

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' Benefit Program; the Office of the Military; and the Office of Veterans' Services. This function is supported in large part through inter-agency transfers. For the 2005-07 biennium, General Fund support for Special Purpose Agencies totaled \$11.2 million, which is 8.3 percent less than the amount approved for the 2003-05 biennium. The reduction in General Fund support is mainly due to increased reliance on federal Title XIX revenues to support the operation of the Veterans' Home.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

The Public Employees' Retirement System (PERS) provides retirement, disability and death benefits to long-term employees. 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 Budget Act or to review by the Budget Division, but is included in The Executive Budget for review by the Legislature. The requested level of funding is provided through an administrative assessment charged to each member and benefit recipient. A budget of \$8.3 million in each year of the 2005-07 biennium was approved by the Legislature to support its operations. In approving the budget, the Legislature approved salary increases, as recommended by the Retirement Board, for non-classified staff in PERS.

Effective July 1, 2004, the period used to amortize the unfunded actuarial accrued liability was changed from a closed amortization period of 40 years beginning July 1, 1984 (with 20 years remaining as of July 1, 2004) to a year-by-year closed amortization approach where each amortization period will be set at 30 years. According to the agency, the net effect of this new approach would be equivalent to a 30-year open amortization period and should minimize contribution rate volatility from year to year. This new policy represents a significant departure from the previous policy, which had been followed for the past 20 years, with the intent to have Nevada's retirement system fully funded by the year 2024.

The Public Employees' Retirement System actuary determined that retirement contribution rates for regular members in the Employer Pay Plan should be decreased .50 percent effective July 1, 2005; regular members in the Employee/Employer Pay Plan would not be affected. For all police/fire members (Employee Pay and Employee/Employer Pay), the actuary recommended 3.50 percent increase in the contribution rates. Since the employer and employee are each responsible for one-half of any increase or decrease in the retirement contribution rate, the Legislature approved funding to decrease retirement contributions by .25 percent of payroll for regular

members in the Employer Pay Plan; these members will receive an increase of .25 percent in compensation effective July 1, 2005. For police/fire members, the Legislature approved funding to increase retirement contributions by 1.75 percent of payroll. Police/fire members will be responsible for paying the remaining 1.75 percent of payroll, which will result in a decrease of 1.75 percent in compensation for police/fire members effective July 1, 2005.

PUBLIC EMPLOYEES' BENEFITS PROGRAM

The Public Employees' Benefits Program (PEBP) provides various types of 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 include health, prescription, dental, vision, mental health, substance abuse, life, accidental death and dismemberment, travel accident and long-term disability. Other voluntary optional insurance coverage is 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 Executive Officer, along with 6 other unclassified positions and 25 classified employees, are the current staff of the PEBP.

The largest portion of the program is health insurance, which includes dental, vision, mental health, substance abuse and prescription coverage; the majority of this health coverage is self-insured. The program does allow participants to 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 2005-07 biennium, the Legislature approved expenditures (not including reserve balances) in the amount of \$220.9 million for FY 2005-06, and \$254.6 million for FY 2006-07, for a total of \$475.5 million, an increase of 9.97 percent over the legislatively-approved amounts for the 2003-05 biennium.

Funding for this account is provided by the state contribution for active and for retired employee participants, premiums paid by plan participants, miscellaneous revenue (application fees from entities wishing to participate, pharmacy rebates and 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.

The program's financial position has improved significantly since the end of the 2003 Legislative Session. Reserves have been rebuilt such that the Incurred but not Reported (IBNR) claim liability (\$19.2 million) is now fully funded and the approved budget anticipates an additional \$24.1 million rate stabilization/catastrophic reserve by the end of the 2005-07 biennium. This rate stabilization reserve is designed to cover contingent plan expenses, as well as unexpected increases in medical inflation and large claims in future years.

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 LCB, the Public Employees' Retirement System and the Nevada System of Higher Education, for the benefit of all retired state employees.

The assessment rate is calculated by determining what will be needed in the next biennium to fund the state subsidy; the amount needed 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 2003 Legislature, the assessment rate was 1.88 percent of gross payroll for FY 2004-05. The 2005 Legislature approved agency payroll assessments of 2.12 percent in FY 2005-06 and 2.03 percent in FY 2006-07.

NRS 287.046 provides that retirees who retired prior to January 1, 1994, are entitled to 100 percent of the state base 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 base state subsidy amount. The Legislature approved a monthly base subsidy amount, to be paid by the state, in the amount of \$321.27 for FY 2005-06 (1.6 percent increase) and \$336.97 for FY 2006-07 (4.9 percent increase). It is intended that this subsidy provide, on average, 78 percent of the cost of insurance for the retiree and 57 percent of the cost for dependents. The difference between the total premium for coverage and the state subsidy amount is the portion of the insurance premium that is paid by the retiree. The following table identifies state contribution rates and the percentage change since FY 1997-98:

July 1997	July 1998	July 1999	July 2000	July 2001	July 2002	Oct. 2002*	July 2003	July 2004
\$139.35	\$149.02	\$183.59	\$208.92	\$202.34	\$217.84	\$263.89	\$280.78	\$316.26
	6.9%	23.2%	13.8%	(3.1%)	7.7%	21.1%	6.4%	12.6%

* Mid-year increase approved in S.B. 3 of the 18th Special Session.

During the 2005 Legislative Session, the issue of commingling claims experience for Medicare-eligible retirees with those claims of active employees and non-Medicare retirees received a considerable amount of attention, particularly the impact that commingling would have on the rates paid by the Medicare-eligible retirees. Based on a recommendation from the Governor, the 2005 Legislature approved the commingling of these claims and further authorized an additional subsidy to those Medicare-eligible retirees in the tiers where the commingling had the largest impact on the premium (Medicare retiree and Spouse; Medicare Surviving Spouse; and Retiree and Spouse, one with Medicare and one without). For FY 2005-06, the cost of this additional subsidy is approximately \$3.1 million and is intended to reduce the cost to the Medicare-eligible retiree to the same level as though their claims were not commingled. For FY 2006-07, the cost is approximately \$1.8 million and is intended to mitigate approximately one-half of the impact of commingling these claims.

ACTIVE EMPLOYEE GROUP INSURANCE PROGRAM

The Legislature approved The Executive Budget recommendation to create a new account to provide a centralized collection mechanism for the receipt of the state contributions made on behalf of each active employee by each state agency, the Judicial Branch, the LCB, the Public Employees' Retirement System and the Nevada System of Higher Education.

For state employees, the 2005 Legislature approved a monthly contribution, to be paid by the state, in the amount of \$481.19 for FY 2005-06 (13.8 percent decrease) and \$500.20 for FY 2006-07 (3.95 percent increase). It is intended that this funding provide, on average, 96 percent of the cost of insurance for the employee and 66 percent of the cost for dependents. The following table identifies state contribution rates and the percentage change since FY 1997-98:

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%

* Mid-year increase approved in S.B. 3 of the 18th Special Session.

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 primary state 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: Army National Guard, Air National Guard and the Office of the Adjutant General. There are 13 federally recognized mobilization Army Guard units and 17 Air Guard units stationed at 12 bases of operation (1 Air Guard and 11 Army) throughout the state.

Funding for the office is provided primarily through federal funding and state General Fund appropriations. For the 2005-07 biennium, the Legislature approved state General Funds at \$4.9 million, which is an increase of 19.8 percent when compared to General Fund support approved by the 2003 Legislature. The 2005 Legislature approved a total of \$849,890 in FY 2005-06 and \$810,990 in FY 2006-07 for 58 Class I high-priority maintenance projects, such as roof repairs, ADA compliance requirements, etc. Of this total, state General Funds were approved in the amount of \$332,365 in FY 2005-06 and \$132,240 in FY 2006-07. The Legislature also approved authority for the office to receive federal funds in the amount of \$2.4 million in FY 2005-06 and \$2.7 million in FY 2006-07 to hire 57.0 FTE new state security employees that are 100 percent federally reimbursed. These new positions will provide 24-hour security coverage of the Stead Armory, Carson City Armory and Clark County Armory. In addition to the 57.0 new state security employees, the Legislature approved an additional 4.0 FTE new positions, two for the new State Emergency Operations Center (SEOC) and two for the Clark County Armories, including a new HVAC Specialist and Facilities Supervisor.

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. In lieu of the tuition reimbursement program, the Legislature, through the passage of A.B. 9 of the 20th Special Session (2003), authorized the Board of Regents to waive the registration fees and laboratory fees for any member of the active Nevada National Guard, including recruits. Due to the success of the program during the 2003-05 biennium, the 2005 Legislature approved S.B. 78, which makes the waiver of registration and laboratory fees for fall and spring semesters for National Guardsmen permanent. In order to continue the tuition reimbursement program for National Guardsmen who attend summer school, the 2005 Legislature approved \$20,000 in each fiscal year of the 2005-07 biennium.

OFFICE OF VETERANS' SERVICES

The Office of Veterans' Services was established under NRS 417 to assist 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 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. The 2005 Legislature approved a total budget for the Office of Veterans' Services of \$4.1 million, which represents a 35.8 percent increase over amounts approved for the 2003-05 biennium. General Fund support for the office totals \$2.3 million for the 2005-07 biennium, which represents a 27.5 percent increase over the 2003-05 biennium.

The Legislature agreed with the Governor's recommended budget to add six new positions consisting of two Veterans' Service Representatives, two Administrative Assistant I positions and two Grounds Equipment Operators. The positions will provide direct assistance to the growing population of an estimated 270,000 veterans in Nevada, plus support the two veterans' cemeteries located in Boulder City and Fernley.

In addition, the Legislature approved a new Veterans' Service Representative to provide outreach services and assistance to the women's veteran population. It is estimated that there are over 30,000 women veterans in Nevada, and many of them are unaware of the services to which they are entitled.

With passage of S.B. 1 of the 22nd Special Session, the Legislature provided \$300,000 to the Office of Veterans' Services for the establishment and operation of an Office of Coordination of Services for Veterans to support veterans in Nye and Esmeralda Counties.

VETERANS' HOME ACCOUNT

The Veterans' Home is a 180-bed skilled nursing facility located in Boulder City. The 180 beds are divided among 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). The budget is constructed anticipating that the facility will operate at 90 percent capacity (162 beds) during both FY 2005-06 and FY 2006-07. The home has been operating with a resident population that has fluctuated between 149 and 155.

The Legislature expressed concern about the level of overtime payments, which continues to be a significant factor in the ongoing operation of the facility. The money committees issued a Letter of Intent to the Executive Director for Veterans' Services to report quarterly to the IFC concerning the census, the staffing and overtime incurred in operating the facility. The Legislature concurred with the Governor's recommendation to provide a two-grade increase for all nurses, which is anticipated, along with the decision to hire new staff on an accelerated pay scale, to reduce the level of overtime needed at the facility.

As a result of a change in federal law (Public Law 108-422), the Governor was able to recommend a Medicaid funding increase and General Fund support in the base budget be reduced in both years of the 2005-07 biennium. The Medicaid revenue was increased by \$733,583 in both FY 2005-06 and FY 2006-07, resulting in a General Fund savings of \$1,467,166 over the 2005-07 biennium. The Governor's recommended budget reflected no increase in either Medicare or Medicaid revenue in FY 2006-07. The Legislature, with agreement of the agency, increased Medicare funding by \$37,272 and Medicaid funding by \$120,442 in FY 2006-07, with a corresponding decrease in General Fund support.

The agency indicated to the Legislature that it had sufficient funding during FY 2004-05 to repair the two cooling towers, rather than replace the two towers, which results in a General Fund savings of \$86,000 in both FY 2005-06 and FY 2006-07. In addition, \$18,000 was removed in FY 2005-06 because the agency indicated it had sufficient funds during FY 2004-05 to install concrete pads at the facility exits for the safety of the residents.

The budget approved by the Legislature, including all funding sources, totals \$26.8 million over the 2005-07 biennium. This reflects an increase of 5.1 percent in FY 2005-06 over the FY 2004-05 work program level. The budget increases an additional 3.3 percent in FY 2006-07. Due to increases in the rate of collection from federal and other funds, the total General Fund appropriation decreases from \$2.9 million in FY 2004-05 to \$1.9 million in each year of the 2005-07 biennium, a 32.8 percent reduction.

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

2005 Legislature

	2004 - 05 Work Program	2005 - 06 Governor Recommended	2005 - 06 Legislature Approved	2006 - 07 Governor Recommended	2006 - 07 Legislature Approved
SPECIAL PURPOSE AGENCIES					
PUBLIC EMPLOYEES RETIREMENT SYSTEM					
PUBLIC EMPLOYEES RETIREMENT SYSTEM	8,183,594	8,242,297	8,255,015	8,298,499	8,275,218
GENERAL FUND			103,302		
BALANCE FORWARD	200,000	200,000	200,000	200,000	200,000
INTER AGENCY TRANSFER	121,265	106,832	106,832	140,869	140,869
OTHER FUND	7,862,329	7,935,465	7,844,881	7,957,630	7,934,349
SUB-FUNCTION RECAP					
PUBLIC EMPLOYEES RETIREMENT SYSTE	8,183,594	8,242,297	8,255,015	8,298,499	8,275,218
GENERAL FUND			103,302		
BALANCE FORWARD	200,000	200,000	200,000	200,000	200,000
INTER AGENCY TRANSFER	121,265	106,832	106,832	140,869	140,869
OTHER FUND	7,862,329	7,935,465	7,844,881	7,957,630	7,934,349
PUBLIC EMPLOYEES BENEFITS PROGRAM					
PUBLIC EMPLOYEES BENEFITS PROGRAM	281,620,895	301,108,519	285,459,011	320,885,455	297,892,242
BALANCE FORWARD	46,772,624	52,264,434	65,765,000	57,259,096	64,525,798
INTER AGENCY TRANSFER	193,925,051	186,582,863	168,866,768	197,494,800	177,705,462
OTHER FUND	40,923,220	62,261,222	50,827,243	66,131,559	55,660,982
RETIRED EMPLOYEE GROUP INSURANCE	22,814,274	24,955,177	28,615,743	26,795,880	28,991,320
INTER AGENCY TRANSFER	22,814,274	24,955,177	28,615,743	26,795,880	28,991,320
ACTIVE EMPLOYEES GROUP INSURANCE		161,627,686	140,251,025	170,698,920	148,714,142
INTER AGENCY TRANSFER		161,627,686	140,251,025	170,698,920	148,714,142
SUB-FUNCTION RECAP					
PUBLIC EMPLOYEES BENEFITS PROGRAI	304,435,169	487,691,382	454,325,779	518,380,255	475,597,704
BALANCE FORWARD	46,772,624	52,264,434	65,765,000	57,259,096	64,525,798
INTER AGENCY TRANSFER	216,739,325	373,165,726	337,733,536	394,989,600	355,410,924
OTHER FUND	40,923,220	62,261,222	50,827,243	66,131,559	55,660,982

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

2005 Legislature

	2004 - 05 Work Program	2005 - 06 Governor Recommended	2005 - 06 Legislature Approved	2006 - 07 Governor Recommended	2006 - 07 Legislature Approved
SPECIAL PURPOSE AGENCIES					
OFFICE OF MILITARY					
MILITARY	8,781,838	11,065,801	10,889,236	12,111,469	11,561,462
GENERAL FUND	2,071,547	2,842,073	2,492,391	3,002,095	2,423,898
FEDERAL FUND	5,435,142	7,994,148	8,187,127	8,673,847	8,747,821
INTER AGENCY TRANSFER	1,274,056	229,580	209,718	435,527	389,743
OTHER FUND	1,093				
ADJUTANT GENERAL CONSTRUCTION FUNI	36,265	35,568	35,568	35,871	35,988
BALANCE FORWARD	35,265	35,068	35,068	35,371	35,488
OTHER FUND	1,000	500	500	500	500
NATIONAL GUARD BENEFITS	104,572	104,572	20,000	104,572	20,000
GENERAL FUND	104,572	104,572	20,000	104,572	20,000
SUB-FUNCTION RECAP					
OFFICE OF MILITARY	8,922,675	11,205,941	10,944,804	12,251,912	11,617,450
GENERAL FUND	2,176,119	2,946,645	2,512,391	3,106,667	2,443,898
BALANCE FORWARD	35,265	35,068	35,068	35,371	35,488
FEDERAL FUND	5,435,142	7,994,148	8,187,127	8,673,847	8,747,821
INTER AGENCY TRANSFER	1,274,056	229,580	209,718	435,527	389,743
OTHER FUND	2,093	500	500	500	500
VETERANS AFFAIRS					
COMMISSIONER FOR VETERANS AFFAIRS	1,519,649	1,847,116	1,992,167	1,903,943	2,123,722
GENERAL FUND	897,406	968,094	1,113,013	957,006	1,176,771
INTER AGENCY TRANSFER		96,687	96,819	122,318	122,332
OTHER FUND	622,243	782,335	782,335	824,619	824,619
VETERANS HOME ACCOUNT	12,530,370	13,583,040	13,169,523	14,022,106	13,603,470
GENERAL FUND	2,885,810	2,354,277	1,940,449	2,471,083	1,894,699
FEDERAL FUND	8,235,233	8,163,560	8,163,560	8,318,955	8,356,227
INTER AGENCY TRANSFER	1,311,758	2,861,892	2,862,203	3,028,757	3,149,233
OTHER FUND	97,569	203,311	203,311	203,311	203,311
SUB-FUNCTION RECAP					
VETERANS AFFAIRS	14,050,019	15,430,156	15,161,690	15,926,049	15,727,192
GENERAL FUND	3,783,216	3,322,371	3,053,462	3,428,089	3,071,470
FEDERAL FUND	8,235,233	8,163,560	8,163,560	8,318,955	8,356,227
INTER AGENCY TRANSFER	1,311,758	2,958,579	2,959,022	3,151,075	3,271,565
OTHER FUND	719,812	985,646	985,646	1,027,930	1,027,930

**Nevada Legislative Counsel Bureau
Summary of Appropriations and Authorizations (Detail)
2005 Legislature**

	2004 - 05 Work Program	2005 - 06 Governor Recommended	2005 - 06 Legislature Approved	2006 - 07 Governor Recommended	2006 - 07 Legislature Approved
FUNCTION RECAP					
TOTAL SPECIAL PURPOSE AGENCIES	335,591,457	522,569,776	488,687,288	554,856,715	511,217,564
GENERAL FUND	5,959,335	6,269,016	5,669,155	6,534,756	5,515,368
INTER AGENCY TRANSFER	219,446,404	376,460,717	341,009,108	398,717,071	359,213,101
OTHER FUND	49,507,454	71,182,833	59,658,270	75,117,619	64,623,761
BALANCE FORWARD	47,007,889	52,499,502	66,000,068	57,494,467	64,761,286
FEDERAL FUND	13,670,375	16,157,708	16,350,687	16,992,802	17,104,048
TOTAL SPECIAL PURPOSE AGENCIES	335,591,457	522,569,776	488,687,288	554,856,715	511,217,564
LESS: INTER AGENCY TRANSFER	219,446,404	376,460,717	341,009,108	398,717,071	359,213,101
NET: SPECIAL PURPOSE AGENCIES	116,145,053	146,109,059	147,678,180	156,139,644	152,004,463