

Policy: To develop comprehensive, balanced budgets in accordance with State, Federal and Internal laws, procedures and guidelines and maintain operations within Legislative intent.

Purpose: The purpose of this policy is to provide an overview of the budget process and provide procedures for assessing, developing, and monitoring the division's budget.

Procedure:

I. Needs Assessment:

Before a budget can be developed, a needs assessment is conducted, including the following steps:

- A. Agency planning and design with staff, central office and advisory board input.
- B. Data collection.
- C. Agency prioritization with community and stakeholders' input.

II. General Budget Development:

Budget development usually begins in January of even-numbered years. Detailed instructions are provided by the Budget Division sometime around July. The Budget Office and Legislative Council Bureau Budget Analysts assigned to the division assist in the budget development process. Completed budget requests must be filed with the Budget Division by September 1st.

Budgets are written in a portion of the budget system entitled "Agency Request" by using a series of Decision Units. Decision Units are individual miniature balanced budgets which address specific, individual needs which, if approved, become part of the total overall budget. Examples of these Decision Units are:

A. B000 - Base:

This is the amount spent by the agency in the Base year (even numbered year).

B. M100 - Inflation:

This decision unit is built by the budget office to address needs for inflation such as rate increases.

C. M200 - Caseload Growth:

To address only the caseload growth in the new biennium and all the needs associated with that growth.

III. Advanced Budget Development:

To further specify, separate and delineate amounts requested, agencies may be directed by the Division head, Department head, Budget Office or Legislative Council Bureau Analyst to remove specific portions of their agency request and place those requests in a different portion (version) in the budget system. These separate versions usually address major requests that would be too large to include as part of the Agency Request. Some examples of these different versions are as follows:

A. Special Appropriations:

The planning and budget development may include requests such as construction of new facilities or major remodeling of existing buildings. The state agency responsible for the coordination of construction projects is the State Public Works Board. These capital improvement project (CIP) requests are developed along the following time lines. A space utilization study is conducted to identify needs. Public Works Board Staff assist the agency in reviewing projects and developing cost estimates. CIP's for the state are reviewed and prioritized by the Public Works Board and presented to the Legislature for consideration.

B. One Shot Appropriations

A One Shot Appropriation is a one time request for something not required on a regular basis. Some examples of funding requests for One Shot Appropriations are: computer or equipment purchases, replacement of carpeting, vehicle purchase, telephone system purchases, or one-time major equipment repair.

C. Items for Special Appropriation.

Decision units not considered "One Shot" or "Special Appropriations" that cannot be included as part of the normal "Agency Request" version. Items removed from agency request are usually removed due imposed caps on the total amount allowed for the Agency Requests. This cap is determined through the use of specific formulas required to calculate the caps on the total amount allowed for the Department under the "Agency Request" version.

IV. Budget Review and Approval:

Agency Request:

After the agency prepares their budget it is submitted to the Division for review. After any recommended changes are made, it is then forwarded to the Department for their review. This is the final review before the budgets are submitted to the Budget office by September 1st for the Governor Recommends phase.

Governor Recommends:

The budget office reviews and creates a new version in the budget system called "Governor Recommends". As discussed above, additional versions may also be created to account for pieces removed from the Agency Request version. Once their review and changes are made, the budget is presented to the Governor. The budgets are considered confidential until the Governor makes his State of the State address and presents the statewide budget. The executive budget is then presented to the Legislative Council Bureau's (LCB) agency analyst at the end of December for review in the Legislative Approves phase.

Legislative Approves:

The LCB Analyst works with the Budget Office, Departments, Divisions, Agencies and Legislators to assure that budgets are prepared properly and conform with Legislative intent. Budgets are heard by both legislative finance committees and a final legislative-approved budget is released at the end of the legislative session. This Legislative Approved budget then governs the operation of the agency beginning July 1st for the next two fiscal years.

- V. Each division agency shall develop specific written procedures to implement the provision of this policy or shall incorporate this policy into the agency policy manual.



Administrator

Attachments: Chart of Accounts for Line-Item Budget
Contracts, Agreements and Leases

Effective Date: 04/30/98
Date Revised: 02/13/07; 5/9/07
Date Approved by MHDS Commission:

OPERATING WITHIN LEGISLATIVE INTENT OF APPROVED BUDGETS

Budgets are written and approved on a line item basis. This means that Categories are designated for specific operating needs and Object Codes are used to track more specific expenditures within those categories. Examples of these two-digit numeric Category codes are as follows:

- 01 - Personnel Services
- 02 - Out-of-State Travel
- 03 - In-State Travel
- 04 - Operating
- 05 - Equipment

Other special or individualized categories may be used but must be approved by the budget office and established in advance. A listing of the categories and object codes and their definitions can be found on the Controller's office web site.

Examples of object codes within Category 03 - In-State Travel are:

- 6200 - Per Diem
- 6240 - Personal Vehicle
- 6250 - Airfare

Agencies are responsible for assuring that expenditures do not exceed the amount approved for each expenditure category. Additionally, expenditures cannot exceed the total budget. Finally, the agency must assure that revenue meets or exceeds the total amount of expenditures for each budget account upon closing the budget for year (June 30th). It is essential that each agency develop procedures to maintain, track and report balances on a monthly basis.

REPORTING SYSTEMS

There are a variety of accounting reports through the Integrated Financial System (IFS) which are available to aid in the management of fiscal accountability. These documents are listed in the Controllers Office SNAP manual. Reports from the Data Warehouse can be produced from information entered through IFS. The home page of the Data Warehouse has a listing of the reports available to assist agencies with tracking, projecting and reporting year end balances.

Agencies are responsible for making sure all transactions comply with the rules in the State Administrative Manual (SAM) as well as Division Policy and Procedure.

CONTRACTS, AGREEMENTS AND LEASES

A. Contracts:

Agencies may obtain special services, such as training or equipment repair, under contract with an independent contractor. Contract forms are available on line through the AG's office.

For contracts requiring approval by or on behalf of the Board of Examiners, "contract summary" form must be attached forwarded to the central office for signature. It is then sent to the attorney general's office, Department of Health and Human Services and Board of Examiners for signatures and approval. No contract may be implemented prior to approval. Contract deadline dates are established by the Board of Examiners for each subsequent meeting and may be obtained by contacting the Budget Division, Carson City.

In SAM Section 326, certain independent contracts do not need to be approved by or filed with the Board of Examiners. Those particularly relevant for us are numbers 4, 6 and 7 as follows:

4. Contracts executed with business entities for any work or maintenance or repair of office machines and equipment.
6. Contracts for similar services provided by the same contractor within the same fiscal year which if combined would not exceed \$1,999.
7. Contracts for the repair, replacement and installation of parts on automobiles and light trucks if the total cost of the work per vehicle is less than \$5,000 or for heavy equipment if the total cost of the work is less than \$15,000. The total cost per vehicle must include all work (parts and labor) performed per occurrence on the vehicles whether the work is performed by one or more vendors. (Refer to SAM 1552.5)

The following describes the physical sequence of contract documents:

- 4 copies of the contract summary;
- 1 copy of attachments to the contract summary (e.g., bids, continuation, of specific answers);
- 4 copies of contract;
- 4 copies of contract attachments or addendum; and
- 1 copy of current contract for amendment requests.

If you need more than two signed contracts, you will need to increase the number submitted.

B. Contract Amendment:

Whenever the terms of a contract are changed, a "contract amendment" must be completed. (A sample "contract amendment" follows.) The contract amendment must be signed by each original contract signator and be accompanied by new "contract summary" sheets and a photocopy of the original contract which is being amended.

C. Agreements:

A second method of obtaining services is by an agreement. An agreement is usually written between two governmental entities that are exchanging services rather than dollars. Agreements should identify responsibilities of each agency, have signatures of both agencies' executives, be approved as to form by the deputy attorney general's office and be filed in the division central office.

D. Leases:

There are two types of leases, one in which the division is lessor and the other in which the division is the lessee. A division agency may lease division-owned space, with central office approval, to an outside entity. The Division of State Lands, Carson City, is responsible for developing all such leases.

When a division agency wishes to lease space, change or terminate an existing lease, such a request is submitted to the Division of Buildings and Grounds, in writing, who will, in turn, complete such a transaction.