

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 \$6.5 million in FY 2003-04, a 0.4 percent increase over FY 2002-03. Amounts recommended from all funding sources total \$67.3 million, a 3.8 percent increase over FY 2002-03, after excluding inter-agency transfers. An additional 14.7 percent increase in funding is recommended in FY 2004-05. The recommended increase to support the Public Employees' Health Program is primarily responsible for the increase in funding during FY 2004-05.

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 \$8.2 million in each year of the 2003-05 biennium to support its operations.

The Public Employees' Retirement System actuary has determined that retirement contribution rates should be increased for regular members by 1.5 percent effective July 1, 2003. The contribution rate for police/fire members is recommended to be unchanged during the 2003-05 biennium. Since the employer and employee are each responsible for one-half of the increase in retirement contribution, The Executive Budget recommends funding to increase retirement contributions by 0.75 percent of payroll for regular members. Public employees will be responsible for paying the remaining 0.75 percent of payroll which will result in public employees incurring a decrease of 0.75 percent in compensation effective July 1, 2003.

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 9 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 federal and state fund appropriations. The Governor's budget recommends the deletion of four vacant positions, as well as a three percent decrease in funding support for the National Guard Benefits Program. This 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. For the 2003-05 biennium, state General Fund support to the Office is recommended to increase by 6.6 percent.

OFFICE OF VETERANS' SERVICES

The Office of Veterans' Services is responsible for assisting veterans and their families to 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. The Office is responsible for supervising the operation and maintenance of two state veterans' memorial cemeteries in Boulder City and Fernley. The Office is also responsible for overseeing the operation of the State Veterans' Home in Boulder City. 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 a new Administrative Assistant position in the Director's Office to be funded from increased cemetery internment fees. In addition to replacement computer equipment and a copier, the Governor is recommending funding from cemetery internment fees for support equipment for the two cemeteries at a cost of \$82,309 in FY 2003-04 and \$59,521 in FY 2004-05.

VETERANS' HOME

The 1997 Legislature approved funding for the construction of a 180-bed 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 construction of the Home was delayed numerous times, and did not begin operating until the summer of 2002.

Because the Home did not begin accepting a limited number of veterans until August 2002 and no historic costs for the operation of the Veterans Home exist, The Executive Budget recommends funding for the Home be based on the FY 2002-03 anticipated expenditure level that was approved by the 2001 Legislature. The revenues for the Home are based on an anticipated occupancy level of 88 percent for the 2003-05 biennium.

PEACE OFFICERS STANDARDS AND TRAINING COMMISSION

The Peace Officers Standards and Training Commission (POST) establishes minimum professional standards for training and certification of peace officers within the state. POST also provides basic law enforcement academies, certifies and monitors continuing education courses, conducts basic and audits other law enforcement academies. The activities of the Federal Police

Corps program were established in a separate budget account in FY 2003. As a result, the POST budget account reflects solely the activities of the state funded programs.

A BDR has been requested by the Administrative Office of the Courts proposing an increase to the administrative assessment. As a result of the BDR, additional funding is recommended to: continue 4 FTE positions that staff the POST academy, add a Facilities Manager to maintain facilities used by the POST and add an Administrative Aid position along with increased funding for contract services to transfer training records to microfilm. Total funding for POST increases 40.1 percent from \$1.2 million in FY 2002-03 to \$1.7 million in FY 2003-04. A decrease is recommended in FY 2004-05, for a total of \$1.6 million.

PUBLIC EMPLOYEES' BENEFITS PROGRAM

The Public Employees' Benefits Program (PEBP) provides various insurance coverages 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 coverages 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 coverages 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 9-member board appointed by the Governor. The Board appoints an Executive Officer to oversee the day-to-day operations of the program. This Executive Officer, along with 5 other unclassified positions and 20 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. 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.

The Executive Budget for the 2003-05 biennium recommends funding in the amounts of \$213 million for FY 2003-04, and \$245 million for FY 2004-05, for a total of \$458 million, an increase of 31 percent over the 2001-03 biennium. A large portion of the increase is attributable to medical trend inflation (15% for Medical, 18% for Prescription, 6% for Dental, 8% for Vision, 10% for HMOs and 5% for fully-insured coverages).

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 state General Funds.

For state employees, The Executive Budget recommends a monthly contribution, to be paid by the state, in the amount of \$495.68 for FY 2003-04 and \$558.07 for FY 2004-05. 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%

This state contribution amount is currently utilized to provide 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 Executive Budget recommends the addition of 6 new FTE positions. One Financial Analyst is recommended to assume a portion of the services (trend and utilization analysis, cost impact of plan changes, etc.) currently provided by a contractor. Five additional clerical staff are recommended to decrease the staffing currently provided through a temporary employment agency.

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 Executive Budget recommends the restoration of funding to rebuild a sufficient reserve over a four-year period. As recommended, the funded portion of the reserve would be \$10 million at the end of FY 2003-04 and \$15.8 million at the end of FY 2004-05.

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 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 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, that rate was effectively increased to 1.7 percent. The Executive Budget recommends agency payroll assessments of 1.49 percent in FY 2003-04 and 1.66 percent in FY 2004-05.

The base amount of the state subsidy for retirees is currently \$263.89 and is recommended to increase to \$280.78 (a 6.4% increase) for FY 2003-04 and to \$316.26 (a 12.6% increase) for FY 2004-05. These amounts are intended to increase the state retiree subsidy to equal the amount of the premium increase recommended on behalf of 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 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.

Nevada Legislative Counsel Bureau
Source of Funds Summary
2003 - Fiscal Report

	2001 - 2002 Actual	2002 - 2003 Work Program	2003 - 2004 Governor Recommended	% Change	2004 - 2005 Governor Recommended	% Change
SPECIAL PURPOSE AGENCIES						
OFFICE OF MILITARY						
MILITARY	5,618,236	5,628,153	6,424,962	14.16	6,536,395	1.73
GENERAL FUND	1,899,281	2,028,949	2,105,816	3.79	2,150,829	2.14
BALANCE FORWARD	-6,547	42,543		-100.00		
FEDERAL FUND	3,610,619	3,463,862	4,319,146	24.69	4,385,566	1.54
INTER AGENCY TRANSFER	113,125	92,799		-100.00		
OTHER FUND	1,758					
ADJUTANT GENERAL CONSTRUCTION FI	243	86,810	37,995	-56.23	37,798	-52
BALANCE FORWARD	243	35,473	37,995	7.11	37,798	-52
FEDERAL FUND		39,337		-100.00		
OTHER FUND		12,000		-100.00		
NATIONAL GUARD BENEFITS	95,437	95,441	92,572	-3.01	92,572	
GENERAL FUND	95,437	95,441	92,572	-3.01	92,572	
TOTAL-OFFICE OF MILITARY	5,713,916	5,810,404	6,555,529	12.82	6,666,765	1.70
GENERAL FUND	1,994,718	2,124,390	2,198,388	3.48	2,243,401	2.05
BALANCE FORWARD	-6,304	78,016	37,995	-51.30	37,798	-52
FEDERAL FUND	3,610,619	3,503,199	4,319,146	23.29	4,385,566	1.54
INTER AGENCY TRANSFER	113,125	92,799				.00
OTHER FUND	1,758	12,000				.00
VETERANS AFFAIRS						
COMMISSIONER FOR VETERANS AFFAIR	1,183,867	1,278,027	1,511,528	18.27	1,519,826	.55
GENERAL FUND	791,428	857,853	909,447	6.01	907,583	-20
OTHER FUND	392,439	420,174	602,081	43.29	612,243	1.69
VETERANS HOME ACCOUNT	1,833,261	10,438,757	11,256,556	7.83	11,664,045	3.62
GENERAL FUND	1,735,667	3,470,619	3,369,433	-2.92	3,776,922	12.09
FEDERAL FUND		3,593,507	3,820,580	6.32	3,820,580	
INTER AGENCY TRANSFER		2,698,956	3,543,516	31.29	3,543,516	
OTHER FUND	97,594	675,675	523,027	-22.59	523,027	
TOTAL-VETERANS AFFAIRS	3,017,128	11,716,784	12,768,084	8.97	13,183,871	3.26
GENERAL FUND	2,527,095	4,328,472	4,278,880	-1.15	4,684,505	9.48
FEDERAL FUND		3,593,507	3,820,580		3,820,580	.00
INTER AGENCY TRANSFER		2,698,956	3,543,516		3,543,516	.00
OTHER FUND	490,033	1,095,849	1,125,108	2.67	1,135,270	.90

Nevada Legislative Counsel Bureau
Source of Funds Summary
2003 - Fiscal Report

	2001 - 2002 Actual	2002 - 2003 Work Program	2003 - 2004 Governor Recommended	% Change	2004 - 2005 Governor Recommended	% Change
SPECIAL PURPOSE AGENCIES						
PUBLIC EMPLOYEES RETIREMENT SYSTEM						
PUBLIC EMPLOYEES RETIREMENT SYST	8,765,750	6,425,471	8,222,609	27.97	8,238,591	.19
BALANCE FORWARD	200,000	200,000	200,000		200,000	
INTER AGENCY TRANSFER	17,516	14,668	93,620	538.26	121,265	29.53
OTHER FUND	8,548,234	6,210,803	7,928,989	27.66	7,917,326	-15
TOTAL-PUBLIC EMPLOYEES RETIREMEN	8,765,750	6,425,471	8,222,609	27.97	8,238,591	.19
BALANCE FORWARD	200,000	200,000	200,000		200,000	
INTER AGENCY TRANSFER	17,516	14,668	93,620	538.26	121,265	29.53
OTHER FUND	8,548,234	6,210,803	7,928,989	27.66	7,917,326	-15
PEACE OFFICERS STANDARDS & TRAINING						
PEACE OFFICERS STANDARDS & TRAINI	991,691	1,213,813	1,700,941	40.13	1,561,988	-8.17
GENERAL FUND	-50,000					
BALANCE FORWARD	92,437	166,641	161,369	-3.16	134,081	-16.91
INTER AGENCY TRANSFER	21,291		32,798		32,798	
OTHER FUND	927,963	1,047,172	1,506,774	43.89	1,395,109	-7.41
POLICE CORPS PROGRAM	934,886	1,194,799	689,391	-42.30	694,859	.79
BALANCE FORWARD	133,080	153,231		-100.00		
FEDERAL FUND	801,806	1,041,568	689,391	-33.81	694,859	.79
TOTAL-PEACE OFFICERS STANDARDS &	1,926,577	2,408,612	2,390,332	-76	2,256,847	-5.58
GENERAL FUND	-50,000					
BALANCE FORWARD	225,517	319,872	161,369	-49.55	134,081	-16.91
FEDERAL FUND	801,806	1,041,568	689,391	-33.81	694,859	.79
INTER AGENCY TRANSFER	21,291		32,798		32,798	
OTHER FUND	927,963	1,047,172	1,506,774	43.89	1,395,109	-7.41
PUBLIC EMPLOYEES HEALTH PROGRAM						
PUBLIC EMPLOYEES BENEFITS PROGRA	155,298,180	194,696,778	213,002,995	9.40	245,041,554	15.04
BALANCE FORWARD	6,930,781	11,773,675	4,200,000	-64.33	10,014,392	138.44
INTER AGENCY TRANSFER	120,490,720	152,926,297	171,451,915	12.11	193,925,051	13.11
OTHER FUND	27,876,679	29,996,806	37,351,080	24.52	41,102,111	10.04
RETIRED EMPLOYEE GROUP INSURANC	14,258,811	15,823,873	17,061,345	7.82	19,227,402	12.70
BALANCE FORWARD	88,333	18,387		-100.00	12,193	
INTER AGENCY TRANSFER	14,170,478	15,805,486	17,061,345	7.95	19,215,209	12.62
TOTAL-PUBLIC EMPLOYEES HEALTH PRI	169,556,991	210,520,651	230,064,340	9.28	264,268,956	14.87
BALANCE FORWARD	7,019,114	11,792,062	4,200,000	-64.38	10,026,585	138.73
INTER AGENCY TRANSFER	134,661,198	168,731,783	188,513,260	11.72	213,140,260	13.06
OTHER FUND	27,876,679	29,996,806	37,351,080	24.52	41,102,111	10.04
SPECIAL PURPOSE AGENCIES						
GENERAL FUND	4,471,813	6,452,862	6,477,268	.38	6,927,906	6.96
BALANCE FORWARD	7,438,327	12,389,950	4,599,364	-62.88	10,398,464	126.08
FEDERAL FUND	4,412,425	8,138,274	8,829,117	8.49	8,901,005	.81
INTER AGENCY TRANSFER	134,813,130	171,538,206	192,183,194	12.04	216,837,839	12.83

Nevada Legislative Counsel Bureau
Source of Funds Summary
2003 - Fiscal Report

	2001 - 2002 Actual	2002 - 2003 Work Program	2003 - 2004 Governor Recommended	% Change	2004 - 2005 Governor Recommended	% Change
SPECIAL PURPOSE AGENCIES						
SPECIAL PURPOSE AGENCIES						
OTHER FUND	37,844,667	38,362,630	47,911,951	24.89	51,549,816	7.59
TOTAL-SPECIAL PURPOSE AGENCIES	188,980,362	236,881,922	260,000,894	9.76	294,615,030	13.31
Less: INTER AGENCY TRANSFER	134,813,130	171,538,206	192,183,194	12.04	216,837,839	12.83
NET-SPECIAL PURPOSE AGENCIES	54,167,232	65,343,716	67,817,700	3.79	77,777,191	14.69

APPENDIX

Report of the State of Nevada Economic Forum

*Forecast of Future State Revenues
December 2, 2002*

