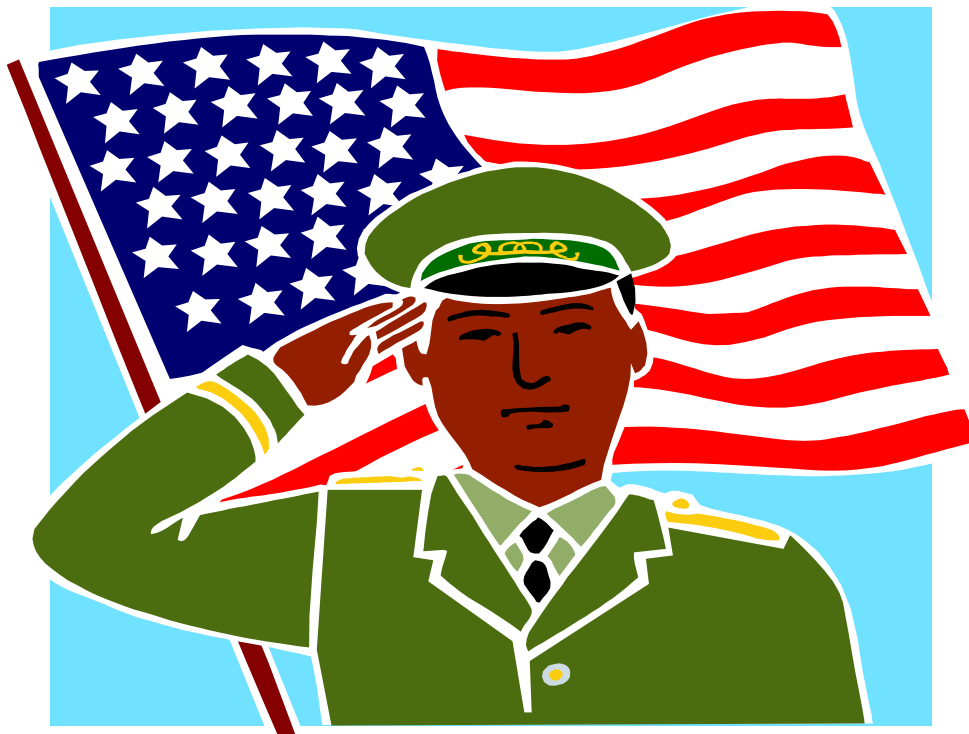


SPECIAL PURPOSE AGENCIES



SPECIAL PURPOSE AGENCIES

Special purpose agencies have a specialized function or a different statutory relationship to the Executive Branch of government than most state agencies. This group includes the Public Employees Retirement System, which serves both state and local governments; the Public Employees' Benefits program; the Office of the Military; the Office of Veterans' Services; Peace Officers Standards and Training; and the Commission on Homeland Security. This function is mostly supported through inter-agency transfers. For the 2003-05 biennium, General Fund appropriations for special purpose agencies approved by the 2003 Legislature totaled \$12.2 million, which is 10.1 percent less than the amount approved for the 2001-03 biennium.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

The Public Employees' Retirement System (PERS) provides retirement, disability and death benefits to long-term public employees. The PERS includes employees of Nevada counties, cities, school districts, state government and miscellaneous public employers. The Retirement System's budget is not subject to the State Budget Act or review by the Budget Division, but is included in The Executive Budget for review by the Legislature. A budget of \$8.3 million in FY 2003-04 and \$8.2 million in FY 2004-05 was approved and includes three new positions in FY 2003-04. Two of the new positions will be utilized to process and index new documents into the agency's new imaging system. One new position will assist PERS with the increased complexity of the new computer system (CARSON).

NRS 286.410 and 286.421 requires that retirement contributions be adjusted for plan members if the actuarially determined rate is 1/4 or 1/2 of 1 percent higher or lower than the current rate depending on whether an employee is under the employer/employee or employer paid retirement plan. The PERS actuary determined that retirement rates should be increased for regular members by 1.5 percent effective July 1, 2003. The rate for police/fire members was not recommended to be changed.

The Executive Budget recommended retirement contributions to increase by 0.75 percent of payroll for state employees that are regular members of PERS with the employee being responsible for the remaining 0.75 percent increase in the retirement rate. The Governor recommended financing 100 percent of the increase in retirement contribution, or 1.5 percent of payroll, for school district employees. However, no funding was recommended to increase the retirement contribution for UCCSN professional employees that are members of alternative retirement plans (TIAA/CREF). The 2003 Legislature maintained the principle that the employer and employee are both responsible for one-half of any increase or decrease in the retirement contribution. In doing so, the Legislature

provided additional funding to increase retirement contributions for professional employees at UCCSN. For state and school district employees state funding was approved to finance one-half of the retirement contribution increase with the employee responsible for the remaining 50 percent of the cost.

OFFICE OF THE MILITARY

The Office of the Military is responsible for the supervision of the military affairs of the state, which includes both state and federal roles. The state's primary mission is to respond to emergency situations such as civil or national disasters. The primary federal mission is to provide combat-ready reserve forces for the United States Armed Forces. The department consists of three major units: the Army National Guard, the Air National Guard, and the Office of the Adjutant General. There are nine federally recognized mobilization Army Guard units and 19 Air Guard units stationed at 12 bases of operation (1 Air Guard base and 11 Army) throughout the state.

Funding for the office is provided primarily through a federal allocation from the Department of Defense and a state General Fund appropriation. For the 2003-05 biennium, total funding of \$12.7 million was approved, which represents an increase of 15.2 percent over amount authorized during the 2001-03 biennium. The 2003 Legislature approved an increase in utilities above amounts recommended by the Governor of approximately \$35,000 in each fiscal year of the 2003-05 biennium. The increase was a result of projected shortfalls in utilities for FY 2002-03, which resulted in a supplemental appropriation in the amount of \$137,000 (Senate Bill 493). The FY 2002-03 shortfall in utilities was a result of a combination of increased utility usage and utility rate increases. A major contributing factor to the increased utility usage was mobilization of Army Guard personnel in response to a heightened state of military activity at home and abroad. The 2003 Legislature also approved a decrease of approximately \$64,000 in each fiscal year of the 2003-05 biennium to reflect the state's obligation for property and contents insurance. Previously, the state paid 100 percent of the costs for property and contents insurance for buildings that were constructed either with 100 percent federal funds or 75 percent federal funds and 25 percent state funds, with the contents being 100 percent federal property. Finally, the 2003 Legislature approved the removal of approximately \$80,000 in each fiscal year of the 2003-05 biennium for the Statewide Cost Allocation program. This adjustment was approved due to information from the federal government that confirms that congress, in language contained in the 1980 Department of Defense Appropriations Act, prohibits the National Guard from using its federal appropriations to reimburse indirect costs to states under the grants or cooperative agreements to support the state military departments.

NATIONAL GUARD BENEFITS PROGRAM

The National Guard Benefits program was established to encourage recruitment and retention of active members of the National Guard by providing guardsmen with a funding source for educational tuition reimbursement. The 2003 Legislature approved \$104,572 in state General Funds in each fiscal year of the 2003-05 biennium to support this program; this is a 13 percent increase in funding when compared to the Governor's recommendation of \$92,572 per year. The Legislature's goal for increasing funding was to raise the rate for tuition reimbursement from approximately 44 percent in FY 2002-03 to 50 percent in each fiscal year of the upcoming biennium. Following approval of the increase in funding for this budget account, the Legislature also approved Assembly Bill 9 of the 20th Special Session, which authorizes the Board of Regents of the University of Nevada to waive the registration fees and laboratory fees for any member of the active Nevada National Guard, including recruits.

OFFICE OF VETERANS' SERVICES

The Office of Veterans' Services is established under NRS 417 to provide assistance to veterans, their family members and residents of Nevada serving in the Armed Forces of the United States. The office supports a variety of functions, including assisting veterans in obtaining eligible benefits, serving as the court-appointed guardian for veterans unable to handle their own financial matters, and managing the operation of the Boulder City Veterans' Cemetery and the Fernley Veterans' Cemetery. The office also oversees the operation of the Veterans' Home in Boulder City. For the 2003-05 biennium, total funding for the Commission's budget totaled \$3.0 million, which is 18.5 percent greater than the amount approved for the 2001-03 biennium. The General Fund portion totals \$1.8 million which is 3.0 percent greater than the amount approved for the 2001-03 biennium.

The 2003 Legislature approved a new Administrative Assistant position to be funded from cemetery internment fees. The position will be located in Reno and will provide clerical support and accounting back up for the three-person office. Due to an increase in the number of burials and an increase in the federal internment fees from \$150 to \$300 per burial, the Legislature was able to reduce the General Fund Appropriation by \$10,000 annually.

VETERANS HOME ACCOUNT

The Veterans' Home is a 180-bed skilled nursing facility located in Boulder City. The 180 beds are split into three 60-bed wings. One wing includes a separate 24-bed Alzheimer's unit. The Home is operated by the state and managed by the Office of Veterans' Services and primarily serves qualified veterans, but can also serve spouses of veterans, as well as Gold Star parents of veterans (parents who had a son or daughter killed while on active duty).

Due to delays in opening the home, funding recommended by the Governor was based on the budget approved by the 2001 Legislature. During the course of the 2003 Legislative Session, the budget was revised to accurately reflect the anticipated number of individuals to be served by the home during the 2003-05 biennium.

The Governor's budget was developed anticipating the Home would operate at full occupancy in both years of the 2003-05 biennium. The amended budget, as approved anticipates new clients will be phased in during FY 2003-04 and the Home will not be at full occupancy until the beginning of FY 2004-05. The budget assumes the maximum occupancy level of the 180-bed facility is 88 percent or 158 residents. In addition, it assumes ten residents will be admitted per month in FY 2003-04, which will result in a lower average daily census of 120 in FY 2003-04 as compared to the Governor's budget, which projected an average daily census of 158 residents during each year of the 2003-05 biennium.

The Legislatively approved budget deletes 47 positions and adds eight additional nurses to meet the requirement of 24-hour RN staffing. To provide 24-hour RN staffing, the same staffing and relief factors as used in budgeting for other state facilities was utilized to ensure that the facility has adequate nursing service and support staff at all times.

The 2003 Legislature approved the deletion of a number of positions that will be phased out during the first quarter of FY 2003-04 as some of the operations are moved to less expensive contract services. The functions that will be converted to contract services include laundry services, housekeeping services, activity therapy, and grounds maintenance. The total number of authorized positions was reduced from 206 to 167 positions.

A number of revenue adjustments were made in the budget approved by the Legislature including an increase in the daily VA reimbursement from \$55 to \$57.78 per day. In addition, revenues were adjusted to reflect 60 percent of the residents would qualify for Medicaid at a daily rate of \$121 compared to The Executive Budget, which anticipated 80 percent of the residents would qualify for Medicaid at a daily of \$81. Adjustments were also made in the anticipated number of veterans who qualify for the \$50 per day private payment from 13 percent to 33 percent.

The budget approved by the Legislature, including all funding sources, totals \$21.6 million over the 2003-05 biennium. This reflects an increase of approximately \$1.3 million over the 2003-05 biennium from amounts recommended by the Governor. When compared to total funding approved during the 2001-03 biennium, the Legislative approved budget for the Veteran Home increases by 6.0 percent during the 2003-05 biennium. The General Fund

portion totals \$5.8 million, which is 22.5 percent less than the amount approved for the 2001-03 biennium.

PUBLIC EMPLOYEES' BENEFITS PROGRAM

The Public Employees' Benefits Program (PEBP) provides various insurance coverage for state employees, retirees, and their dependents, if the participant chooses to cover their dependents. In addition, any non-state public agency can join the program to provide coverage for their employees, retirees and dependents. The insurance coverage provided includes health, prescription, dental, vision, mental health, substance abuse, life, accidental death and dismemberment, travel accident and long-term disability. Other voluntary optional insurance coverage's are available for those participants who elect to purchase additional coverage.

The program operates under the direction and oversight of the Public Employees' Benefits Board, a nine-member board appointed by the Governor. The board appoints an Executive Officer to oversee the day-to-day operations of the program. The 2003 Legislature approved a new unclassified Financial Analyst position and five classified clerical positions, bringing the total employees of the program to thirty-two.

The largest portion of the program is health insurance coverage, which includes dental, vision, mental health, substance abuse and prescription coverage; the majority of this health coverage is self-insured. A small percentage of participants in southern Nevada elect to be covered by a Health Maintenance Organization (HMO) rather than the self-funded plan. Accidental death and dismemberment, travel accident, long-term disability and life insurance benefits are fully insured by outside carriers.

For the 2003-05 biennium, the Legislature approved funding in the amounts of \$212.7 million for FY 2003-04, and \$244.4 million for FY 2004-05, for a total of \$457.1 million, an increase of 27.4 percent over the 2001-03 biennium. A large portion of the increase is attributable to medical trend inflation (28 percent for Medical, 16 percent for Prescription, 6 percent for Dental, 8 percent for Vision, 10.3 percent for HMOs and up to 11 percent for fully-insured coverage).

Funding is provided by the state contribution for active and retired employee participants, premiums paid by plan participants, miscellaneous revenue (application fees from entities wishing to participate, pharmacy rebates, charges for copies) and Treasurer's interest. While there is no direct General Fund support in this account, a significant portion of the state contribution for state employees and retirees is funded through accounts supported with General Funds.

For state employees, the Legislature approved the Governor's recommended monthly contribution amounts, to be paid by the state, in the amount of \$495.68 in FY 2003-04 and \$558.07 in FY 2004-05. The following table identifies state contribution rates and the percentage change since FY 1996-97:

July 1997	July 1998	July 1999	July 2000	July 2001	July 2002	Oct. 2002	July 2003	July 2004
\$247.34	\$264.51	\$327.20	\$368.75	\$357.50	\$384.50	\$465.78	\$495.68	\$558.07
	6.9%	23.7%	12.7%	3.1%	7.6%	21.1%	6.4%	12.6%

Due to increasing claim costs, the PEBP Board adopted rates and plan designs in FY 2003-04 that allow the participants a choice of deductibles, \$500, \$1,000 or \$2,500. For the \$1,000 and \$2,500 deductible plans, the state contribution amount provides 100 percent of the coverage for the employee and approximately 60 percent of the cost for dependent coverage, with the employee contributing the remaining 40 percent of the dependent premium. The \$500 deductible option includes a contribution from the employee for employee-only coverage.

The Incurred but Not Reported (IBNR) claim liability (the estimated dollar amount of claims for which services have been performed, however either the billing has not yet been submitted for payment, or payment has not been made) was estimated to be \$24.9 million on June 30, 2002. On June 30, 2002, the PEBP had cash reserves and other assets sufficient to fund approximately \$9 million of this liability, leaving \$15.9 million unfunded. The PEBP estimates that this unfunded portion of the IBNR will exceed \$20.9 million at the end of FY 2002-03. The 2003 Legislature approved the Governor's recommendation for restoration of funding to rebuild a sufficient reserve over a four-year period. As approved, the funded portion of the reserve is estimated to be \$9.7 million at the end of FY 2003-04 and \$15.4 million at the end of FY 2004-05.

Due to ongoing concerns regarding the financial stability of the PEBP, along with allegations regarding the effectiveness, efficiency and efficacy of the program, Assembly Concurrent Resolution 10 was approved by the 2003 Legislature directing the Legislative Commission to conduct an interim study of the operations of the PEBP. A committee of three members of the Assembly and three members of the Senate will conduct the study and will be assisted by a nine-member Advisory Committee appointed by the Chairman.

The study must include, but is not limited to, the following: the methods of determining premiums and contributions for coverage for both state and non-state participants, both active and retired; the feasibility of soliciting proposals to contract for the entire operations of the PEBP; whether all members of the Public Employees' Retirement System should be required to participate in a statewide program of health insurance; pre-funding of retiree health benefits; a review of the state's retiree subsidy formula; and a number of issues designed to reduce the price of prescription drugs.

A progress report and the results of the study and any recommendations for legislation will be presented to the 2005 Legislature. A final report of the results of the study and any recommendations for legislation will be presented to the 2007 Legislature.

RETIRED EMPLOYEE GROUP INSURANCE PROGRAM

The Retired Employee Group Insurance Program was designed to defray a portion of health insurance premiums for employees who retire from state service and continue to participate in the state's group insurance plan. Funding for the program is through payroll assessments to state agencies to cover the costs of the state subsidy. This budget account provides a centralized collection mechanism for the receipt of contributions made by each state agency, the Judicial Branch, the Legislative Counsel Bureau, the Public Employees' Retirement System, and the University and Community College System of Nevada, for the benefit of all retired state employees.

The assessment rate is calculated by estimating the amount that will be required in the next biennium to fund the state subsidy. The amount required is divided by the gross payroll estimated for the year, the result of which is the payroll assessment rate for that year. As approved by the 2001 Legislature, the assessment rate was 1.48 percent of gross payroll for FY 2002-03. With the increased retiree subsidy approved by the 18th Special Session (2002), that rate was effectively increased to 1.7 percent. The Executive Budget recommended agency payroll assessments of 1.49 percent in FY 2003-04 and 1.66 percent in FY 2004-05; however, analysis determined that these rates would not provide sufficient funding to cover the subsidy amounts recommended by the Governor. In order to provide sufficient funding, the Legislature approved assessment rates of 1.72 percent for FY 2003-04 and 1.88 percent for FY 2004-05. For the purpose of meeting any deficiencies between the approved budgets and the amounts required under these new subsidy rates, Assembly Bill 544 as approved by the 2003 Legislature, appropriated General Funds of approximately \$1.6 million and Highway Funds of approximately \$160,000 in each year of the 2003-05 biennium.

The Legislature approved the Governor's recommended subsidy amounts of \$280.78 (a 6.4 percent increase) for FY 2003-04 and \$316.26 (a 12.6 percent increase) for FY 2004-05. The percentage increases were maintained at the same level as the increase in state contribution for active employees.

The difference between the total premium for coverage and the state subsidy amount is the portion of the total insurance premium that is paid by the retiree. NRS 287.046 provides that retirees who retired prior to January 1, 1994, are entitled to 100 percent of the base state subsidy amount to be applied against the total premium for insurance coverage. Retirees who retired on or after

January 1, 1994, are entitled to 25 percent of the base subsidy amount for five years of service and 7.5 percent for each additional year of service, up to 20 years of service, which entitles them to 137.5 percent of the state subsidy amount.

With the approval of Assembly Bill 286, local governments whose retirees choose to participate in PEBP will be required to subsidize those retirees in the same amount that the state subsidizes its retirees.

Nevada Legislative Counsel Bureau
Summary of Appropriations and Authorizations (Detail)

2003 Legislature

	2002 - 03 Work Program	2003 - 04 Governor Recommended	2003 - 04 Legislature Approved	2004 - 05 Governor Recommended	2004 - 05 Legislature Approved
SPECIAL PURPOSE AGENCIES					
OFFICE OF MILITARY					
MILITARY	5,765,153	6,424,962	6,295,690	6,536,395	6,400,727
GENERAL FUND	2,165,949	2,105,816	2,032,930	2,150,829	2,071,547
BALANCE FORWARD	42,543				
FEDERAL FUND	3,463,862	4,319,146	4,262,760	4,385,566	4,329,180
INTER AGENCY TRANSFER	92,799				
ADJUTANT GENERAL CONSTRUCTION FUNI	86,810	37,995	38,995	37,798	38,798
BALANCE FORWARD	35,473	37,995	37,995	37,798	37,798
FEDERAL FUND	39,337				
OTHER FUND	12,000		1,000		1,000
NATIONAL GUARD BENEFITS	95,441	92,572	104,572	92,572	104,572
GENERAL FUND	95,441	92,572	104,572	92,572	104,572
SUB-FUNCTION RECAP					
OFFICE OF MILITARY	5,947,404	6,555,529	6,439,257	6,666,765	6,544,097
GENERAL FUND	2,261,390	2,198,388	2,137,502	2,243,401	2,176,119
BALANCE FORWARD	78,016	37,995	37,995	37,798	37,798
FEDERAL FUND	3,503,199	4,319,146	4,262,760	4,385,566	4,329,180
INTER AGENCY TRANSFER	92,799				
OTHER FUND	12,000		1,000		1,000
HOMELAND SECURITY					
HOMELAND SECURITY			118,750		111,069
GENERAL FUND			118,750		111,069
SUB-FUNCTION RECAP					
HOMELAND SECURITY			118,750		111,069
GENERAL FUND			118,750		111,069
VETERANS AFFAIRS					
COMMISSIONER FOR VETERANS AFFAIRS	1,278,027	1,511,528	1,510,220	1,519,826	1,519,649
GENERAL FUND	857,853	909,447	899,004	907,583	897,406
OTHER FUND	420,174	602,081	611,216	612,243	622,243
VETERANS HOME ACCOUNT	10,438,757	11,256,556	9,738,125	11,664,045	11,883,011
GENERAL FUND	3,470,619	3,369,433	2,871,261	3,776,922	2,885,810
FEDERAL FUND	3,593,507	3,820,580	2,997,115	3,820,580	3,948,808
INTER AGENCY TRANSFER	2,698,956	3,543,516	3,027,785	3,543,516	3,977,500
OTHER FUND	675,675	523,027	841,964	523,027	1,070,893
SUB-FUNCTION RECAP					
VETERANS AFFAIRS	11,716,784	12,768,084	11,248,345	13,183,871	13,402,660
GENERAL FUND	4,328,472	4,278,880	3,770,265	4,684,505	3,783,216
FEDERAL FUND	3,593,507	3,820,580	2,997,115	3,820,580	3,948,808
INTER AGENCY TRANSFER	2,698,956	3,543,516	3,027,785	3,543,516	3,977,500
OTHER FUND	1,095,849	1,125,108	1,453,180	1,135,270	1,693,136

Nevada Legislative Counsel Bureau
Summary of Appropriations and Authorizations (Detail)

2003 Legislature

	2002 - 03 Work Program	2003 - 04 Governor Recommended	2003 - 04 Legislature Approved	2004 - 05 Governor Recommended	2004 - 05 Legislature Approved
SPECIAL PURPOSE AGENCIES					
PUBLIC EMPLOYEES RETIREMENT SYSTEM					
PUBLIC EMPLOYEES RETIREMENT SYSTEM	6,425,471	8,222,609	8,298,744	8,238,591	8,183,594
GENERAL FUND			98,711		
BALANCE FORWARD	200,000	200,000	200,000	200,000	200,000
INTER AGENCY TRANSFER	14,668	93,620	93,620	121,265	121,265
OTHER FUND	6,210,803	7,928,989	7,906,413	7,917,326	7,862,329
SUB-FUNCTION RECAP					
PUBLIC EMPLOYEES RETIREMENT SYSTE	6,425,471	8,222,609	8,298,744	8,238,591	8,183,594
GENERAL FUND			98,711		
BALANCE FORWARD	200,000	200,000	200,000	200,000	200,000
INTER AGENCY TRANSFER	14,668	93,620	93,620	121,265	121,265
OTHER FUND	6,210,803	7,928,989	7,906,413	7,917,326	7,862,329
PEACE OFFICERS STANDARDS & TRAINING					
PEACE OFFICERS STANDARDS & TRAINING	1,213,813	1,700,941	1,641,350	1,561,988	1,537,528
BALANCE FORWARD	166,641	161,369	161,369	134,081	141,379
INTER AGENCY TRANSFER		32,798	32,798	32,798	32,798
OTHER FUND	1,047,172	1,506,774	1,447,183	1,395,109	1,363,351
POLICE CORPS PROGRAM					
POLICE CORPS PROGRAM	1,194,799	689,391	688,101	694,859	694,261
BALANCE FORWARD	153,231				
FEDERAL FUND	1,041,568	689,391	688,101	694,859	694,261
SUB-FUNCTION RECAP					
PEACE OFFICERS STANDARDS & TRAININ	2,408,612	2,390,332	2,329,451	2,256,847	2,231,789
BALANCE FORWARD	319,872	161,369	161,369	134,081	141,379
FEDERAL FUND	1,041,568	689,391	688,101	694,859	694,261
INTER AGENCY TRANSFER		32,798	32,798	32,798	32,798
OTHER FUND	1,047,172	1,506,774	1,447,183	1,395,109	1,363,351
PUBLIC EMPLOYEES HEALTH PROGRAM					
PUBLIC EMPLOYEES BENEFITS PROGRAM	194,696,778	213,002,995	212,678,904	245,041,554	244,434,932
BALANCE FORWARD	11,773,675	4,200,000	4,200,000	10,014,392	9,586,661
INTER AGENCY TRANSFER	152,926,297	171,451,915	171,451,915	193,925,051	193,925,051
OTHER FUND	29,996,806	37,351,080	37,026,989	41,102,111	40,923,220
RETIRED EMPLOYEE GROUP INSURANCE					
RETIRED EMPLOYEE GROUP INSURANCE	15,823,873	17,061,345	20,293,994	19,227,402	22,814,274
BALANCE FORWARD	18,387			12,193	
INTER AGENCY TRANSFER	15,805,486	17,061,345	20,293,994	19,215,209	22,814,274
SUB-FUNCTION RECAP					
PUBLIC EMPLOYEES HEALTH PROGRAM	210,520,651	230,064,340	232,972,898	264,268,956	267,249,206
BALANCE FORWARD	11,792,062	4,200,000	4,200,000	10,026,585	9,586,661
INTER AGENCY TRANSFER	168,731,783	188,513,260	191,745,909	213,140,260	216,739,325
OTHER FUND	29,996,806	37,351,080	37,026,989	41,102,111	40,923,220

Nevada Legislative Counsel Bureau
Summary of Appropriations and Authorizations (Detail)

2003 Legislature

	2002 - 03 Work Program	2003 - 04 Governor Recommended	2003 - 04 Legislature Approved	2004 - 05 Governor Recommended	2004 - 05 Legislature Approved
FUNCTION RECAP					
TOTAL SPECIAL PURPOSE AGENCIES	237,018,922	260,000,894	261,407,445	294,615,030	297,722,415
GENERAL FUND	6,589,862	6,477,268	6,125,228	6,927,906	6,070,404
BALANCE FORWARD	12,389,950	4,599,364	4,599,364	10,398,464	9,965,838
FEDERAL FUND	8,138,274	8,829,117	7,947,976	8,901,005	8,972,249
INTER AGENCY TRANSFER	171,538,206	192,183,194	194,900,112	216,837,839	220,870,888
OTHER FUND	38,362,630	47,911,951	47,834,765	51,549,816	51,843,036
TOTAL SPECIAL PURPOSE AGENCIES:	237,018,922	260,000,894	261,407,445	294,615,030	297,722,415
LESS: INTER AGENCY TRANSFER	171,538,206	192,183,194	194,900,112	216,837,839	220,870,888
NET: SPECIAL PURPOSE AGENCIES	65,480,716	67,817,700	66,507,333	77,777,191	76,851,527

