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Nevada Legislative Counsel Bureau
Budget Closing Action Detail Report
General Government

April 13, 2003 1:43 PM
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EBO Page: PEBP-8 - Volume III

Title: RETIRED EMPLOYEE GROUP INSURANCE
Account: 101 - 1368

2003 - W02
Wrkng Ver #2

	2002 Actual	2003 W. P.	% Chg	2004 Gov Rec	% Chg	2005 Gov Rec	% Chg
Revenues							
BALANCE FORWARD	88,333	18,387	-79.18			12,193	
INTER AGENCY TRANSFER	14,170,478	15,805,486	11.54	17,061,345	7.95	19,215,209	12.62
Total Revenues	14,258,811	15,823,873	10.98	17,061,345	7.82	19,227,402	12.70
Expenses							
Base				14,258,811	83.57	14,271,004	74.22
Maintenance				2,802,534	16.43	4,956,398	25.78
Enhancement							
Total Expenses				17,061,345		19,227,402	
Percentage of Base							
Maintenance					19.65		34.73
Enhancement							

Adjustments to Revenue					FY2004	FY2005
Dec Unit	Cat	GL	Description			
B-000	00	2511	Eliminate balance forward of Reserve		0	(12,193)
Sub-Total					0	(12,193)
Line Item Changes to Revenues					0	(12,193)

Adjustments to Expenditures					FY2004	FY2005
Dec Unit	Cat	GL	Description			
B-000	10	9000	Increase expenditure authority by elimination of Reserve		12,193	12,193
B-000	86	9000	Eliminate Reserve		(12,193)	(24,386)
Sub-Total					0	(12,193)
Line Item Changes to Expenditures					0	(12,193)

Total					0	0
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THE SUBCOMMITTEE'S ATTENTION IS DIRECTED TO PAGE 3 FOR THE APRIL 24 UPDATE

OVERVIEW

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 program. Funding for the program is through payroll assessments on all state agencies (including the University and Community College System of Nevada - UCCSN) to cover the costs of the state subsidy.

BUDGET CLOSING ISSUES

1. Amount of retiree subsidy
2. Assessments charged to state agencies

DISCUSSION OF CLOSING ISSUES

1. **Amount of retiree subsidy** – Each year the Public Employees' Benefits Board establishes the premium rates for individuals who are retired from state employment. The Legislature establishes a "base" amount that is used to calculate the amount of subsidy that will be applied to each retiree's premium. NRS 287.046 provides that retirees who retired prior to January 1, 1994, are entitled to 100 percent of the base amount; and retirees who retired on or after January 1, 1994, are entitled to 25 percent of the base 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 amount. For each individual retiree, the appropriate subsidy amount is deducted from the established premium for coverage (which varies depending on whether the retiree chooses to cover a spouse and/or dependents; and whether or not the retiree is eligible for Medicare) and the difference is paid by the retiree. The Public Employees' Benefits Program (PEBP) has indicated that this retiree subsidy has historically paid approximately 66 percent of the total costs of insurance for retirees and their dependents.

Historically, the "base" amount for the retiree subsidy has been increased by the same percentage as the state contribution that is made on behalf of active state employees. The following table identifies the amount of the base subsidy and the percentage change since FY 1997-98 and the recommended rates for the upcoming biennium:

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 Senate Bill 3 of the 18th Special Session

The Subcommittee should be aware, the costs in this account are the result of the number of retirees who elect to participate in the group insurance program, the years of service of those retirees, and the "base" amount of state subsidy authorized by the Legislature. Once these three variables have been determined, the Public Employees' Benefits Program has no control of the costs in this account.

If it is the desire of the Subcommittee to provide the retiree subsidy amount as recommended in The Executive Budget, the amount of revenue collected in this account and the expenditure authority will need to be increased. The authorized amount included in The Executive Budget to provide for these retiree subsidies is \$17,049,152 for FY 2003-04 and \$19,203,016 for FY 2004-05. Revised calculations of the amount needed to fully fund this account for the upcoming biennium, including funding for a shortfall of the current biennium, have been prepared by staff and reviewed with PEBP and the Budget Office. Based on the account activity in the current year, funding the recommended subsidies for FY 2003-04 would require an increase in the authorized revenue and expenditure authority in this account in the amount of \$3,262,926 to a total of \$20,324,271; and for FY 2004-05 an increase of \$3,519,632 would be required to increase the total to the projected amount of \$22,747,034. (Note: These amounts are adjusted for the Reserve recommendation included below.)

2. **Assessments charged to state agencies** – Funding for this account is provided through a payroll assessment charged to all state agencies. The assessment rate is calculated by determining what will be needed in each year to fund the state subsidy; dividing this amount by the estimated gross payroll for the year; and the result 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, however these recommended assessment rates are not sufficient to fully fund the recommended subsidies. Therefore, if the Subcommittee approves the recommended subsidy amounts, staff is recommending an increase in the assessment rates (see below).

As presented to the Higher Education Subcommittee, the assessments, as provided for in the budget accounts for the UCCSN, fall short (approximately \$1.7 million each year of the upcoming biennium) of the amounts that

would result if the recommended assessment rates were applied to the gross payroll in those accounts. It is anticipated that staff will recommend that the subcommittee fund this shortfall.

If this Subcommittee chooses to fund the subsidy amounts outlined above, and even if the Higher Education Subcommittee fully funds the UCCSN shortfall, an increase in the assessment rate charged to all state agencies would still be required to fully fund the account. If the recommended subsidy amounts were approved, the assessment rate would need to be increased to **1.72 percent for FY 2003-04** (to provide a total of \$20,324,271) and **1.88 percent for FY 2004-05** (to provide a total of \$22,747,034).

OTHER CLOSING ITEMS

1. **Reserve (PEBP-8)** – As recommended in The Executive Budget, a Reserve in the amount of \$12,193 in FY 2003-04 and \$24,386 in FY 2004-05 would be established in this account. The only activity in this account is the transfer of funding once each month to the Public Employees' Benefits Program (625-1338), and that transfer is in excess of \$1.6 million. **Staff would recommend the elimination of the reserve in this account.**

OTHER INFORMATION

1. If the amount of the state contribution for active state employees is increased for any reason, does the Subcommittee want to approve the same percentage increase for the retiree subsidy amount, or should staff re-open the account and return to Subcommittee for further consideration?
2. As introduced, one of the provisions of Assembly Bill 249 proposes modifications to NRS 287.046 to define the state retiree subsidy as including **only state service** and that the retiree would have to retire directly from state service. Assembly Bill 249 was referred to the concurrent Committees on General Government and Ways and Means. On April 10, 2003 the Assembly Committee on Government Affairs recommended passage as amended (the amendment did not impact this provision of the legislation). The bill has not yet been heard in the Assembly Committee on Ways and Means.
3. The base amount of the retiree subsidy, as well as the state contribution for active employees, is established each Legislative Session through legislation which is usually submitted on behalf of the Budget Division. To date, no such legislation has been introduced for the current Legislative Session.

UPDATE FOR APRIL 24 SUBCOMMITTEE

This budget account was presented to the Subcommittee on April 16 for their consideration in closing the account. The account was not closed at that time in order to allow Mr. Comeaux, Budget Director, the opportunity to discuss the suggested adjustments to the account with the Governor.

A brief summary of the issues as discussed in the April 16 meeting:

- The authority for revenues and expenditures recommended in The Executive Budget will require adjustment if the Subcommittee desires to provide the retiree subsidy amount as recommended by the Governor.
- If the Subcommittee chooses to fund the subsidy amounts recommended by the Governor, the assessment rate charged to all state agencies will need to be increased.

Staff met with Mr. Comeaux and representatives of the Budget Office and reached agreement on the amount of funding necessary to support the recommended retiree subsidy amounts. As outlined above, these amounts are \$20,324,271 for FY 2003-04 and \$22,747,034 for FY 2004-05. In order to fund these amounts, the assessment rate for FY 2003-04 would need to be increased to approximately 1.72 percent to provide increased assessments of \$2,745,120. In FY 2004-05 the rate would need to be increased to approximately 1.88 percent to provide increased assessments of \$2,598,483. **The Subcommittee may wish to receive an update from Mr. Comeaux or a representative from the Budget Office regarding this adjustment.**

If the Subcommittee wishes to provide the retiree subsidy amounts as recommended by the Governor, the following options are offered for consideration by the Subcommittee:

1. Increase the assessment rates sufficient to provide the revenue necessary to fully fund the account. Assessments would be increased by \$2,745,120 in FY 2003-04 and \$2,598,483 in FY 2004-05. As a rule of thumb, 50 percent of this increase would be provided from accounts funded by the General Fund.
2. The Budget Division suggests the Subcommittee could approve the retiree subsidy amount, but not increase funding in the account, thus creating a deficit of \$5.3 million in the account by the end of the upcoming biennium. That shortfall would need to be made up in the 2005-07 biennium or the Public Employees' Benefits Program (625-1338) would suffer the loss of that amount. In addition, the cash flow in budget account 1338 would be impacted by this amount until it was made up.

As Option 3, the Subcommittee could chose to reduce the amount of the retiree subsidy in order to remain within the resources recommended in The Executive Budget. If this option is desired, the amount of the base retiree subsidy would be reduced from \$280.78 (Gov Rec) to \$242.86 in FY 2003-04 and from \$316.26 (Gov Rec) to \$280.13 in FY 2004-05. The base subsidy amount for the current year is \$263.89.

Recommendation:

First, staff would recommend Option 1, if funding can be found. This option would provide the subsidy as recommended by the Governor, thus increasing it by the same percentage as the increase in the state contribution made on behalf of active employees.

Second, staff would recommend Option 3.

Staff does not recommend Option 2 because it is not based on sound budgetary principles.

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Nevada Legislative Counsel Bureau
Budget Closing Action Detail Report
General Government

April 6, 2003 6:25 PM
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EBO Page: DETR-43 - Volume II

Title: DETR, DISABILITY ADJUDICATION
Account: 101 - 3269

2003 - G01
Governor Recommended

Adjustments to Revenue					
Dec Unit	Cat	GL	Description	FY2004	FY2005
Sub-Total				0.00	0.00
Adjustments to Expenditures					
Dec Unit	Cat	GL	Description	FY2004	FY2005
				Gov Rec	Gov Rec
Sub-Total				0.00	0.00
Total				0.00	0.00

OVERVIEW

The Bureau of Disability Adjudication (BDA) provides disability decisions to individuals in Nevada who file claims for disability benefits under the federal Social Security Disability Program. The bureau is responsible for processing all applications for disability benefits under the Social Security Disability Income (SSDI) and Supplemental Security Income (SSI) disability programs and for conducting hearings for those disability beneficiaries who are recommended for benefits termination. The Social Security Administration (SSA) funds 100 percent of the cost of operations for this budget account and determine all program performance criteria and operational responsibilities for the bureau.

MAJOR ISSUES

1. Addition of 20 New Positions
2. SSA Paperless Process Pilot Project

DISCUSSION OF MAJOR CLOSING ISSUES

1. Addition of 20 New Positions (E-500, page DETR-46) – The Executive Budget recommends funding in the amount of \$783,408 in FY 2003-04 and \$1,838,977 in FY 2004-05 to add 20 new positions over the biennium to the Bureau of Disability Adjudication (BDA) budget account by the end of the biennium: Seven Disability Adjudicators, nine administrative support staff, a Computer Network Specialist, a Senior Physician, a Psychologist, and a Rehabilitation Supervisor. The department indicates the seven Disability Adjudicator positions would be responsible for investigating disability claims and making disability determinations. The remaining recommended positions are needed to provide the clinical, administrative and logistical support required in the adjudication process. The department indicates these positions are needed to meet the overall demands of increasing claims filed for disability. According to the department, 1800 cases had to be passed on to federal disability units outside the state of Nevada for processing in FY 2000-01 because the BDA did not have sufficient resources to complete the job. The department has provided caseload projections that indicate workloads may exceed 29,000 in FY 2003-04 and 32,000 by FY 2004-05. In FY 1999-2000 the bureau received 19,544 disability claims. In FY 2000-01 that number increased to 21,732 cases and to more than 23,400 in FY 2001-02. In September 2002, the Interim Finance Committee approved the addition of 10 new positions to help the Bureau of Disability Adjudication meet increased workload demands: Five Disability Adjudicators, a Computer Network Specialist, and four administrative positions.

A major concern regarding the Bureau of Disability Adjudication in recent years has been the length of time it has taken the bureau to process cases. In FY 2000-01, the bureau averaged over 104 days to adjudicate a disability claim. According to the department, in FY 2001-02, by improving the investigation process and using additional overtime, the average case processing time was reduced to approximately 90 days. With the additional resources recommended in the bureau's 2003-05 budget the agency is projecting case processing time to be further reduced to approximately 80 days. The department indicates it has presented its current

staffing plan to the SSA and has received approval for the additional positions. Staff would note that positions in the BDA budget account are 100 percent federally funded and are hired with the understanding that if federal funds are eliminated or reduced, corresponding reductions in staff would be implemented. **Staff would note that, as of April 11, 2003, it does not appear that the department has filled any of ten positions approved by the IFC in September 2002.** The department has indicated that they have not filled any new positions because, although the bureau has received approval from the SSA for positions, the SSA has not provided the associated funding. Staff would note that the same situation exists with the Governor's recommendation to add 20 positions in this decision unit. Based on projected workloads for the coming biennium, the SSA has approved the bureau's staffing plan, but has not provided the funding. Given the uncertainty of the availability of federal funding for the recommended position, **the Subcommittee may wish to not approve decision unit E-500 with the understanding that when the bureau has secured funding for the positions they can resubmit their request to the Interim Finance Committee for consideration.**

2. SSA Paperless Process Pilot Project (E-720, page DETR-47) – This decision unit recommends federal funds in the amount of \$40,000 in each year of the biennium to fund modifications to the SSA case processing software. The 2001 Legislature approved funding in the amount of \$33,512 in FY 2001-02 and \$50,000 in FY 2002-03 for the implementation of a SSA Paperless Process pilot project. This system has been implemented and this funding will allow for updates to the system's software. The Social Security Administration will determine the timing of the installation of the specific hardware and software. **Does the Subcommittee wish to approve the funding in the amount of \$40,000 in each year of the biennium for modifications to the SSA case processing software?**

OTHER CLOSING ISSUES

1. Decision unit M-525 recommends funding in the amount of \$2,500 in each year of the biennium to establish ADA expenditure authority to meet the needs of employees with disabilities. The department indicates that each employee request for accommodation would be reviewed by the department's ADA specialist and approved by the director prior to purchase. The ADA funding level recommended in the Disability Adjudication budget is consistent with Subcommittee approved in the Rehabilitation Administration budget accounts of \$50 to \$60 per FTE. **Staff would recommend approval of this decision as presented.**
2. Decision unit E-276 recommends funding in the amount of \$1,100 in each year of the biennium to provide training for ten positions approved at the September 9, 2002 meeting of the Interim Finance Committee.
3. Decision unit E-450 recommends a funding increase in the amount of \$12,906 in each year of the biennium to allow the Bureau Chief to attend regional administrative meetings, national management forums with SSA executive staff and state agency systems users conferences. The department indicates that these meetings and conferences provide important information on policy, procedures, workload trends, systems enhancement and workshops and the SSA support increased participation in these activities. The total out-of-state travel authority would be \$27,034 in each year of the biennium. A total of \$8,739 was expended in out-of-state travel in FY 2001-03. **Based on the information provided by the agency and supporting documentation indicating the SSA is in full support of the bureau's increased participation in the national and regional training activities staff would recommend approval of the additional funding for travel.**
4. Decision unit E-710 recommends funding in the amount of \$15,990 in FY 2003-04 and \$14,295 in FY 2004-05 to replace three high volume fax machines and to replace telephone headsets and other minor office equipment. Equipment under \$1,000 is based on \$150 per FTE. The backup document on prices and replacement equipment appear to adequately support the recommendations for additional funding to purchase the equipment identified above.

OTHER TECHNICAL ADJUSTMENTS

Staff requests authority to make adjustments, as necessary, to the Intra-Agency Cost Allocations (M-800 and E-800) based on final approval of other DETR budget accounts.

cases. The department indicates that these two recommended positions would be dedicated to performing investigations, including case in-takes, and would allow the Commission to address the backlog of cases and decrease the workload per investigator, with the goal of reducing overall case processing times. The Commission has provided staff with updated case processing statistics and projected statistics comparing where the Commission would be by the end of the biennium with and without the two new positions. Based on the information provided by the Commission, without the new positions, case-processing times would continue to exceed 365 days, and with the new positions, the Commission projects case processing time could be decreased to approximately 311 days. Staff would note that even with the improved case processing times that could be achieved with the new positions, the Commission projects that case in-takes would continue to outpace case closures. The Subcommittee will recall that at its March 21, 2003 budget hearing, the Commission testified that cases filed with the agency have increased 42 percent since October 2002. Even though the rate of case closures has increased, the overall processing time to close a case has jumped from 316 days to 365 days. The Commission has stated that its goal is to achieve a case processing time of 270 days. Staff would note that the department's caseload and performance projections were based upon the Commission being able to maintain a 100 percent staffing level over the coming biennium. In testimony provided to the Subcommittee, the department indicated that vacancies and turnover have impacted the Commission over the past several years. Currently, the Commission has two vacancies, the Chief Compliance Investigator and a Compliance Investigator II. **Does the Subcommittee wish to approve the Governor's recommendation for \$86,537 in FY 2003-04 and \$110,986 in FY 2004-05 in General Funds to add two new Compliance Investigator II positions?**

2. General Fund reduction through increased vacancy savings (E-600, page DETR 83) – Decision unit E-600 recommends increasing the Commission's vacancy savings amount by \$31,130 in each year of the biennium to a total of \$41,221 in FY 2003-04 and \$41,364 in FY 2004-05 to meet the Governor's mandate for a three percent reduction in General Fund budgets. This action will effectively increase the Commission's vacancy savings rate from 3.2 percent in FY 2002-03 to approximately 4.9 percent in FY 2003-04 and 4.7 percent in FY 2004-05. Recommended vacancy savings for the other DETR General Funded budget accounts range from approximately 1.1 percent to 3.1 percent. The Subcommittee may recall that when asked if the higher vacancy rate would impact the Commission's ability to execute the budget as recommended, the Commission indicate that it could, but if the EEOC contract were approved at a significantly lower case amount than anticipated, the budget would not be able to be implemented as recommended. **Does the Subcommittee wish to approve the Governor's recommendation to reduce General Funds via an increase in the Commission's vacancy savings of \$31,130 in each year of the coming biennium?**

OTHER ISSUES

1. Federal Equal Employment Opportunity Commission (EEOC) funding – Approval of the federal EEOC contract remains uncertain. The Commission has reported that delays in the presidential budget process have delayed the approval of the EEOC's contract with the Nevada Equal Rights Commission. Currently the contract exists under continuing resolution until the federally approved funding authority can be processed and the EEOC contract approved. The Commission continues to operate under concurrent resolution for the EEOC contract; however, the department now reports that the Commission has received assurance that the contract will be processed and approved within the next couple of weeks. The EEOC has given the Commission approval to submit a voucher request for half the minimum anticipated contract amount of \$450,000. This amount is based on 900 case closures per year, approximately 9.8 percent less than the Commission was anticipating. However, the EEOC indicates that this amount is the minimum and estimates that the final contract amount will be closer to the amount budgeted. The Commission indicates it has sufficient funding resources to continue operation until federal funding is received, and it does not anticipate requesting emergency funding.
2. As noted above, the Commission's 2003-05 budget is based upon assurances from the federal EEOC that Nevada would qualify for an increase in its federal EEOC contract for the coming biennium. Over the past five years, Nevada's EEOC contract has been based on approximately 916 case closures and 100 case in-takes (receipt and acceptance of formal discrimination complaints) per year. Under the current contract, Nevada receives \$500 per case closure and \$50 for each case in-take. The EEOC has

indicated that Nevada's contract qualifies for an increase sufficient to accommodate approximately 1,050 to 1,065 case closures. This increase is reflected in the agency's 2003-05 recommended budget and results in an increase in EEOC funding over FY 2002-03 of \$58,000 in FY 2003-04 and \$76,000 in FY 2004-05. The latest indication received from the EEOC indicates that the contract is now expected to be approved at a lower level than anticipated; however, the department has not received information regarding how much less that amount will be. **Staff would request authority to make necessary budget adjustments in the event the Commission's EEOC contract does not include the increases anticipated. Staff would note that if the EEOC contract is approved at a level significantly lower than budgeted (1,050 cases in FY 2003-04 and 1,065 cases in FY 2004-05), the Commission may be forced to make significant cuts to its budget. Given the lower levels of funding requested in the Commission's support and operating categories of expense, the department indicates that if the EEOC contract is approved at a level below 950 cases, the Commission would be forced to consider cutting, or holding vacant, positions.**

3. Decision unit E-500 recommends funding in the amount of \$2,182 in FY 2003-04 and \$2,906 in FY 2004-05 for additional travel to attend monthly director's office meetings in Carson City, an annual Equal Rights conference, and budget hearings during the 2005 Legislative Session. The department has provided a detailed schedule for the recommended travel. The travel and associated costs appear reasonable. Staff would recommend approval of the Governor's recommendation for funding of \$2,182 in FY 2003-04 and \$2,906 in FY 2004-05 for additional travel for the Commission's administrator.
4. Decision unit E-710 recommends \$3,227 in FY 2003-04 and \$5,127 in FY 2004-05 for a replacement computer and associated software, and a standard \$150 per FTE funding allocation for miscellaneous equipment under \$1,000. Staff has made technical adjustments to the computer and software costs based on revised pricing received from State Purchasing.

OTHER TECHNICAL ADJUSTMENTS

Staff requests authority to make adjustments, as necessary, to the Intra-Agency Cost Allocations (M-800 and E-800) based on final approval of other DETR budget accounts.