SPECIAL PURPOSE AGENCIES

Special purpose agencies are those that have a specialized function or have 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 government; the Public Employees' Benefits Program; the Office of the Military; and the Office of Veterans' Services.

The Governor has recommended General Fund appropriations for special purpose agencies of $7.1 million in FY 2001-02, a 34.7 percent increase over FY 2000-01. The planned opening of the Veterans' Home in southern Nevada is primarily responsible for the increase in General Fund support in this functional area. Amounts recommended from all funding sources total $45.0 million, a 3.3 percent increase over FY 2000-01, after excluding inter-agency transfers. An additional 1.9 percent increase in funding is recommended in FY 2002-03.

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. PERS is requesting a total of approximately $8.0 million in FY 2001-02 and $6.5 million in FY 2002-03 to support its operations during the upcoming biennium.

The Executive Budget recommends that retirement contribution rates for regular and police/fire members remain unchanged from the rates approved for the current biennium. It should be noted that the PERS actuarial valuation as of June 30, 2000 indicated that the contribution rate for employee/employer police/fire members could be reduced from 14.75 percent to 14.0 percent, while the rate for employer paid police/fire members could be reduced from 28.5 percent to 25.25 percent. PERS will be requesting a package of benefit enhancements to the 2001 Legislature that could be funded if the existing contribution rates are maintained.

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 state 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. The Governor is not recommending any new program changes to the Office of the Military. The Governor's budget recommends a FY 2001-03 operating budget for the Office of the Military of approximately $10.6 million, an increase of approximately 8.1 percent over amounts approved for the 1999-2001 biennium. General Fund support to the office is recommended to increase by 9.5 percent during the 2001-03 biennium.

Office of Veterans' Services

The Office of Veterans' Services is responsible for helping veterans and their families obtain services, compensation, and government benefits to which they are entitled. In addition, they are responsible for managing the funds of veterans who the courts have declared unable to handle their own financial matters. They are responsible for supervising the operation and maintenance of two state veterans' memorial cemeteries and for developing and establishing state veterans' homes in Nevada. The Nevada Veterans' Services Commission, which consists of nine members, advises the Executive Director and the Deputy Executive Director of the Office of Veterans' Services.

The Executive Budget recommends funding for the continuation of three temporary positions that were approved by the Interim Finance Committee during FY 2001. The three positions include two Grounds Equipment Operators to assist with the maintenance of an eight-acre expansion to the grounds of the cemetery in Boulder City, and a Management Assistant position to provide clerical support at the new chapel that has been constructed at the cemetery in Boulder City. The Executive Budget also recommends funding for the cost of a janitorial services contract for the new chapel and increased utility and fertilizer costs associated with the eight-acre expansion.

Veterans' Home

The 1997 Legislature approved funding for the construction of the first 180 beds of a Veterans' Home in southern Nevada. A site in Boulder City was selected for the facility. The 1999 Legislature approved an operating budget for the Veterans' Home based on a completion date of June 2000. The first residents were to be admitted during July 2000. The construction of the home has been delayed numerous times, and it now appears that construction will not be completed until the spring of 2001.

Because the home has not been completed, The Executive Budget recommends funding the home, based on expenditures that were approved for FY 2001. The revenues for the home include a federal Department of Veterans' Affairs per diem reimbursement totaling $51.38 per day for each resident of the home and a matching payment from the residents of the home. The remaining expenditures for the home are funded through an appropriation from the state General Fund totaling $4,043,633 in FY 2002 and $3,702,561 in FY 2003. The total revenues projected for the home are based on an occupancy rate of 80 percent in FY 2002 and 92 percent in FY 2003.

In addition to the expenditures based on the legislatively approved budget for FY 2000-01, The Executive Budget for the 2001-03 biennium recommends $406,281 in FY 2001-02 and $417,592 in FY 2002-03 to provide additional funding for laboratory services, drug testing of employees, and contract physical therapy, occupational therapy, and speech pathology services.

PUBLIC EMPLOYEES' BENEFITS PROGRAM

Prior to 1999, the Benefits Services Fund was responsible for providing a health benefits plan and budgetary support to the Committee on Benefits. The Committee on Benefits was responsible for administration and management of the plan. The Risk Management Division provided planning, administration and general staff support to the Committee on Benefits in the day-to-day operation of the benefits program.

In FY 1998, the Benefits Services Fund experienced serious cash flow problems. Pursuant to A.B. 176 and A.B. 416, the 1999 Legislature provided $26 million in General Fund, Highway Fund, and assessment monies for anticipated expenses for fiscal year 1999. The 1999 Legislature also created, pursuant to S.B. 544, a special purpose, stand-alone agency called the Public Employees' Benefits Program (PEBP) to provide health care, life insurance, accidental death and dismemberment, travel accident, long-term disability, and other optional insurance coverage to state employees, retirees and local government employees. Health insurance provides medical, including mental health, coverage, and substance abuse, vision, and dental coverage. These functions were previously funded in the Benefits Services Fund. Significant changes were made to the Benefits Services Fund in addition to a new name. The fund was separated from other Risk Management Division sections and placed in a stand-alone special purpose agency with direction and oversight being provided by a newly created Board of the Public Employees' Benefits Program. The board, consisting of nine members appointed by the Governor, is charged with ensuring that the group insurance program is funded on an actuarially sound basis and in accordance with sound insurance and business practices.

The PEBP consists of 20 classified full-time equivalent and 6 unclassified positions. No new positions are requested by the agency or recommended in The Executive Budget for the 2001-03 biennium.

The Executive Budget recommends funding in the amounts of $158.4 million for FY 2001-02 and $174.1 million for FY 2002-03, for a total of $332.6 million for PEBP, actives and retirees, an increase of 10.5 percent over amounts expended in FY 1999-2000 and budgeted in FY 2000-01. There is no General Fund appropriation in the PEBP budget. Funding is from the state contribution for active and retired employee participants, from premiums paid by plan participants, miscellaneous revenue (application fees from entities wishing to participate, pharmacy rebates, charges for copies) and Treasurer's interest.

The Executive Budget recommends a monthly contribution rate for active state-only employee participants in the amount of $357.50 for FY 2001-02 and $384.50 for FY 2002-03, a decrease of 3.1 percent and an increase of 7.6 percent, respectively, over the prior year. Monthly state contribution rates per employee for active employee participants for the period from FY 1998 through the upcoming 2001-03 biennium as recommended in The Executive Budget, are as follows:

	Actual				Governor Recommends	
	FY 1998	**FY 1999**	**FY 2000**	**FY 2001**	**FY 2002**	**FY 2003**
Active Employee Rate	$247.34	$264.51	$327.20	$368.75	$357.50	$384.50
Percent Change		6.9%	23.7%	12.7%	(3.1%)	7.6%

The benefit structure for the self-funded plan was redesigned and approved by the PEBP Board, effective January 1, 2001. The PEBP projects these cost-saving measures will save $12.1 million in FY 2001. Changes in the plan include:

- Strong incentives to stay within the Preferred Provider Organization (PPO) Network by limiting benefits available outside the Network.

- The annual deductible was lowered to $250 per person/$500 per family, with an out-of-pocket maximum of $2,000 per person/$4,000 per family per year.

- Mail-order prescription drugs were increased from $25 to $50 for a 90-day supply of medication. (The Segal Company estimated that the changes in prescription drug benefits will generate a 4.5 percent savings in claim amounts.).

- Health Maintenance Organization (HMO) rates were restructured with a risk adjustment for age and sex. When the cost of an HMO exceeds the self-funded plan cost for an employee-only participant, the employee must pay the amount by which the HMO exceeds the self-funded plan cost. (This adjustment is projected to result in a $10.6 million savings to the program.)

An additional $3.2 million reduction in costs is anticipated from utilizing the request for proposal (RFP) process for the consultant (the Segal Company); various service provider contracts; health fairs (which are being combined into the HMO/PPO contracts); and a national PPO for participants who live or travel out-of-state.

The Executive Budget recommends the transfer and consolidation of the Retired Employee Group Insurance budget into this budget account, stating that the transfer would simplify the administration of the program. There would be only one PEBP budget account.

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.

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.
The Executive Budget recommends agency payroll assessments be increased from 1.32 percent in FY 2001 to 1.51 percent in FY 2002 and decreased to 1.48 percent in FY 2003. The intention

is to increase the state contribution to equal the amount of the premium increase recommended on behalf of active state 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 participant. Retirees who retired prior to January 1, 1994 are entitled to 100 percent of the state subsidy amount to be applied against the total premium for insurance coverage. Retirees age 65 and over who retired on or after January 1, 1994 are entitled to 25 percent of the subsidy amount for 5 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.

PEACE OFFICERS STANDARDS AND TRAINING COMMISSION

The Peace Officers Standards and Training Commission (POST) program establishes minimum professional standards for training and certification of peace officers within the state. POST also provides a basic law enforcement academy and continuing law enforcement education training. POST is funded primarily with court assessment funds. The Executive Budget recommends a special appropriation from the General Fund totaling $200,000 to fund a job task analysis and physical fitness validation study for peace officers.

In FY 1999-2000, the Interim Finance Committee approved the addition of two new positions to initiate the Federal Police Corps program in the state of Nevada. The Executive Budget recommends increased federal funding to expand the program to $1.0 million in each year of the biennium. Total funding for POST increases 120 percent from $1.0 million in FY 1999-2000 to $2.2 million in FY 2001-02. A slight increase is recommended in FY 2002-03, for a total of $2.3 million.