economic development and the creation of new jobs, increased access to health care as well as reforms to both K-12 and higher education to enhance student outcomes, all with the goal of improving the livelihood of the "Nevada Family".

The Governor promoted new revenue sources which have been essential to stabilizing and improving the State's economic outlook and recognized the importance of rebuilding the State's Rainy Day Fund for the lean economic times that will certainly come to pass at some point.

Building off of the 2015 Legislative Session successes, the Governor released his five year Strategic Planning Framework in April 2016; a roadmap for the State to achieve its long-term vision and provide the outcomes our citizens demand. The Strategic Planning Framework guided the initiatives and budget priorities submitted by the Governor to the 2017 Legislature, most of which were approved by the Legislature and signed into law by the Governor.

As planning for the 2019-2021 biennium begins, it is important to recognize it will be one of transition. A new Governor will be elected in November 2018 and will likely bring new priorities and fresh ideas on how the State government should operate. In the meantime, Governor Sandoval intends to draw upon the Strategic Planning Framework to set policy and budget priorities for the upcoming biennium while preserving some flexibility for his successor to put his or her stamp on the final product.

These Budget Instructions and the corresponding Budget Building Manual provide guidance on developing agency budgets recognizing the reality of our fiscal outlook but not wishing to overly constrain the introduction of new policies, ideas or initiatives.

As agencies prepare their budget request, the Governor has asked all agencies to consider the following challenges to ensure State government remains effective and efficient:

- What activities does your agency perform that you would stop doing if you could? What results could be obtained by reprioritizing those resources?
- What new initiatives would you propose? What results would they achieve? How would success be measured?
- What low-cost or no-cost policy or operational ideas would you propose?

Strategic Planning Framework

The best budgets link investments to goals and priorities. Under the direction of the Governor's Office, considerable time and effort was spent developing the long-term strategic plan released in 2016. That document will continue to influence the investment of limited resources to best improve outcomes in each of the defined Core Functions of Government.

The Goals and Objectives identified in the Strategic Planning Framework will guide continued progress toward the State's long-term success as well as the Governor's Initiatives for creation of the 2019-2021 budget. Those Goals and Objectives will provide the foundation for any enhancement requests submitted by State agencies as well as a starting point for the new Governor to consider for the final Governor Recommends budget submitted to the 2019 Legislature.

BASE AND MAINTENANCE

The base budget building structure remains the same. The base budget is adjusted for one-time expenditures and the annualization of any partial-year costs to an on-going level estimate to continue the program into the 2019-2021 biennium. Maintenance decision units will be allowed for caseload growth and for agency specific inflation approved by the Budget Division. Only Enhancement units for replacement equipment will be considered within the Agency Request Limit. See the section on Agency Request Limits later in this document for what is included in and excluded from the agency's budget limit.

ENHANCEMENTS

Agencies should focus early on potential policy decisions to be addressed in their Agency Request Budget. Any enhancement units submitted by agencies for consideration in the upcoming budget cycle will need to align with one or more of the Initiatives identified by the Governor and agencies must clearly outline how the enhancement will advance the State's performance relative to the priority and related goal(s). The enhancement narrative must include how the additional investment will incrementally improve annual targets for each applicable existing agency Performance Measure or identify what benchmark will be used for any newly proposed Performance Measure should the enhancement be enacted. If circumstances change or information arises late in the process which would affect the Agency Request Budget, revisions will be considered for inclusion in the final Governor Recommends Budget.

Any agency proposing an enhancement unit affecting another agency's budget should coordinate early in the process. For instance:

- An agency planning to consolidate its vehicles into the State's fleet should coordinate with the Department of Administration Fleet Services Division so Fleet Services can also take those vehicles into account while preparing their Agency Request Budget.
- An agency proposing a new office location or the expansion of existing staff should coordinate with the State Public Works Division Leasing Services staff.
- Agencies utilizing centralized information technology services must coordinate with Enterprise Information Technology Services to ensure their utilization is considered in the overall impact to proposed rates.

Agencies will continue to develop and report Performance Measures and other internal agency measures when appropriate. See additional information in the Priorities and Performance Based Budget Section.

IMPORTANT REMINDERS ABOUT THE BUDGET PROCESS

The following are key considerations and/or requirements for agencies in preparing and submitting their 2019-2021 requests. These items are outlined in further detail later in this document as well as in the Budget Building Manual.

- Budgeting for New and Vacant Positions
- Federal Grant Maintenance Of Effort/Match documentation
- Budgeting for Grant carryforward amounts
- Database of State Fees
- New Technology Investment Notification Process and updates to the Technology Investment Request Process
- Updates on previously approved Technology Information Requests
- Changes to Priorities and Performance Based Budgets and mapping
- Enhancement Requests and Efficiency Options
- Budget Submission Certification Letter and Organization Charts

2019-2021 BUDGET DEVELOPMENT CYCLE

THE BIENNIAL BUDGET PROCESS

The budget process has three major cycles.

Agency Request Budget – The Agency Request Budget is the first document in the process. It lays out the policies and finances the agency requests the Governor recommend to the Legislature and includes descriptive narrative information and line-item detail by budget account. Agencies generally start the budget process early in even-numbered years and prepare it under guidelines set by the Governor's Finance Office Budget Division (Budget Division). It is due to the Budget Division by 5:00 P.M. on August 31, 2018. (See the Due Dates and Submission section on page 5).

Governor Recommends Budget – The Governor's Office and the Budget Division review Agency Request Budgets to compile the Governor Recommends Budget which reflects the Governor's goals and priorities as well as statutory policies. The Governor Recommends Budget is submitted in four sections and is the starting point for budget discussions during the legislative session. Pursuant to Nevada Revised Statutes (NRS) 353.205, the four sections are:

1. A budgetary message including a general summary of the long-term performance goals and how the proposed budget progresses the State to achieve those goals. This section includes a general summary showing the balanced revenues and expenditures in aggregate for the last completed fiscal year, the fiscal year in progress and the next two fiscal years.
2. A line-item detail to support the summary provided in section 1, including the cost of continuing each program at the same level of service as the current year and itemized recommendations to enhance or reduce the level of service. This section includes mission statements and measurement indicators for each agency which articulate intermediate objectives towards achieving the State's long-term goals.
3. Information on economic development incentives.
4. Any recommended legislation necessary to implement the Governor Recommends Budget.

Legislatively Approved Budget – The Governor Recommends Budget is presented to the Legislature early in odd-numbered years just prior to the convening of the Session. The Assembly Ways and Means Committee and the Senate Finance Committee, usually in a joint sub-committee, hold public hearings after the Session convenes to review the proposed revenues and expenditures for each agency. The sub-committees report their recommendations to the two full committees who then vote individually on the recommendations for each of the agencies. Once all of the agency budgets have been approved by the Ways and Means and Finance Committees, they are compiled into five budget implementation bills: The Appropriations Act (generally for General Fund and Highway Fund budget accounts); the Authorizations Act (generally for non-General Fund budget accounts); the K-12 Education Funding Act (which must be passed first per the Nevada Constitution); the State Employee Compensation Act (which sets forth salaries for certain employees and statewide compensation policies for the upcoming biennium); and the Capital Improvement Plan (CIP) Act (which outlines construction related projects for the upcoming biennium.

Agencies are responsible for implementing, or executing, the budget over the ensuing biennium. The Ways and Means and Finance Committees meet jointly as the Interim Finance Committee approximately every other month between Legislative Sessions where agencies can request certain amendments or changes to their Legislatively Approved Budget. In certain extraordinary circumstances, a Special Legislative Session may be called to deal with budget issues.

Resources

Several budgeting resources are available to agencies. These Budget Instructions outline the policies to build a clear and complete budget. There are also templates, checklists and guidance available to assist agencies on the Budget Division website (www.budget.nv.gov). NEBS has been updated to include current prices for many goods, services, assessments, service charges and other costs used in creating agency budgets.

The Budget Building Manual (also available on the Budget Division website) contains detailed step-by-step instructions for creating a budget as well as expanded information on most of the topics included in these budget instructions. The Budget Building Manual includes additional details on:

- Narrative requirements;
- Creating and using decision units as well as lists of categories and general ledger account numbers;
- Incorporating inflation, demographic and caseload adjustments;
- Creating one-shot, supplemental, capital improvement, facilities maintenance and equipment requests;
- Reconciling, retaining, adding, reclassifying, reorganizing and removing positions;
- Estimating revenues and calculating reserves;
- Central assessments and rates;
- Strategic plans, business plans and organizational charts;
- Performance Measures; and
- Fund mapping requirements.

Budget development can be a long and often changing process. Agencies can expect to receive additional instructions on certain elements of budget development, including information on content or format for presentations to the Legislature. Executive Branch Budget Officers are also available to answer questions and assist agencies with building their Agency Request Budget submittals as necessary.

DUE DATES AND SUBMISSION

In accordance with the State Budget Act, all agencies must complete the data entry of their 2019-2021 Agency Request Budget into the Nevada Executive Budgeting System (NEBS) by 4:00PM on Friday, August 31, 2018. This is a statutory deadline (NRS 353.210) which cannot be changed or extended. In addition to the completion of data entry, a copy of the Budget Submission Certification letter must be signed by the department director or the board or commission chair and submitted to the Budget Division by 5:00PM on Friday August 31, 2018. The Certification may be delivered in person, via facsimile or via scan and e-mail to the main Budget Division e-mail address.

The following are key dates and deadlines for submitting the 2019-2021 biennial Agency Request Budget:

TASK	DEADLINE
NEBS open for agency data entry	03/05/2018
Agency submittal of Capital Improvement Project (CIP) and Deferred Maintenance requests over $100,000 to the State Public Works Division	04/02/2018
Technology Investment Notifications (TIN) due to Enterprise Information Technology Services (EITS)	04/06/2018
Non-Budgetary Bill Draft Requests (BDR) Concept Statement due	04/13/2018
Non-Budgetary BDR Concept Statement approved or denied	05/11/2018
Final Non-Budgetary BDRs due	06/08/2018
EITS returns TINs to agencies and forwards to IT Strategic Planning Committee	06/15/2018
Download of payroll information for authorized Full-Time Equivalent (FTE) positions into NEBS as of June 30, 2016	Approximately 07/16/2018
Class Series Compensation Plan Requests	07/02/2018
Agencies must have preliminary EITS utilization (EITS schedules) completed in NEBS	07/06/2018
Agencies must have preliminary monthly Fleet Services vehicles (Motor Pool schedule) completed in NEBS	07/13/2018
IT Strategic Planning Committee recommendations due to the Budget Division	07/11/2018
EITS provides schedule of approved utilizations by budget account	07/27/2018
Agencies must have **FINAL** EITS utilization (EITS schedules) completed in NEBS	08/03/2018
CIP presentations to the State Public Works Board	08/22-23/2018
Submittal of Agency Request Budget and any budgetary BDRs	08/31/2018
Agency Budget Hearings (Finance and Governor's Office)	Complete by 10/05/2018
Adjusted Base completed (FTE reconciled; M-150 adjustments made; Vacancy Savings complete; fund map adjustments)	11/09/2018
Economic Forum Report to the Governor	12/01/2018

Updated Supplemental appropriation Requests due	12/28/2018
Governor Recommends Budget submitted to Legislature	On or about 01/15/2019
Start of 2019 Legislative Session	02/04/2019
Budgetary BDRs due to Legislative Counsel Bureau	02/22/2019
Final Economic Forum Report to Legislature	05/01/2019
Last day of the 2019 Legislative Session	06/03/2019

Other Considerations
Agencies should discuss any proposed changes to their budget account structure which would result in improvements in financial control, management, reporting or transparency with their assigned Executive Branch Budget Officer prior to submission. This includes, but is not limited to, any changes to department, division, agency, budget account, appropriation unit or category names as well as unclassified position titles.

KEY ECONOMIC AND DEMOGRAPHIC TRENDS

NATIONAL OUTLOOK

- The first job report of the year shows that employers in the U.S. are adding jobs at a solid pace; a robust 200,000 jobs were added in January and the 2.9% wage growth was the fastest pace seen in more than eight years. The current national jobless rate at 4.1% is hovering at its lowest level in almost two decades. Since the recession, the national economy has expanded at a modest pace and wage growth has been sluggish through much of this economic expansion. Wage gains have yet to return to pre-recession norms, a sign that the economy has not yet reached full employment despite the headline unemployment rate is so low. When the economy is at full employment, wage pressures will start to build and reduced slack in the economy will begin to put upward pressure on inflation and interest rates.
- Consumer confidence is an important indicator of near-term economic growth because consumer spending accounts for about two-thirds of U.S. economic activity. Household net worth has improved through higher stock and home price values. Consumer confidence has surpassed the pre-financial crisis levels; a sign consumers continue to support economic growth.
- Last year, the U.S. economy grew 2.3%, up from the 1.5% in 2016. The current economic cycle will soon be the second longest economic expansion on record. The current economic expansion is likely to last at least another two years and exceed the previous 10-year record set in the 1990s, and may go on to become the longest on record. Capital spending by businesses is anticipated to get a boost from the tax cut legislation and to add to the pace of growth for the next two years. Overall growth should remain in the 2% to 3% range without an adverse economic shock to the system.
- According to the CBO (Congressional Budget Office) estimates, the Tax Cuts and Jobs Act of 2017 would add an estimated $1.5 trillion to the national debt over the next ten years, but this estimate does not include additional interest payments on the debt nor the possibility that the tax cuts will add to the economic growth. It is likely that the tax cuts will provide a modest boost to the economy, offsetting some of the tax revenue loss.
- Home prices have been rising in many markets amid low inventory levels and a strengthening economy. The Federal Housing Finance Agency reports that as of November 2017, U.S. home prices are up 6.5% compared to last year. It remains to be seen what impact the tax bill, which makes changes to the mortgage interest and property tax deductions, will have on housing demand in the near-term.
- There are possible risks and wild cards to the U.S. economic outlook in the near term. Large budget deficits could become inflationary, which would then trigger the Federal Reserve to raise interest rates at faster pace to cool off the economy. Other economic uncertainties are related to the potential changes in U.S. trade policy, such as border tariffs and revisions to the North American Free Trade Agreement (NAFTA), and highly uncertain geopolitical risks associated with North Korea's nuclear ambitions and instability in the Middle East.

NEVADA OUTLOOK

- Nevada is highly sensitive to the health of the national economy because the state's economy is much reliant on consumer driven sectors. Therefore, an improving national economy is good news for Nevada.
- Over a year ago, the state reached a major milestone when all of the 185,700 jobs lost during the recession were recovered. Since the recession, 253,600 net new jobs have been added. Last year, the employment growth was strong, coming in at 3.1% for the year and pushing the statewide unemployment rate down to 4.9%, its lowest point since 2007. In general, employment gains were broad-based. Looking ahead, the outlook is positive and in the near-term, it is expected the state should experience similar job gains to that of last year's growth.
- Job growth spurs population growth. According to the Census Bureau, population estimates show that Nevada's 2% rate of population increase between 2016 and 2017 was the 2nd highest in the nation. Major victories in economic development efforts to diversify the state's industrial structure are starting to generate growing success, evidenced by a diverse group of companies either relocating to or opening operations in Nevada. While significant growth is seen in advanced manufacturing, logistics, technology, and e-commerce, the state's core industries of gaming, hospitality and retail will continue to support the state's economic growth.
- Home prices have steadily climbed upwards as demand for housing continues to outpace supply. The Federal Housing Finance Agency's Home Price Index showed that the third quarter of 2017 home prices were up 9.6% in Nevada compared to the same quarter in 2016, the fifth largest increase in the nation (including the District of Columbia).
- Despite eight and a half years of recovery, the state remains in recovery mode according to some economic indicators. Nevada continues to regain lost ground in real gross domestic product (GDP). In 2006, Nevada GDP was at its highest level when it reached $138.2 billion. In 2016, Nevada GDP was still 7.6% or $10.2 billion lower than the pre-recession peak. According to the latest report for the third quarter of 2017, Nevada GDP was among the top 20 at an annualized 3.3% increase over the previous quarter.
- Personal income has posted increases in 29 of the past 30 quarters, indicating improvement, although lingering weakness persists. In the third quarter of 2017 personal income expanded 2.2%, but wage and salary disbursements were flat or down 0.3% relative to a year ago.

NEVADA DEMOGRAPHICS

- Nevada will be challenged to deal with a continued population growth that will increase demand for government services and have an adverse impact on the state budget. Over the next biennium, the state Demographer projects Nevada's total population to increase by almost 59,000, 60% of which will come from net migration. Nevada's population is estimated to approach 3.1 million by the end of the 2019-2021 biennium. Furthermore, during the 2019-2021 biennium, growth among budget-driving population cohorts is estimated as follows: Head Start/Childcare (0-4 years: 2.9%), TANF/Foster Care (0-17 years: 0.6%), K-12 Education (5-17 years: -0.3%), Youth Correctional (12-17 years: 1.4%), Higher Education (18-24 years: 2.7%), Prison Inmate (Male 18-44 years: 1.5%), the youngest seniors (65-74 years: 5.3%), and the oldest seniors (85 years and older: 9.0%).

- Nevada has experienced an uneven economic recovery as reflected in social welfare indicators. While many new jobs are considered high wage, others continue to leave individuals eligible for social service benefits such as TANF (Temporary Assistance for Needy Families), SNAP (Supplemental Nutrition Assistance Program) and Medicaid. The number of TANF recipients are expected remain mostly unchanged and enrollment in Medicaid is projected to increase during the 2019-2021 biennium. The number of people receiving supplemental nutrition assistance is estimated to decline during the next biennium but only because the Exemption Waiver for Able Bodied Adults without Dependents expired.
- Last year, Nevada experienced a 2.4% decrease in the total number of inmates largely due to policy changes to provide inmates with opportunities to be eligible to parole earlier through hard work and programming. Even though the state population is projected to increase, Nevada Department of Corrections is expecting a similar net reduction the next biennium due to a reformed approach that maximizes minimum custody and focuses on reducing recidivism.

General Fund Revenue Outlook[1]

After accounting for the effect of the estimated tax credits[2] that may be taken against certain General Fund revenues, total revenue projected by the Economic Forum in FY 2018 is $3,915.5 million and $4,076.5 million in FY 2019, a 0.9% and 4.1% growth rate, respectively. Fiscal year-to-date, net General Fund revenue is on par to match last fiscal year's pace. Although, fiscal year-to-date, net revenue is up 1.2% or $17.2 million above forecast, total net collections may end up below the projection in the current fiscal year due to Economic Development Transferable Tax credits being redeemed at a faster pace than were estimated for FY 2018. The qualifying Tesla project has been ramping up and has invested a total of $2.6 billion out the required minimum of $3.5 billion under the program as of the end of Fiscal 2017. We should see a reversal of this event in FY 2019 as Tesla will have reached maximum allowable tax credit amount for investment sooner than initially anticipated. In other words, the net effect of this tax credit program on the General Fund for the current biennium will likely be negligent.

Sales Tax

Sales and use tax, the state's largest General Fund resource, largely depends on discretionary spending by the state's residents and visitors. The state is expected to collect $1,154.7 million in FY 2018 and $1,214.5 million in FY 2019, a 5.9% and 5.2% growth rate respectively. Over the

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[1] The Economic Forum was created by the Legislature during the 1993 Legislative Session and is responsible by statute for providing forecasts of the state's General Fund revenue for each biennial budget period. The Economic Forum will produce its forecast for the 2019-2021 biennium in early December. The following revenue expectations for the current biennium are prepared by the Governor's Finance Office economist based on the year-to-date performance compared to the most recent legislatively adjusted Economic Forum forecast, and represent the most probable outcome given current available information.

[2] The Nevada Legislature has authorized several tax credits programs that directly reduce the tax liability of a tax payer and therefore, reduce certain General Fund revenue collections. The total amount of tax credits that may be approved by law is $183.8 million in FY 2018 and $178.5 million in FY 2019. Fiscal 2018 year-to-date, a total of $92.3 million in tax credits has been taken.

first five months of FY 2018, sales tax revenue has been softer than expected and collections are 1.4%, or $6.7 million, below year-to-date forecast. There are seven more months left in this fiscal year to make up the difference, however, it is unlikely the state will make up much ground on this revenue. Assuming that the Nevada economy continues to strengthen, sales tax collections should start to pick up as they will benefit from several major projects either planned or already in construction, such as the Raiders stadium, the Las Vegas Convention and Visitor's Authority convention center expansion, and Resort World Las Vegas.

Gaming Taxes
Gaming percentage fee is the state's second largest General Fund revenue source. Gaming tax collections have struggled with weaker economic recovery and market shift in consumer gaming habits, but the improved economy and record level visitation have begun to translate into more robust gaming revenues as well. The gross (before tax credits) collection amount is forecast to be $746.8 million in FY 2018 and $768.7 million in FY 2019, a 2.2% and 2.9% growth rate respectively. Through the January collection period, gross gaming collections are up 2.9%, or $11.7 million above the official forecast. Gaming revenue is relatively volatile from month-to-month, but assuming the current economic trends hold, the outlook for this revenue source remains stable for the current biennium.

Modified Business Tax
Gross Modified Business Taxes are estimated to total $640.6 million in FY 2018 and $670.5 million in FY 2019, a 2.7% and 4.7% growth rate respectively. Gross collections over the first quarter of FY 2018 are 2.4%, or $3.7 million, below the official forecast. The outlook for this revenue source remains stable for the current biennium.

Live Entertainment Tax
Live Entertainment tax is estimated to generate $132.8 million in FY 2018 and $136.6 million in FY 2019, a 2.7% and 2.9% growth rate respectively. Collections are about 1.8%, or $1.2 million, below the budgeted year-to-date amounts. Total collections are likely to get in line with Economic Forum projections by the end of the current biennium.

Cigarette and Liquor Taxes
Cigarette tax is expected to bring in about $172.6 million in FY 2018 and $170.2 million in FY 2019, a -4.5% and -1.4% growth rate respectively. Over the first five months of FY 2018, collections are down 2.6%, or $1.9 million, compared to the forecast and, by the end of FY 2018, are expected be close near the projections.

Liquor taxes are expected to generate $43.6 million in FY 2018 and $44.1 million in FY 2019, a -0.6% and 1.2% growth rate respectively. Collections over the first five months of FY 2018 are 2.0%, or $0.4 million, below the official forecast. The outlook for this revenue source remains stable for the current biennium.

Business License Fees and Commercial Recording Fees
Business License Fees are expected to generate $105.6 million in FY 2018 and $106.3 million in FY 2019, a 0.7% growth rate respectively in each of the fiscal years. Collections through

January are 2.9%, or $1.8 million, below the forecast. The outlook for this revenue source remains stable for the current biennium.

Commercial Recording Fees are expected to generate $75.1 million in FY 2018 and $75.8 million in FY 2019, a 0.7% and 0.8% growth rate respectively. Collections through January are 3.1%, or $1.3 million, below the forecast. The outlook for this revenue source remains stable for the current biennium.

Insurance Premium Taxes

Gross Insurance Premium Taxes are forecast to bring in $395.8 million in FY 2018 and $410.6 million in FY 2019, a 3.2% and 3.8% growth rate respectively. Gross revenue over the first quarter of FY 2018 is up 6.8%, or $6.8 million, from the official forecast. The outlook for this revenue source remains stable for the current biennium. There is some uncertainty in the health insurance market related to the future of the Affordable Care Act and how much of this will impact the insurance premium tax collections; however, enrollment through the State's health insurance exchange hit a record level for 2018 despite a shorter open enrollment window.

Other General Fund Taxes, Fees and Revenues

Commerce Tax is expected to generate a total of $381.0 million during the current biennium. This is a tax with an industry-specific rate on Nevada businesses whose Nevada gross revenue in a fiscal year exceeds $4 million. A potential down-side risk is a referendum seeking to collect enough signatures for a ballot question to repeal the tax in the 2018 general election. If the Commerce Tax is repealed, it would not be collected in FY 2019 and beyond. In FY 2019, this would result in an estimated loss of $195 million to the General Fund. In addition, the credit for the Commerce Tax against the Modified Business Tax would be eliminated beyond the first quarter of FY 2019.

The 3% Transportation Connection Tax on fares of transportation network companies, common motor carriers and taxicabs is expected to generate $18.9 million in FY 2018 and $24.8 million in FY 2019. The first $5 million collected in each biennium is required to be deposited to the Highway Fund, a reason for the lower revenue estimate for FY 2018. Revenue through the first five months of FY 2018 is 9.7%, or $0.5 million, below the projected amount. Collection for this tax is likely to be within the budgeted amount in the current biennium.

All other various General Fund taxes, fees and revenues are expected to generate $426.9 million in FY 2018 and $437.9 million in FY 2019, a 3.3% and 2.6% growth rate respectively. Fiscal year-to-date, collections for this wide variety of sources are 4.2%, or $6.8 million, above the official forecast. The outlook for these revenues remains stable for the current biennium.

Marijuana Taxes

While the possession and use of both medical and recreational marijuana remain illegal under federal law, Nevada voters approved recreational marijuana by ballot initiative in 2016, allowing adults age 21 or older to purchase, possess, and consume up to one ounce of marijuana or up to one-eighth of an ounce of concentrated marijuana for recreational purposes. The 2017 Legislature restructured the tax program for medical marijuana to a single 15% excise tax on wholesale to align it with the taxes in Question 2 passed by the voters in the November 2016 elections for recreational adult use marijuana. The ballot measure directs the 15% wholesale tax balance to the State's Distributive School Account after covering the cost of administering the program by the Department of Taxation and the cost of implementation by local governments. The legislatively approved estimate for the 15% wholesale tax revenue is $23.8 million in FY 2018 and $32.4 million in FY 2019. Collections through November show the actual wholesale excise tax revenue tracking closely with projections.

The 2017 Legislature added an additional 10% retail tax on adult-use recreational marijuana sales to be deposited to the State Rainy Day Fund. The legislatively approved estimate for the 10% retail excise tax revenue is $26.5 million in FY 2018 and $37.1 million in FY 2019. The retail excise tax collections through November are tracking above projections.

There is some uncertainty in the marijuana industry based on the actions by U.S. Attorney General Jeff Sessions to rescind Obama Administration-era guidance, known as the Cole Memo, on how to respond to the increasing number of states legalizing marijuana for medical and recreational purposes. It remains to be seen what ramifications this decision will have for the industry or the State's revenues.

HOW TO BUILD THE BUDGET

Before preparing the Agency Request Budget, please read all of these instructions. This section is intended to provide general information for preparing the biennial budget. For detailed instructions, please refer to the Budget Building Manual. Incorrect submissions result in delays and additional work for the agency and Budget Division staff.

For those who are unfamiliar with the process, Executive Branch Budget Officers are available to provide one-on-one assistance to agency staff in preparing their Agency Request Budget.

General items to note:

- Agency Request Budgets **must** be built in alignment with the Goals and Initiatives set by the Governor.
- Agencies **must** update the FY 2018 Actual column to reflect the final agency expenditures as of August 31st, including items which have not posted as of the date the agency completes the data entry into NEBS. Agencies must also update the FY 2019 Work Program column to reflect adjustments to the legislatively approved budget adopted via work program.
- Agencies **must** reconcile all positions and related information in NEBS to the legislatively approved positions as adjusted by any Interim Finance Committee actions to add, change or remove positions. Position costs include all applicable full-time equivalent (FTE) driven costs, including: retirement, health insurance, personnel assessments, payroll assessments, employee bond and tort assessments, retired employee group insurance assessments, infrastructure and security assessments, and applicable payroll taxes.
- Agencies **must** ensure revenues equal total expenditures in all four years presented in the biennial budget and appropriately account for any allowable reserves within the limitation of those reserve levels. If reserves are generated from more than one revenue source or are for more than one program, the reserves **must** be allocated to the appropriate revenue source or program.
- Submission of the 2019-2021 Agency Request Budget must be consistent with any legislation enacted during the 2017 Legislative Session. Agencies should thoroughly review all legislation for potential changes to their budget or structure as well as adhere to any agency-specific oral and written instructions provided by their Executive Branch Budget Officer.
- A budget is considered submitted only if all required forms and electronic data in NEBS are complete as of the budget deadline.

BUDGETING APPROPRIATIONS

As a rule, General Fund or Highway Fund appropriations are only available for the fiscal year to which they are appropriated. In certain circumstances, an appropriation may contain specific language to allow for a different period for expenditure of funds, either to limit the appropriation to a specific period or for an additional time period beyond that provided in the general language.

If an agency has a substantiated need for an appropriation to be available for a period of time different from the single fiscal year, they need to contact their assigned Executive Branch Budget Officer to discuss the request. The Budget Division will consider such requests and whether or not to recommend those requests be included in the Governor Recommends Budget.

If an agency submits a request for an appropriation tied to a contingency or subject to a required certification, the agency must notify their assigned Executive Branch Budget Officer and provide details regarding the contingency or certification including the date by which the agency anticipates the contingency will be resolved or the certification will be received.

Expenditure Categories

Agencies should utilize standard categories to the extent practicable. Special use categories are used to track and report expenditures separately where it has been deemed appropriate, such as for a federal grant program requiring costs be tracked and reported separately. Certain expenditures may only be charged to their standard categories, and special use categories may not be used to avoid budgeting in standard categories.

Base Budget Expenditures

Fiscal Year 2018 expenditures serve as the base amount for developing the 2019-2021 biennial budget. The exception to this is for personnel services costs, most of which are schedule-driven in NEBS based on the incumbent in each position.

Adjusted Base Budget Expenditures

The Adjusted Base Budget is the estimated cost for continuing operations at current service levels. For all expenditure categories, agencies must adjust their 2019-2021 base budget for items such as (this is not intended to be an all-inclusive list):

- The removal of one-time costs occurring in the base year, including equipment, one-shot appropriations, start-up costs, IFC Contingency Account allocations and stale claims paid from the budget account as well as expenditures only occurring every other year;
- The annualization of partial year spending or reductions, including positions; and
- The removal of revenues and expenditures for discontinued programs.

Inflation Adjustments

These adjustments represent the amount added to or subtracted from base budget expenditures to estimate the future cost changes for goods or services. There is no specific statutory authority to hold the State's budget harmless with respect to inflation. Agencies should not adjust their budgets for projected increases due to inflation except as noted in the next paragraph. When deemed appropriate, the Governor will approve general inflationary adjustments on a statewide basis.

Under certain circumstances, agency-specific inflationary adjustments may be approved. These requests must be accompanied by adequate justification and documentation supporting the requested increase as well as the methodology used to develop the estimates. There is no guarantee the Governor will concur with the request.

Demographic and Caseload Adjustments

These adjustments reflect the incremental cost of providing existing services to an increased or decreased number of clients. Only certain agencies have pre-approved caseload adjustments. Any additional requests for demographic or caseload adjustments must be submitted as an enhancement to the Agency Request Budget.

Federal Mandates, Court Orders and Consent Decrees

These adjustments reflect the cost for an agency to comply with federal laws or legal decisions impacting their daily operations. When an agency determines there are costs directly related to compliance with a mandate, court order or consent decree, those costs should be included in a maintenance decision unit. The agency must also include a full-text copy of the mandate or ruling as well as documentation detailing the assumptions and calculations used to develop the request.

Agencies must consult with their assigned Executive Branch Budget Officer prior to including these decision units in their request.

Transfer In/Out Decision Units

These adjustments reflect the transfer of revenue, expenditures and/or positions from one budget account to another. Transfers may be made for a variety of reasons and should include in their justification the benefits to the State of making the transfer. Transfers may be between budget accounts in the same fund (intra-fund) or agency (intra-agency) or between budget accounts in different funds (inter-fund) or agencies (inter-agency). All transfers must be reconciled between the sending and receiving budget accounts and should net to zero.

Agencies must use the same decision unit in both the sending and receiving budget accounts and must consult with their assigned Executive Branch Budget Officer prior to including inter-fund or inter-agency transfer decision units in their request.

SUPPLEMENTAL APPROPRIATIONS

Agencies encountering unforeseen or unanticipated expenditures may request additional General Fund or Highway Fund appropriations as applicable based on the funding source of the agency. Supplemental appropriations are only for the fiscal year in which the Legislature is in session and are acted upon through separate bills by the full Legislature. Only agencies receiving appropriations from the General Fund or Highway Fund are eligible for a supplemental appropriation.

Before requesting a supplemental appropriation, an agency must consider all other options and demonstrate and certify there is no alternative to cover the unforeseen expenditures. Supplemental appropriation requests need to be submitted with the Agency Request Budget and must include a detailed and substantiated justification documenting the adverse consequences encountered and detailed cost projections of the amount of the request.

Agencies should contact their assigned Executive Branch Budget Officer as soon as a need for a supplemental appropriation is anticipated in order for the Budget Division to explore all available options.

One-Shot Appropriations

Agencies needing funds for a purpose not anticipated to continue may request a unique General Fund or Highway Fund appropriation, whichever applies to the agency. Examples of one-time funding include start-up costs for a new program or facility, major equipment or vehicle purchases or the implementation of a replacement computer system. Any request for one-time funding must include a detailed, written justification substantiating the need and supporting documentation demonstrating the cost.

These requests should be included in the Agency Request Budget. Agencies should also identify any other funding sources available to pay for all or some of the costs of the request.

During the Governor Recommends phase of the budget process, the Budget Division will determine if the funding is available and, if approved, submit the decision unit to the Legislative Counsel Bureau for placement in a separate bill for the Legislature to consider.

Multi-Biennium Requests

One-Shot appropriations may be authorized for time periods beyond the biennium. Any unused funds remaining at the end of the designated funding period revert to the fund of origin (General Fund or Highway Fund).

An example of a multi-biennium request is the replacement of a large computer system which is expected to take four years to implement. Agencies believing their request will require more than one biennium to complete should provide a schedule of anticipated expenditures coinciding with the time period identified in the narrative description. The documentation must be sufficiently detailed to allow the Budget Division to analyze the costs and timing associated with the project. The Budget Division will determine whether or not the request should be in a single One-Shot Appropriation or separated into multiple biennia requests.

Agencies who have previously received an appropriation spanning multiple biennia must provide an update on the status of the project and the expenditures to date along with a reconciliation of the original appropriation to the amount being carried forward and a revised schedule showing the remaining anticipated expenditures. If the project has a Technology Investment Request, the status of the project should be certified by the State's Chief Information Officer.

Equipment

Equipment is defined as non-consumable items with an anticipated useful life greater than one year and a cost of more than $5,000 (except computer equipment and software). Equipment purchased in the base year must be removed from the Agency Request Budget as part of the adjusted base budget. Equipment is classified as either the replacement of existing equipment or the addition of new equipment with the exception of new equipment associated with new staff or new programs which should be included in the decision unit with the other related costs of the new staff or program.

Agencies must use the equipment schedule amounts unless they can justify and explain the need for a specialized item.

Capital Improvement Projects

A Capital Improvement Project (CIP) is used to acquire, plan, construct, maintain or improve facilities, land, major equipment or other infrastructure, including new construction, major renovations and large-scale maintenance needs. Typical CIPs include not only construction but projects for life safety, Americans with Disabilities Act (ADA) modifications, roofing, paving, advance planning, mold abatement, indoor air quality, public infrastructure such as water and wastewater systems, as well as installation of special types of equipment and other infrastructure projected to cost over $100,000.

The CIP process is governed by NRS chapter 341 and State Administrative Manual Chapter 1900. It is a separate piece of the Governor Recommends budget approved through a stand-alone bill passed by the Legislature which identifies each approved project and the associated funding source(s), including the authorization to issue General Obligation bonds. Agency requests are initially reviewed and prioritized by the State Public Works Board (SPWB) which is responsible for developing final cost estimates and making recommendations to the Governor by October 1, 2018. A copy of the SPWB cost estimates and recommendations are provided to the Legislature. Working with the Budget Division, the Governor ultimately determines the final CIP recommendations for submission to the Legislature.

Agencies requesting a CIP exceeding $100,000 or which meets the definition of a structural, exiting or statewide project must submit an application to the State Public Works Division (SPWD) by April 2, 2018. A CIP request exceeding $10 million shall be funded in two phases: design and planning in one biennium and construction in a subsequent biennium which depends on the availability of CIP program funding. Information regarding the CIP application process can be found on the SPWD website (www.publicworks.nv.gov). The CIP request should include all costs required to make a facility operational, including initial equipment and furnishings, landscaping, utilities, parking and any related roadwork. Any questions or requests for assistance regarding the CIP process should be directed to the SPWD.

Agencies should also be prepared to address funding for related on-going expenses such as personnel, operating, equipment, maintenance, data processing and utilities for any project which is ultimately submitted by the Governor and funded by the Legislature.

CIP requests for carpet, drapery, painting, non-structural, non-statewide and other projects less than $100,000 may be included in the Agency Request Budget using a Deferred Facilities Maintenance decision unit (if it was previously requested in a budget submittal and denied) or a one-time decision unit (if it is a new or on-going request), depending on the rationale for the improvement, without the approval of the SPWD. However, all projects on state-owned land must be reviewed by SPWD to ensure code compliance through plan check and inspection services. SPWD charges a fee for providing code compliance services, and this fee should be included in the appropriate decision unit. If an agency plans on requesting a project be managed by the SPWD, the project needs to be submitted as a CIP by the CIP deadline.

POSITION CONTROL AND FULL-TIME EQUIVALENTS

Position Reconciliation

It is critical to reflect accurate position information in the budget submittal and to provide documentation and justification in support of the proposed staffing levels. The position reconciliation process ensures base positions and associated information in NEBS accurately reflects the legislatively approved positions as amended by actions during the interim. Positions which are being eliminated as part of the Agency Request Budget must still be accounted for in the base position reconciliation and removed in a separate decision unit.

Prior to July 1st, agencies must confirm the accuracy of the positions in their budgets, by position control number, compared to the current records in the State's Human Resources system. Agencies must notify their assigned Executive Branch Budget Officer of any errors and eliminate any expired or non-permanent positions such as temporary or overlap positions. After the last pay period in June is posted, NEBS will be updated to reflect the latest incumbent information and projections for salaries and related position driven costs for the two years of the biennium for each position in each budget account. Agencies must confirm the accuracy of the incumbents as of the submission date of the Agency Request Budget.

Seasonal and intermittent positions recurring from year to year should be included in the Agency Request Budget to the extent revenue to support these positions has been identified and determined to be available. Any positions, whether temporary or permanent in nature, not supported by available revenues must be deleted from the Agency Request Budget.

Justification for Maintaining Vacant Positions

Agencies must justify retaining in their Agency Request Budget any position which has been vacant for at least 12 months. Agencies must submit documentation to certify there is sufficient funding available to support the currently vacant position and include details regarding the classification of the employee, the amount of time it has been vacant, the reason for the position being vacant and justification for retaining the position.

Adding New Positions

If an agency is requesting a new permanent position, it should engage in preliminary discussions with the Division of Human Resources Management (DHRM) regarding the classification of the position prior to submission of the budget. Agencies must include a signed Position Questionnaire (NPD-19) for each position requested, as well as identification of the revenue source(s) to support the request.

Within the enhancement or maintenance decision unit, as applicable, where the position is added, the agency must identify the conditions creating the need for the new position as well as the responsibilities of the position and how the new position advances the agency's mission and impacts existing personnel. The agency must also include in the decision unit any associated costs with the addition of the new position, including furniture, equipment, space and other needs.

The default start date in NEBS for a new position is October 1 of the first year of the biennium. If the request includes a start date other than the default date, the agency must change the start month for the specific Position Control Number and provide an explanation and the need for a different start date.

Steps for New or Vacant Positions

Historically, new positions were budgeted at step 1. Based on the fact many new positions are filled above a step 1, this, when combined with vacancy savings, creates budget pressure for agencies to leave certain positions vacant which can limit the benefit of the newly created positions. Starting with the 2017-2019 biennium, agencies were allowed, based on the class and grade assigned to the position as a result of discussions with the DHRM, to budget new positions under grade 30 not to exceed a step 4, between grades 31 through 38 not to exceed a step 7 and grades 39 and higher not to exceed a step 10 with a retirement code 1. This process will continue for the 2019-2012 biennium. [NOTE: Even if approved, this budgeting procedure does not automatically allow agencies to hire employees at the budgeted step. Agencies must still follow the existing process to bring in employees at accelerated steps.]

The same criteria regarding budgeted steps apply to vacant positions.

This provision is optional, and agencies may budget new or vacant positions at any step which is less than the maximum step identified above.

Position Reclassifications, Reorganizations and Compensation Adjustments

Reclassifications

Reclassification is the process of changing the classification of an existing position to a class with a higher grade, to a class with a lower grade, to another class at the same grade, to the unclassified service or to a different unclassified code. A reclassification must be based on significant changes in the type, difficulty or responsibility of the work performed and documentation must be provided stating the conditions which necessitate the reclassification. A completed NPD-19 for the revised classification must be submitted with the request.

Reorganizations

The head of an agency may transfer personnel from one division to another if it is determined such a transfer will result in greater utilization of personnel, a more efficient operation, economies of scale or improved organizational structure. Any request to reorganize an agency, including a merger or deconsolidation, must be justified, fit within the Governor's Initiatives and address the reason for and the consequences or benefits of the reorganization.

Agencies must meet with their assigned Executive Branch Budget Officer at least once prior to including any reorganization decision units in their Agency Request Budget. Reorganizations will be evaluated for potential organizational efficiencies, cost savings or increases, impacts to customers or quality of service, and issues or challenges associated with implementing the reorganization.

Compensation Plan Adjustments

Reclassifications only apply to single positions. Any request to revise the compensation for one or more series of positions must be submitted separately from the Agency Request Budget. Proposed compensation plan adjustments (e.g., increasing the Social Worker classifications by one grade) must be submitted for consideration, along with justification supporting the request, to the Budget Division by July 2, 2018. Any approved changes will be included with the Governor Recommends Budget as a separate enhancement. There is no guarantee a submitted proposal will be approved.

Full-Time Equivalent (FTE) Driven Costs and Assessments

As part of the Position Reconciliation, agencies must review and update individual employee information in the appropriate fields for fringe benefit elections in the Positions section of NEBS. Fringe benefit rates are subject to change throughout the budget building process. Agencies should not make any changes to the assessment calculations. Any necessary changes will be done by the Budget Division.

NEBS should reflect health insurance premiums charged for both years of the biennium even if the current incumbent has elected not to participate in the Public Employees' Benefits Program.

Vacancy Savings

The goal of the vacancy adjustment is to reflect budget savings reasonably expected from all positions not being filled for the entire twelve months of the fiscal year due to the normal turnover of employees. Vacancy savings is calculated for budgets funded in whole or in part by General Fund or Highway Fund, including internal service funds receiving support from the General Fund or Highway Fund, based on historical vacancy information. Vacancy savings may be adjusted for positions with starting dates other than July 1 and will be applied to all positions, including new positions requested, in the respective budget accounts.

Agencies may propose an alternative vacancy savings calculation approach as long as the net effect generates an overall budget savings. Agencies believing the vacancy savings calculation would create an undue hardship on the budget account must provide documentation substantiating any unique or special circumstances to justify a lower vacancy rate, including positional capacity as shown on the agency organization charts, and discuss the issue and potential alternatives with the assigned Executive Branch Budget Officer. The ultimate decision will be made by the Budget Division.

Overtime and Pay Differentials

In general, overtime related pay (e.g., overtime pay, holiday pay, call-back pay, standby pay), pay differentials (e.g., shift differential pay, remote area differential pay) and leave payouts must be removed from Agency Request Budgets in the adjusted base budget.

BUDGETING REVENUES

Revenues must cover the requested expenditures in each budget account and should never be revised as a method of balancing the agency budget. Budgeted expenditure levels cannot exceed the total of expected revenues and fund balances. Below are types of revenues and the budget requirements for estimating the available resources.

General Fund and Highway Fund Appropriations

General Fund revenues are projected at the statewide level by the Economic Forum and are balanced to expenditures during the Governor Recommends phase of the budget process. Highway Fund revenues are projected at the statewide level by the Department of Motor Vehicles in consultation with the Budget Division and are also balanced to expenditures during the Governor Recommends phase of the budget process. If projections exceed the adjusted base and maintenance decision units, the Governor may consider funding enhancements to the General Fund or Highway Fund budgets.

General Fund and Highway Fund appropriations must match the program expenditures they fund. Neither General Fund nor Highway Fund appropriations can cross biennia without specific legislative approval, so generally there is no beginning or ending appropriation balance in a budget account.

Agencies must budget in accordance with their Agency Request Limit which is discussed later in these instructions.

Other Revenues

Other revenues include licenses, fees, fines, loan repayments, charges for services or other revenues used by the agency to fund the agency's expenditures which are not deposited into the General Fund for use in the appropriations process.

Agencies must submit detailed information on any fee which is established, increased or decreased in the Agency Request Budget.

Further, agencies must update the statewide fee database as instructed by the Budget Division.

Federal Funds

These revenues should only include receipts generated and collected directly from the federal government. Federal funds received from another agency or fund should be shown as "Transfer In" revenue. Federal revenues should not be consolidated into one line but should be reported separately in detail by grant award, including the identification of the source (e.g. federal agency), grant name, revenue account code and amount.

Recurring federal grants should be included in the Agency Request Budget, including revenue, expenditures and positions associated with those grants. Federal revenues should also include any projected federal cost recovery under the agency's approved indirect cost plan.

Budgeting federal funds as accurately as possible during the budget development may avoid the necessity for budget adjustment during the biennium. Base federal revenues must be adjusted to cover all base salary costs for any position funded in whole or in part by the applicable grant. Other revenue adjustments may be made in the adjusted base decision unit.

Federal revenue submitted in the Agency Request Budget should present the most accurate projections of federal funding available for the biennium. Federal funds are often available on a federal fiscal year and may be available for multiple state and/or federal fiscal years. Documentation, including the Notice of Grant Award (NoGA), must be provided to substantiate any increase or decrease to the grant award amount. Agencies should provide detailed calculations projecting the carryforward of any unspent authorizations in order to substantiate any projected federal revenues included in the Agency Request Budget above or below the projected grant award amount for each fiscal year, including a reconciliation to the projected grant award amount.

Federal grants are not subject to budgetary caps or other restrictions placed on budget increases, but are required to adhere to and be consistent with statewide cost decisions (e.g., salary and benefit increases, changes to assessments, etc.).

Most federal funds are provided on a reimbursement basis and there is no beginning or ending balance. However, there may be exceptions to this policy. Agencies should work with their assigned Executive Branch Budget Officer if there are questions about federal revenues.

Transfer-In Revenue

Transfer-in revenue is generally used for non-reciprocal transactions. That is, the entity making the transfer-out does not receive anything of value (a good or service) in exchange for the transaction.

Agencies receiving a transfer-in from another State agency must identify the source of the funds and the agency or fund from which the revenue will be received. This information must be verified and reconciled against the transfer-out reported by the agency originating the transfer.

If one agency transfers federal funds to another in the form of a sub-award or sub-grant, the receiving agency would record the federal funds in a transfer-in general ledger account and the sending agency would record the expenditure in a transfer-out general ledger. The receiving agency must be able to maintain the federal identity of the revenues and associated expenditures for federal grant reporting. If an agency receiving a federal grant elects to contract with another State agency for a particular good or service using federal grant funds, the agency receiving the contract should record the revenue using the appropriate revenue account code for that service and the agency sending the contract should record the expenditure as a federal grant expense.

If an agency receives a Transfer from Interim Finance, the revenue must be eliminated in the adjusted base decision unit as must any one-time appropriations received from the prior session (adjustment should cite the statutory reference for the one time appropriation). Any associated expenditures must be either eliminated or paid for with another funding source.

Transfer-in revenue may also include cost allocation or indirect costs from other budget accounts within the same State agency. See the separate section on Cost Allocation Plans and Indirect Cost Plans for additional information.

Transfer-in revenues should not include revenue generated from enterprise-type payments for services provided by one agency to another, such as the receipt of payment for services from Enterprise Information Technology Services or the receipt of payment for a vehicle rental from

Fleet Services. The receipt of funds for enterprise-type services provided to another State agency or fund should be reflected using the appropriate revenue account code for that service. Enterprise service revenue codes must be reconciled to the corresponding expenditure codes included in the budget accounts paying for those services.

Reserves

Agencies with programs supported by other revenues must retain enough ending fund balance (Reserve) to meet the cash flow and contingency needs of the program as well as to accommodate any statewide increases in salaries, benefits and assessments included in the Governor Recommends Budget. Reserves are generally considered non-recurring funding sources and should only be used to cover unanticipated expenditures, one-time expenditures, economic downturns impacting future revenues and gaps in cash flow due to timing of receipts.

Reserves should be limited to between 30 and 60 days of operating expenditures depending on the volatility and risk associated with the revenue source. An excessive Reserve may indicate the need for a revenue reduction. Agencies should work with their assigned Executive Branch Budget Officer to determine appropriate Reserve levels.

Estimating Revenues

Revenue sources must be projected separately and account for any seasonal fluctuations in collections. Agencies must base their estimates of revenues available in each fiscal year on a reasonable and sound methodology. Forecasts are only educated guesses with varying degrees of subjectivity and uncertainty. Supporting documentation for the chosen projection methodology along with historical information, assumptions which could materially change the projections and calculations of future estimates must be submitted with the Agency Request Budget. Any programs where anticipated revenues are not expected to be sufficient to support current service levels must be shared with the assigned Executive Branch Budget Officer as early as possible.

Adjustments should be made to account for any **previously approved** rate changes, and agencies must provide documentation of the approval of the rate change (e.g., legislation, regulation, policy and procedure, as applicable). Any request to implement a fee change as part of the Agency Request Budget must be included as an enhancement decision unit.

Agencies should be prepared to submit updated projections during the Governor Recommends phase as well as during the Legislative Session.

OTHER CONSIDERATIONS

Federal Grant Matching Requirements

The federal government provides significant funding to the State for services provided to our citizens. For certain federal grants, the State must provide a percentage of the total cost of the program. This is known as a Match Requirement. In some instances, agencies obtain the Match Requirement from third parties.

Agencies must document any Match Requirements for federal operating or capital grants received and include the following as part of their budget submittal request:

- Grant Name;

- Federal Catalog of Federal Domestic Assistance (CFDA) number;
- Grant amount awarded by state fiscal year for term of the grant;
- Match funds required by state fiscal year for the term of the grant;
- Source of match funds; and
- The impact of not providing the match requirement.

Agencies must submit the Grant Match Summary Form (available on the Budget Division website) for each federal grant received or certify that a specific federal grant does not have a match requirement. Agencies may consult with their assigned Executive Branch Budget Officer with any questions regarding documentation of Match Requirements.

Federal Grant Maintenance of Effort Requirements

In addition to or in place of Match Requirements, some federal grants require recipients to maintain their level of state and/or local expenditures. This is known as the Maintenance of Effort requirement (MOE). If a recipient fails to meet the required level of financial commitment, the federal government may rescind funds promised to the state. Agencies are required to maintain documentation necessary to show the federal government the State of Nevada is complying with the required level of financial commitment.

Agencies must include their assumptions and calculations for meeting required MOE levels for the current and upcoming biennia in their budget submittal request. Since state and federal fiscal years are not aligned and the MOE calculations can change based on actual expenditures incurred, agencies will be required to update MOE documentation, assumptions and calculations during the budgetary cycle.

Agencies must submit the Grant Maintenance of Effort Form (available on the Budget Division website) for each federal grant received or certify that a specific federal grant does not have a MOE requirement. Agencies may consult with their assigned Executive Branch Budget Officer with any questions regarding documentation of MOE provisions.

Cost Allocation Plans and Indirect Cost Plans

Agencies may use indirect cost plans or cost allocation plans to allocate costs to programs within their department. These plans both result in amounts being transferred from one budget account to another to cover costs in the receiving budget account such as the costs of a centralized accounting unit or the costs of a Director's Office.

An indirect cost plan, or indirect cost rate, is a method for determining the proportion of costs incurred for common, or joint, purposes that each program should bear. The indirect, or common, costs are included in the numerator (pool) and the direct costs of all programs are included in the denominator (base). The result is expressed as a percentage (rate) to be applied against direct costs to cover the indirect, or common, costs.

A cost allocation plan is a method for allocating, or distributing, allowable costs (can be both direct and indirect costs) to various cost objectives (programs). A cost allocation plan must identify the allocation method(s) used to distribute costs to the cost objectives based on the relative benefits received by each cost objective. For example, a cost allocation plan for a

Director's Office may be based on the number of FTE in each program to which the costs are being allocated.

If an agency allocates costs through an indirect cost plan or cost allocation plan to federal grant awards, the agency may be required to obtain approval of the plan from their cognizant federal agency. Agencies need to inquire of the federal funding agency to determine if an indirect cost rate or cost allocation plan must be approved by the federal cognizant agency. Agencies must include a copy of any federal authorization document which includes the approved rate with their Agency Request Budget. If costs are not allocated to federal grants, an agency may develop its own cost allocation plan to recover the costs of central services from its component budget accounts.

A separate schedule is created for each agency-specific indirect cost or cost allocation plan. The assigned Executive Branch Budget Officer must initially set up the cost allocation schedule in NEBS.

Agencies using a cost allocation plan must make sure the costs incurred in the receiving budget account are covered by the revenues derived from the contributing budget accounts. The basis for the allocation methodology and the assumptions and calculations must be included in the Agency Request Budget. Maintenance and enhancement decision units in the receiving budget account must have corresponding maintenance and enhancement units in the contributing budget accounts. Corresponding revenues and expenditures in the receiving and contributing budget accounts must be reconciled and included with the Agency Request Budget.

Intra-agency cost allocation plans should not be used to bill external agencies for services or support provided to the using agencies. For example, if one agency rents space from another, the amounts should be budgeted in building rent for the paying agency and miscellaneous revenue for the receiving agency. All inter-agency transactions must be reconciled when the Agency Request Budget is submitted.

INFORMATION TECHNOLOGY INVESTMENTS

Any Executive Branch agency planning to expend in excess of $50,000 for a technology related investment is required to communicate that intent to the Enterprise Information Technology Services Division (EITS) via a Technology Investment Notification (TIN).

Proposed technology investments should be aligned with the Governor's goals and priorities and clearly linked to the agency's strategic and business plans. IT investments must be justified on the basis of a sound business case which clearly describes how the project aligns with and supports the agency's plans and the Governor's goals.

TECHNOLOGY INVESTMENT NOTIFICATION SUBMISSION

For each technology related project which may exceed $50,000, regardless of the purpose, scope or timing of the project, a TIN questionnaire must be completed and submitted. For most projects, the TIN should be sufficient to review, evaluate and authorize a project to proceed. However, based on the information provided in the TIN and the risk, purpose, scope and amount of a project, some TINs will require the agency provide supplemental information.

NEW PROJECTS

A TIN and any requested supplemental information, including a business case for approval, must be completed and submitted for any IT investment the agency has underway or plans to initiate in the 2019-2021 biennium that is projected to exceed $50,000. This includes any large hardware purchases, proposed outsourced initiatives where the vendor receives a percentage of revenues instead of direct payments, where the project is proposed as a "software as a service" solution, or any other type of solution to be implemented by an agency. The TIN must be completed and submitted regardless of the timing of the project or the funding source used to pay for it. Larger projects (proposed to be $500,000 or more) will be reviewed, scored and prioritized by the Information Technology Strategic Planning Committee.

EXISTING PROJECTS

Existing IT projects in excess of $50,000 in projected costs should already have an approved TIN or a previously approved Technology Investment Request (TIR) which must be submitted with the Agency Request Budget. If an existing project does not have an approved TIN or TIR, the agency must contact EITS and submit a TIN, and any supplemental information requested, with the Agency Request Budget.

Agencies will also need to provide the following information for all continuing IT projects in excess of $1 million in projected costs:

- The status of the implementation of the project(s), including a comparison of the scope and status to the approved project plan (TIN or TIR).
- The projected status at the end of the 2019-2021 biennium.
- The impact of not completing the project or implementing a new system.
- The estimated expenditures by fiscal year for the 2019-2021 biennium.

An updated TIN (TIR) must be submitted with the Agency Request Budget if the project schedule, budget or scope change exceeds 5% of the originally approved project schedule, budget or scope.

TINs should include all of the costs relating to the implementation and on-going operations of the project, including future maintenance and support costs, and must include a confirmation that EITS was involved in creating the cost estimates relating to EITS provided products and services.

Agencies should complete any TIN, along with any requested supplemental information, and submit it in accordance with the timeline stated in the Due Dates and Submission Section above. TINs submitted late may not be considered for funding during the upcoming budget cycle.

Resources for completing a TIN, including forms, examples and training may be found on the EITS website at http://it.nv.gov/.

Replacement of the Financial and Human Resources Systems

Starting in the 2017-2019 biennium, the State is undertaking the process of replacing its financial accounting and human resources systems that were implemented in 1999. The new systems are intended to modernize the way in which the State conducts its business relative to the processing of accounting and human resources transactions.

The project, titled Statewide Modernization Approach for Resources and Technology in the 21st Century (SMART 21), is being managed by a Project Management Office that reports to the State Controller, the Director of Administration and the Director of Finance. The current projected implementation dates, which are subject to revision, are January 1, 2020 for human resources and July 1, 2020 for financial accounting.

Many agencies have systems which feed information to one or both of the existing financial accounting and human resources systems. Those interfaces will need to be updated, or upgraded, to feed information into the new systems or, in some cases, may even be replaced by the new systems. Agencies should consult with the Project Management Office on the costs associated with and funding for updating or upgrading those interfaces. Where possible, funding for those costs should be included in the overall cost of the SMART 21 project. However, agencies are likely to incur some costs and personnel time associated with any update or upgrade. Those costs will need to be included in a standardized budget decision unit.

Similarly, if your agency is looking to implement a new system, or to upgrade an existing one, the TIN must address the integration of the project with the new financial accounting and/or human resources systems.

Information regarding existing interface transitions or new system implementations should be addressed early in the budget process to ensure adequate documentation can be collected regarding the cost and complexity of any system integration and that sufficient detail can be included in the Agency Request Budgets whether they be at the agency level or included in the SMART 21 project budget.

Questions should be addressed to the SMART 21 Project Management Office. They can be reached by phone at 775-684-3345 or by e-mail at SMART21@.nv.gov.

PRIORITIES AND PERFORMANCE BASED BUDGETING

Priorities and Performance Based Budgeting (PPBB) is the process of mapping expenses at the budget account level to the goals and priorities identified by the Governor. The rationale for a performance based budgeting methodology is to identify the services the State provides and to measure the effectiveness and efficiency of delivering the outcomes. Put simply, the goal of performance budgeting is to answer the question "Are we getting what we need in exchange for the resources we are expending to get it?"

The Governor's Strategic Planning Framework released in 2016 set forth the structure for the PPBB submission. The four Strategic Priorities and the eight Core Functions of Government remained the same. The Strategic Planning Framework clarified Goals and Objectives tied directly to each of the eight Core Functions of Government, creating a roadmap of where the State should be headed.

For each Goal, there are a set of high level, measurable Objectives which show the State's progress towards meeting its Goals. Preferably, agency Performance Measures should support these statewide Objectives.

Activities, previously defined by the agency, are now pre-defined and tied to specific Goals and are intended to identify cross-agency functions and potential synergies to improve overall efficiency and effectiveness of State government.

Fund Mapping

As required in the past, agencies are required to map line item expenditures in each budget account to the revenue source used to pay for those expenditures. The functionality for mapping expenditures to revenues by position, category and object code either as a percentage or fixed amount has not significantly changed.

After the expenditure mapping to revenues is completed, agencies will be required to map the individual revenues to one or more of the predefined Activities. The mapping of Activities to Goals and Core Functions will be done based on a predetermined structure allowing the Budget Division to generate reports which roll-up expenditures and revenues to the Activity, Goal and Core Function levels providing an alternative view of the State's budget for the public to see where resources are directed.

Performance Measures

Performance measurement facilitates accountability and provides an opportunity to identify programs that work and those in need of improvement or elimination. They are intended to answer the question: "Are we making progress toward achieving our targeted results?" A credible answer must be backed by evidence in the form of Performance Measures which provide data on how the program is operated, how well the customers are served and whether the program is achieving its intended outcome. Analyzing the performance of an Activity is important to assess whether the investment has proven worth the cost and whether performance can be improved or a different strategy could better contribute toward achieving the desired statewide result. Agencies should use performance data to target low-performing programs for elimination and to redirect funding to programs with a higher return on the State's investment.

Performance Measures should be logically and directly related to the Activity they are purported to measure, incorporate significant aspects of the operations of the agency and be responsive to changes in levels of performance. The three main types of measures for agency activities are output/workload ("How much did we do?"), efficiency ("How well did we do it?" or "Are we doing things right?") and effectiveness ("Is anyone better off?" or "Are we doing the right things?"). Wherever possible, agencies should use Performance Measures tied to data already provided to external parties, such as measures reported to a federal agency in support of a grant received from that agency.

Performance Measures will continue to be at the Activity level reflecting that not all budget accounts will have separate indicators. While each Activity must have at least one Performance Measure, there is no right or wrong number of Performance Measures as long as the measures provide the full story of the operations and value of the Activity. An agency may also have several Activities targeted toward achieving the same outcome and should identify the link of the Activities to the Performance Measure. If an agency and the Budget Division agree it is not possible to identify an appropriate quantitative Performance Measure for an Activity, the agency must submit a narrative description of the intended outcome for the Activity.

If an agency submits an enhancement decision unit, whether to add a new program or increase or reduce funding for an existing program, it must include Performance Measures in the decision unit to clearly indicate the change in performance expected from the investment if the decision unit is approved. The Performance Measures may show an incremental change to an existing indicator or a new measure for the Activity. Proposed Performance Measures should be included in the narrative for the decision unit or as an attachment to the decision unit description (or included in the Business Plan if one is being submitted), and should clearly indicate what is being measured, how the measurement is being calculated and what will happen if the program does not meet its proposed metrics. Performance Measure data provided by agencies must be valid and accurate with any data limitations clearly noted. If the decision unit is expected to support a performance change for which a Performance Measure would not be relevant, the expected outcome of funding the investment should be described, and if possible quantified, in the decision unit narrative. Decision units submitted without corresponding Performance Measures or appropriate supporting narrative will not be considered.

AGENCY STRATEGIC PLANS

As used in this section only, agency means department, division, board or commission.

An agency strategic plan is beneficial for developing the Agency Request Budget and mapping the budget to specified goals. While agencies have not been required to have strategic plans in the past, their importance as a foundation for the Agency Request Budget and their usefulness in focusing the State's limited resources demand their creation. Agencies without a strategic plan or whose plan has not been updated in more than five years should create or update their plan prior to July 1, 2019.

Agencies are required to include a mission statement for the agency and Performance Measures for each Activity. The Agency Request Budget must tie to the agency's mission statement as well as one or more of the Governor's Goals outlined in the Strategic Planning Framework.

SERVICE LEVELS

The current service level is defined as the cost to continue the existing legislatively approved program into the next biennium. To the extent funding is available, agencies should build budgets based on the current service level for each program, as adjusted for any phased-in changes made during the current biennium as well as statewide inflation, any agency specific inflation and any pre-approved caseload growth.

If funding is not available to maintain the current service level, agencies must reduce expenditures to accommodate available funding. This includes programs funded by federal and other revenues where the revenues are projected to be insufficient to maintain the current service level or where federal funding for a program has been reduced.

Agencies proposing to increase the current service level must do so by including the request in an enhancement decision unit.

AGENCY LIMITS, EFFICIENCY OPTIONS AND ENHANCEMENTS

The budget is an important tool for implementing policy and achieving results. State agency strategic plans and budget requests, including enhancement decision units, should answer the following questions:

- Which strategies will most effectively achieve agency and statewide goals and priorities?
- Which activities are mandatory/core to these strategies?
- How are the outcomes of our highest priority services and activities maximized?

The best budget proposals are persuasive not only at the agency level, but also in the broader statewide context, and those making the strongest case will be ones which discuss the value and benefits they deliver to achieve positive statewide outcomes for Nevada citizens.

AGENCY REQUEST LIMITS

For agencies or departments funded with General Fund or Highway Fund appropriations as well as other funds receiving General Funds or Highway Funds, such as internal service funds, the total Agency Request Budget for the 2019-2021 biennium shall not exceed two times that agency's FY 2019 legislatively approved expenditure level plus any salary adjustment funds set aside for that agency to cover the cost of living adjustments approved during the 2017 Legislature unless the agency receives prior written approval from the Budget Division.

Exceptions to the limits will be considered for pre-approved agency caseload/population growth, pre-approved agency specific inflation as well as certain federally mandated and court ordered activities. All other decision units must fit within the agency's limit.

This limitation does not apply to requests supported from 100% non-General Fund, non-Highway Fund resources such as federal funds, other receipts or use of cash balances from non-reverting accounts.

AGENCY EFFICIENCY OPTIONS

While revenue collections and projections at this time are, for the most part, expected to keep up with expected inflation, caseload and other commitments of State resources, the national economic expansion period is nearing a record for duration. While a downturn is not presently forecasted, it is fiscally prudent to plan for inevitable changes to the nation's economic cycle. Additionally, the State continues to confront cost pressures to address workforce compensation needs as well as demands related to continuing and emerging policy issues. As a result, agencies need to be creative in their approach to budgeting for the upcoming biennium and look at how the State can do things differently to manage public resources in a way that demonstrates accountability and results.

Each agency, regardless of funding source, will be required to submit with their Agency Request Budget efficiency options for consideration. An efficiency option is defined as a unique decision unit that will drive efficiencies at the agency level. It may be an option to reduce or eliminate a lower priority program or it may be an option to fund one-time costs which will result in long-term cost avoidance (e.g., automation of a process to reduce the need for future staffing additions to keep up with projected workload increases). Examples of past efficiency options include (this is not an exhaustive list, but ideas of previously approved and implemented efficiencies):

- Increased caseloads per employee by automating processes (Department of Health and Human Services – Division of Welfare and Supportive Services);
- Consolidation of internal sections to streamline services and eliminate a managerial position (Department of Motor Vehicles – Motor Carrier Division);
- Elimination of proof of license plate surrender mailing and transition from bulk mailing to intelligent barcodes for electronic dealer reports of sale (Department of Motor Vehicles – Central Services Division);
- Aligning rates with industry standards and reviewing requirements under which services are provided (Department of Health and Human Services – Division of Health Care Finance and Policy); and
- Simplification and automation of hunting and fishing licenses and related stamps – Department of Wildlife.

Agencies that identify persuasive and executable efficiency options with demonstrable savings will be prioritized for enhancement funding for either the efficiency option or for additional funding for higher priority programs which support that agency's core mission.

There is not a set dollar or percentage target amount for efficiency options. However, the goal of these decision units is to improve efficiencies in State government and reduce or avoid future cost growth. Agencies should identify low priority or low performing activities or programs that should be reduced or discontinued as part of the efficiency option review of agency operations. Agencies may also propose process improvements to generate efficiency savings. Process improvements should not target reductions to constituent services unless the service level impact of the reduction is intended to reduce a lower-priority activity or service.

The impact of implementing an efficiency option on any related Performance Measures must be considered and documented in the efficiency option decision unit narrative. Agencies must also identify and explain the impact of the efficiency option on any other revenues, expenditures or programs (e.g., loss of matching funds), and must discuss the reduction options with any other affected agency.

Agencies will not be required to submit corresponding bill draft requests necessary to implement an efficiency option with the Agency Request Budget, but will need to provide the necessary information if so requested by the Governor or the Budget Division.

AGENCY ENHANCEMENT REQUESTS

Prior to requesting additional resources, agencies are expected to identify ways to fund needs internally through a reallocation of funds or through process improvement. These efforts, along with any efficiency options identified, allow State agencies to communicate to the Governor, Legislature and citizens what is already being done to get the most out of existing resources and better prepare agencies for their legislative budget hearings.

Most systems and processes have room for improvement, and any enhancement request should outline agency efforts taken and/or plans to find additional capacity. Agencies are encouraged to focus on improving agency performance through innovation by using an evidence-based practice and/or business case approach for new funding requests. Enhancements must also include a thorough evaluation plan along with Performance Measures to determine if the investment of new dollars ultimately results in the intended outcomes proposed in the enhancement request.

Agencies may propose requests for new funding in an Item for Special Consideration decision unit submitted with the Agency Request Budget. Enhancements proposals must include a clear and concise description of the results expected and funding options, including the reprioritization of resources from less effective programs or activities. Agencies with closely aligned programs should be aware of any competing resource priorities and develop collaborative solutions for meeting common goals.

Each enhancement request submitted as an Item for Special Consideration must include:

- A description of the proposed new or expanded activity;
- An explanation of the purpose for which the requested funds will be used;
- Supporting detail identifying the proposed classification of any positions requested, proposed capital equipment and a breakdown of all other proposed expenditures; and
- Any related revenues and/or transfers.

While the use of a Business Plan is encouraged for smaller enhancements, if an agency is requesting a new program or the expansion of an existing program exceeding $1,000,000 in costs over the biennium, the agency must include a Business Plan with its submittal.

Major Budget Initiatives

The Major Budget Initiative (MBI) functionality remains in NEBS. The MBI module may be used for certain agency enhancement requests that cross budget accounts or departments or for certain position realignments or agency reorganizations. If a MBI is identified and requested by the Governor's Office, affected department directors will be notified and provided with additional direction. Agencies may not submit a MBI unless it has been approved by the Governor's Office.

REQUIRED FORMS

BUDGET SUBMISSION CERTIFICATION LETTER

In order to underscore the importance of Agency Request Budgets, the Budget Submission Certification Letter will once again be required. The template for the letter will be available on the Budget Division website and will identify the specific required elements, including certain components from the previous Budget Account Summary Form as well as additional attestations, which the signer will certify have been completed and submitted in accordance with the State Budget Act.

One letter will be submitted for each agency along with the agency's two-times budget limit calculation spreadsheet. The letter must be signed by the director or, if the agency is headed by a board or commission, the board or commission chairman. The title of the person signing the letter must also be provided. The letter will include the name and contact information for the appropriate person within the agency to address questions regarding the Agency Request Budget.

ORGANIZATION CHART

Agencies are required to provide hard copies of the agency's proposed organization chart reflecting their Agency Request Budget including any programs or positions proposed to be added, eliminated or changed as part of the request. An organizational chart will be submitted for each agency with the following elements:

1. The programs, activities and organizations in the agency.
2. The full-time equivalent positions in the agency.
3. Highlights of any programs or positions added, changed or eliminated during the upcoming biennium or as part of the Agency Request Budget submittal.
4. Any boards and commissions overseen, administered or supported by the agency.

Full-time equivalents in NEBS must reconcile to the agency's Organizational Chart.

Agencies with extensive organizational charts may consult with their assigned Executive Branch Budget Officer for alternative methods of submission.

The Legislative Counsel Bureau Fiscal Analysis Division requests all material be provided in the same format as submitted to the Budget Division. Copies of any additional documents or information supporting the agency budget must be provided simultaneously to the Budget Division and Fiscal Analysis Division.

BILL DRAFT REQUEST (BDR) INSTRUCTIONS

OVERVIEW

By law, the Legislative Counsel Bureau (LCB) is required to advise and assist state departments and divisions in the preparation of measures to be submitted to the Legislature. LCB is prohibited from preparing proposed legislation for any agency of the Executive Branch of state government for introduction at any regular session of the Legislature, unless the request is approved by the Governor or a designated member of his staff and transmitted to LCB on the prescribed form. **For the 2019 Regular Legislative Session, the Governor may request up to 110 non-budgetary legislative measures, and all agency requests must be submitted to LCB on or before August 1, 2018.**[3]

During the 2015 Regular Legislative Session, the Legislature approved changes to the bill drafting process that directly affect Executive Branch agencies. With the passage and approval of Assembly Bill 495, two important changes were made to the bill drafting request processes outlined in NRS 218D. First, AB 495 changed the **deadline for pre-filing**[4] of agency requests from December 20th to the third Wednesday in November preceding the regular session. A request that is not pre-filed on or before that date will be considered withdrawn. Second, AB 495 specified that LCB shall not assign a number to a request for the drafting of a legislative measure submitted by an Executive Branch agency establishing the priority of the request until **sufficient detail** has been submitted to allow complete drafting of the legislative measure. These changes were not modified during the 2017 Regular Legislative Session.

The changes enacted through AB 495 created a more condensed timeframe during which Executive Branch agencies must develop, review, and ultimately submit legislative requests for pre-filing prior to the next regular session. Given this condensed period of time, it is essential that agencies begin to review potential legislative requests and engage in discussions with the Governor's Office regarding those requests earlier rather than later. This will help to ensure that the legislative priorities of the Executive Branch are sufficiently developed and submitted in a timely manner in accordance with state law.

BILL DRAFT REQUESTS (BDRs)

A BDR is a written request submitted to the Legislative Counsel by a legislator, an executive agency, a member of the judiciary, or a local government proposing a new or modified law for enactment. To provide a systematic review and correlation of requests within the framework of the strategic planning and budget process, all legislative requests must be submitted through the Governor's Finance Office Budget Division using the Nevada Executive Budget System (NEBS) BDR module. Legislative requests should be designated as either **Budget**, **Policy-Housekeeping**, i.e., clarification or minor changes to existing statutes, or **Policy-Substantive**, i.e., all other requests. This will help to expedite the review process and facilitate an orderly bill drafting process. Agencies must submit a separate request for each BDR. Please note, each bill

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[3] See NRS 218D.175(1)

[4] See Nev. Legislative Manual, 78th Reg. Session, at 148 (2015). "Pre-filing allows drafted bills and joint resolutions, upon the approval of the primary sponsor, to be numbered, printed and made available for public review, and scheduled for a hearing before the start of session…The process of pre-filing is designed to help expedite the review of a significant number of bills early in the session."

must be limited to one subject, but may contain proposed revisions regarding more than one NRS section that relates to the single subject of the proposed bill. If unsure about the classification of a non-budgetary bill, designate the BDR as Policy-Substantive.

LEGISLATIVE SUMMARIES

To allow adequate time for action, the Governor has directed Executive Branch agencies to **submit an abbreviated summary descriptor of any non-budgetary legislative proposal to the Governor's Office for consideration and review by April 13, 2018.** The rationale behind these summaries is to provide the Governor's Office with the purpose and justification for the agency request, in order to ensure the request aligns with the Governor's priorities and initiatives. Summaries should be no more than 1,000 characters and include the title, primary department, primary division and the "Request Description." No additional information should be provided at this stage. The Governor's Office intends to review and approve or deny the summary proposals by **May 11, 2018.**

NON-BUDGETARY BILLS

Following initial review and approval of legislative summaries by the Governor's Office, agencies will complete the remaining fields in the NEBS BDR portal. **Executive Branch agencies must submit all final non-budgetary BDRs to the Budget Division through NEBS by June 8, 2018.** In order to ensure compliance with the requirement that legislative proposals contain sufficient detail enabling legislative counsel to draft the measure, a non-budgetary legislative request that has not been summarized and reviewed pursuant to this directive will not be submitted to legislative counsel for drafting. It is important to bear in mind that **BDRs must be drafted and pre-filed by November 21, 2018**, or they will be considered withdrawn. Any modifications or revisions must therefore be made prior to that date.

BUDGETARY BILLS

All budgetary BDRs must be submitted to the Budget Division in **NEBS by August 31, 2018** with the Agency Request budget. A budgetary BDR must complement the agency's budget request and identify the decision unit with which it is associated. Any BDR related to an enhancement must comply with the requirements for submitting an enhancement which are included in the Budget Instructions.

Agencies must claim "no fiscal impact" in fiscal notes if the cost is included in the Executive Budget or is less than $2,000; the Governor is expecting agencies to pay for such costs by proposing savings in existing programs or to justify why those costs should be included in the state's priorities. This includes bills submitted by other agencies as budget bills and included in the Executive Budget. When submitting a budget bill, **it is the responsibility of the requesting agency to communicate with other state agencies to ensure fiscal impacts to all state agencies are included in the Executive Budget.**