



DEPARTMENT OF ADMINISTRATION

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ALL AGENCY MEMORANDUM #2007-30

November 20, 2007

TO: All Agencies

FROM: Andrew K. Clinger, Director
Department of Administration

SUBJECT: RECOMMENDATIONS FOR 8% BUDGET RESERVES PROCESS

Based on our revised projections of the general fund shortfall for fiscal year 2008 and 2009 the Budget Division has deemed it necessary to increase the recommendations for budget reserves from five percent to eight percent. A separate spreadsheet is attached listing the total target each department's budget reserve recommendations must meet. The deadline to provide the recommended budget reserves to the Budget Office is the close of business on December 5, 2007. Given the magnitude of this process, the Budget Office is requesting that all recommendations be entered into the Nevada Executive Budget System (NEBS). This will not only allow department directors to consolidate and prioritize recommended budget reserves in one location, but also allow the Budget Division to effectively coordinate the compilation of recommendations for the Governor's consideration.

Please note, the recommended budget reserves remain confidential and should not be disclosed per the October 31, 2007 memorandum sent to all department directors from Josh Hicks, General Counsel and Deputy Chief of Staff to the Governor. The budget reserves will not be made public until the Governor approves a final plan.

The Budget Office has created a copy of the Legislatively approved budget in NEBS version L01R – BUDGET RESERVES – LEG APP in Budget Period 2007-2009 Biennium. Agencies should enter their recommended budget reserves in the L01R version. Since department reserve recommendations are confidential, legislative staff will not have access to this version and this information should not be shared with them at this time.

Security access to NEBS has not changed. Agency staff should have the same security roles that existed during the previous Governor Recommends phase unless a change was requested via the NEBS Security Access Form located at the following link: <http://budget.state.nv.us/nebs.htm>.

Please use this form to update the roles of agency staff as necessary. The latest version of the NEBS Manual is also available using the aforementioned link, and agencies are strongly encouraged to utilize this resource to re-familiarize themselves with NEBS.

To facilitate entries into NEBS, we have initialized multiple series or groupings of decision units in the “E600” series (Budget Reserves) for agencies to use based on the type of reserve being recommended. Each recommendation for a budget reserve entered into NEBS must utilize one of the following decision unit numbers:

E606 – E619: Staffing and Operating Reductions (including vacancy savings) – this would include eliminating a position, deferring a position start date or reducing operating, equipment, travel, training, etc.

E620 – E629: Eliminate or Reduce One-Shots & Technology Investment Requests (TIR) – this would include eliminating items funded with One-Shot funds and eliminating TIRs

E630 – E639: Eliminate or Reduce New Programs – this would include new programs approved by the 2007 Legislature that have not rolled out or have been partially rolled out.

E640 – E649: Program Limits or Rate Reductions – this would include eliminating a budgeted rate increase or deferring the start date for the rate increase. This would most commonly apply to inflationary increases budgeted for Health and Human Services.

E650 – E659: Program Reductions/Reductions to Services – this would include reductions to existing programs by reducing caseloads, clients served, etc.

E660 – E669: New Revenues or Expenditure Offsets – this would include projected General Fund savings due to receipt of unbudgeted revenues.

E670 – E679: Eliminate Capital Improvement Projects (CIPs) – this would include the elimination or deferred start date for CIPs funded with General Fund.

E680: FMAP Change – this is restricted for use by the Department of Health and Human Services.

Please start with the first decision unit number in each series used and increase sequentially as necessary. With the exception of E680 (which will increase the General Fund need), the net effect will be reductions to the General Fund. Each decision unit entered must balance with revenues equaling expenditures. Decision units to reduce general fund expenditures must be entered with a negative appropriation and an equal amount of negative expenditures. Please be sure to include other revenues, such as federal matching funds, that will be lost as a result of the recommended budget reserve.

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

the recommended budget reserves in NEBS. The NEBS security role required to assign priorities is the Department Administrator role.

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

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

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

Given the complexity of calculating savings by leaving positions vacant or delaying hiring, we have posted a separate document to our website located at <http://www.budget.state.nv.us/> with various examples of how to display the savings in NEBS. Please review this carefully and contact your assigned budget analyst if you have any questions.

Also, agencies that are eliminating positions, leaving positions vacant or delaying hiring will not be eligible for the entire amount budgeted for salary adjustment. You will need to work closely with your assigned budget analyst to determine a pro-rated amount based on the recommended budget reserves for personnel services.

Agencies should not submit work programs for FY 2008 or FY 2009 until the Governor has approved a final budget reserve plan.

Please review the examples on the aforementioned link and contact your assigned budget analyst if you have any questions regarding this process or using NEBS.

Thank you for your cooperation during this difficult time.

Andrew K. Clinger, Director