

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS**

**Seventy-Eighth Session
February 12, 2015**

The Committee on Ways and Means was called to order by Chair Paul Anderson at 8:03 a.m. on Thursday, February 12, 2015, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website: www.leg.state.nv.us/App/NELIS/REL/78th2015. In addition, copies of the audio or video of the meeting may be purchased, for personal use only, through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblyman Paul Anderson, Chair
Assemblyman John Hambrick, Vice Chair
Assemblyman Derek Armstrong
Assemblywoman Teresa Benitez-Thompson
Assemblywoman Irene Bustamante Adams
Assemblywoman Maggie Carlton
Assemblywoman Jill Dickman
Assemblyman Chris Edwards
Assemblyman Pat Hickey
Assemblywoman Marilyn K. Kirkpatrick
Assemblyman Randy Kirner
Assemblyman James Oscarson
Assemblyman Michael C. Sprinkle
Assemblywoman Heidi Swank
Assemblywoman Robin L. Titus

STAFF MEMBERS PRESENT:

Cindy Jones, Assembly Fiscal Analyst
Stephanie Day, Principal Deputy Fiscal Analyst
Karen Daly, Committee Secretary
Cynthia Wyett, Committee Assistant



The Committee Assistant called the roll and all members were present.

Chair Anderson reminded the Committee, witnesses, and audience members of the Committee rules and protocol.

Chair Anderson opened the hearing for public comment. Hearing no public comment, he opened the budget hearing for the Office of the State Treasurer.

ELECTED OFFICIALS
TREASURER - STATE TREASURER
GENERAL BUDGET OVERVIEW

Dan Schwartz, State Treasurer, Office of the State Treasurer, introduced the staff and provided a general overview of his budget presentation, "State Treasurer's Office Executive Budget Accounts, February 12, 2015" ([Exhibit C](#)). He noted that the Treasurer's Office was created in 1864 under Article 5, Section 19, of the *Constitution of the State of Nevada*. Mr. Schwartz explained that the Treasurer's Office was responsible for six functional areas, which included:

- Administration
- Cash management
- Debt management
- Investments and special programs
- Oversight of education programs
- Return of unclaimed property

Mr. Schwartz explained the following general responsibilities of the Treasurer's Office and associated funds as shown on page 3 of [Exhibit C](#):

- \$9 billion — receipt and safeguarding of state funds.
- \$8.5 billion — disbursement of the State Treasury.
- \$3 billion — investment of state funds, such as those in the general investment portfolio, local government investment pool, Nevada Higher Education Prepaid Tuition Trust Fund, and the State Permanent School Fund.
- \$57.9 million — direction of specific funds, such as the state's private equity fund and the state's microloan program.

- \$2.8 billion — issuance of debt obligation on behalf of and in the name of the state.
- \$61 million — administration of the state's unclaimed property.
- \$14.4 billion — oversight of the state's college education and savings programs.
- \$1.7 billion — administration of the state's pooled collateral program.

Mr. Schwartz said that pursuant to *Nevada Revised Statutes* (NRS) 226.120, "The State Treasurer shall: 1. Provide information to either house of the Legislature, whenever required, upon any subject connected with the Treasury or any duty of his or her office."

Mr. Schwartz advised that the Treasurer's Office employed 36 staff members located in the Capitol Building in Carson City and in offices in the Grant Sawyer State Office Building in Las Vegas. He added that the staff, who managed billions in state funds, was located in tight quarters in both offices.

As the State Treasurer, Mr. Schwartz noted that he served as:

- A member of the State Board of Finance.
- A member of the Executive Branch Audit Committee.
- Chair of the Board of Trustees of the College Savings Plans of Nevada.
- Administrator of the Nevada Higher Education Prepaid Tuition Trust Fund.
- Chair of the Nevada Capital Investment Corporation (NCIC).
- Administrator of other funds and programs.

Mr. Schwartz explained that the Treasurer's Office received funding from assessments and trust fund transfers. For the 2015-2017 biennium, 6.3 percent of the operating costs of the Treasurer's Office were funded with State General Funds, which was a reduction from 10.6 percent in the 2013-2015 biennium.

Mr. Schwartz said that the Treasurer's Office managed the operations of nine budget accounts, and he would present six of those budget accounts to the Committee.

ELECTED OFFICIALS
ELECTED OFFICIALS
TREASURER - STATE TREASURER (101-1080)
BUDGET PAGE ELECTED-179

Dan Schwartz, State Treasurer, Office of the State Treasurer, testified that the Cash Management, Debt Management, and Investment functions, including the cost of the administration of the Treasurer's Office, were funded from budget account (BA) 1080. The management of the financial transactions conducted on behalf of state and local governments was funded from BA 1080.

Mr. Schwartz explained that the Treasurer's Office saved over \$1.45 million during the previous four-year contract with the general banking services vendor. Efforts to improve revenue collection and banking efficiencies had been successful.

Mr. Schwartz recalled that during the 76th Session (2011), the Treasurer's Office agreed to assume management of the statewide E-payment merchant services program at the request of the Department of Administration. Assembly Bill No. 402 of the 76th Session (2011) was approved and mandated that state agencies were to receive electronic payments, resulting in substantial growth in E-payment services. Mr. Schwartz added that the Treasurer's Office had successfully negotiated a new four-year contract with a merchant services vendor, which might result in savings of \$952,000.

Mr. Schwartz explained that the Nevada Capital Investment Corporation (NCIC), through the Silver State Opportunities Fund, had revised its current investment strategy, which was managed by the vendor, Hamilton Lane. The new strategy focused on making investments in Nevada, earning higher returns on current investments, and business opportunities that had a stable cash flow. He noted the Treasurer's Office would no longer invest funds in businesses with little or no relationship to the state.

Mr. Schwartz explained the budget enhancements for BA 1080 included:

- Decision unit Enhancement (E) 225 requested an increase of \$24,567 for the in-state travel budget each fiscal year of the biennium, which would be funded with additional Treasurer's assessments. The increase would allow the State Treasurer and senior staff to attend more meetings and provide oversight to the boards and committees on which they served, including the Nevada Capital Investment Corporation and the Board of Trustees of the College Savings Plans of Nevada.

- Decision unit E-226 requested an increase in the Treasurer's assessment of \$3,750 to fund BA 1080's portion of the proposed move and remodel project in the Las Vegas office. The total cost of the project would be approximately \$50,000 for fiscal year (FY) 2016 and would be funded from assessments in several Treasurer's Office budget accounts.
- Decision unit E-250 requested an additional management analyst position to oversee and administer a new microloan program that would benefit Nevada businesses needing small loans and provide a higher rate of return than was currently realized.
- Decision unit E-710 provided funding for replacement equipment approved by the Division of Enterprise Information Technology Services (EITS), Department of Administration. The cost was \$34,710 in FY 2016 and \$8,511 in FY 2017 for computer hardware and software. In FY 2016, the new replacement equipment would include 11 desktop computers, 1 server, 1 switch, 1 uninterruptible power supply, and associated software. In FY 2017, one server would be replaced.
- Decision unit E-720 provided funding through the Treasurer's Office cost allocation for new equipment in the amount of \$20,443 for FY 2016 and \$26,614 for FY 2017. In FY 2016, the new equipment included 1 server, 10 memory modules, 6 hard drives for the servers, and associated software to upgrade 10 servers and 50 desktop computers.

Mr. Schwartz proposed a budget amendment to adjust the salary allocations because of turnover and duty changes among the staff. Based on the functional requirements mandated by the *Nevada Revised Statutes* (NRS), the Treasurer's Office conducted an evaluation of its staff to determine which staff members were best suited to perform various duties. Mr. Schwartz noted that 18.5 percent of the salaries in BA 1080 were funded by the General Fund. However, in the 2015-2017 biennium, the Treasurer's Office would not request any additional General Fund for salaries, but would reallocate the percentage across other funding streams.

Mr. Schwartz presented the proposed budget amendment for salary increases, [Exhibit D](#). Based on the Treasurer's Office employees' individual workloads, high skill levels, and competitive conditions in the workplace, the proposed salary increases would be as follows: two Senior Deputy Treasurer positions from \$107,465 to a maximum of \$114,000, and four Deputy Treasurer positions from \$97,901 to a maximum of \$107,000, requiring a total funding increase of \$49,466 per fiscal year. The Deputy Treasurer positions were assigned to the following budget accounts:

- Senior Deputy Treasurer—North BA 1080
- Deputy Treasurer—Debt Service BA 1080
- Deputy Treasurer—Cash Management BA 1080
- Senior Deputy Treasurer—South BA 1092
- Deputy Treasurer—Unclaimed Property BA 3815
- Executive Director—Governor Guinn Millennium Scholarship BA 1088

Mr. Schwartz reiterated that the proposed salary increases would not require additional General Fund appropriations. He stated that the performance indicators for BA 1080 had been met or exceeded, including those related to comparable securities.

Assemblyman Sprinkle pointed out that several days earlier during the Assembly floor session, the entire legislative body had chosen to take a 2.5 percent decrease in regular pay to be at the same level as state employees. He requested justification for the Treasurer's Office proposed salary increase when other state employees had received no salary increase.

Mr. Schwartz responded that the Treasurer's Office staff operated in a competitive work environment, and the staff managed accounts that were valued at billions of dollars ([Exhibit C](#), page 3). He believed that the senior staff could easily obtain positions that paid two or three times their current salaries. He requested \$49,466 to compensate staff members who had fewer resources than needed and worked diligently and competently in a competitive marketplace. Mr. Schwartz noted that the position of Treasurer was compensated at a lower rate.

Assemblyman Sprinkle said he understood the competitive work environment and believed that all state employees should be paid more. During the past two weeks, the Committee had heard numerous instances in which the state could not retain qualified employees because of low base salaries. Assemblyman Sprinkle noted that the Treasurer's Office was the first agency to propose an increase in salaries for some unclassified staff. Assemblyman Sprinkle said the classified state employee salaries should be addressed before he would consider the Treasurer's proposal.

Mr. Schwartz replied that the Legislature should review the salary structure and responsibilities of state employees. He stated that the state deserved the best, and the employees should be retained.

Chair Anderson said the unclassified employees' salaries would be determined in the unclassified pay bill. To ensure equity across the departments, the

Legislature would consider responsibilities that were comparable to other unclassified employees across the state. Chair Anderson wondered whether the Treasurer's Office had met with the Division of Human Resource Management (DHRM), Department of Administration, for information on similar employee classifications, so the duties could be matched and equity could be determined among similar positions throughout the state.

Budd Milazzo, Deputy Treasurer—Cash Management, Office of the State Treasurer, replied that the Office had not interacted with DHRM. The unclassified staff had completed surveys from the Department of Administration about an overall evaluation of salary and job duties for unclassified positions.

Assemblyman Kirner said that he had sympathy regarding the compensation of employees, and he asked whether the Treasurer's staff participated in the mandated furloughs and the Public Employees' Retirement System (PERS). He noted that the furloughs were equal to an automatic 2.3 percent pay reduction, and PERS contributions decreased the salary available to the employees.

Mr. Schwartz affirmed that the positions participated in both the mandated furloughs and the Public Employees' Retirement System.

Assemblyman Armstrong asked for details of the Treasurer's request for a new microloan program in decision unit Enhancement (E) 250. Participation had increased in the State Small Business Credit Initiative (SSBCI) managed by the Office of Economic Development, Office of the Governor (GOED). Assemblyman Armstrong asked for an update on a program that was created in the Treasurer's Office during the 76th Legislative Session (2011) to provide private equity to specific businesses.

Mr. Schwartz responded that the private equity program was created with \$50 million in assets, and to date, \$6 million had been invested. He said that the investment program approach lacked focus, current returns were minimal, and investments were made to entities outside of Nevada. Discussions were held with the fund manager, and an agreement was reached to focus investments on Nevada and businesses that were not distressed. He asserted that the new approach would focus on short-term investments and businesses with a stable cash flow, which would improve returns. Mr. Schwartz added that new initiatives were being pursued within the private equity investment guidelines to benefit the state and citizens of Nevada.

Mr. Schwartz explained that a new microloan program would be managed by Accion, a company that specialized in microloans, and the loans would range from \$1,000 to \$8,000. The proposed microloan program would serve a different group of Nevadans who were unable to acquire capital from a bank to purchase items such as a computer, food cart, or lawn equipment. The microloan program was different from the current equity program. He emphasized that the new microloan program would empower entrepreneurs to grow the economy. Mr. Schwartz requested \$1 million for the program to fund the initial investments. He acknowledged that GOED had a comparable program, but was unsure of the details of that program. He added that the private equity program had made several investments in excess of \$2 million per investment.

Assemblyman Armstrong stated that Nevada was awarded \$13.8 million in federal capital funding to support the SSBCI Nevada Microenterprise Initiative (NMI) and the Nevada Collateral Support Program. He wondered whether the additional \$1 million in funding was needed, because GOED already paid for a similar program.

Grant Hewitt, Chief of Staff, Office of the State Treasurer, said that support for the microloan program would be provided by the Nevada Capital Investment Corporation (NCIC) and not the General Fund. The funding was from the \$50 million private equity program, and no additional funds would be requested from the Legislature. He said the Nevada Microenterprise Initiative focused on loans ranging from \$5,000 to \$50,000, as opposed to the microloan program, which would focus on loans ranging from \$1,000 to \$8,000.

Assemblyman Armstrong wondered how the program administration would be funded from the \$1 million budget.

Mr. Schwartz replied that the Treasurer's Office was currently in contract negotiations with Accion, and that contract was different from the GOED program. He said the \$1 million was a small amount of capital, and the program would start small and expand later. The Treasurer's Office would be guaranteed a 2 percent return on its investment from Accion, which would exceed current returns. The State Permanent School Fund was currently earning a return on investment of approximately 0.54 percent, and it was estimated that the new contract with Accion would yield a 2 percent return.

Mr. Schwartz explained that Accion would administer the program for the Treasurer's Office. The Treasurer's Office would be responsible for oversight of the contract, and Accion would absorb any losses. He speculated that GOED would likely experience losses with its program. The contract with

Accion would expire in four years, and the vendor would be paid approximately \$500,000 per year.

Assemblywoman Kirkpatrick recalled that the Nevada Microenterprise Initiative program was heard by the Assembly Committee on Government Affairs during the 76th Session (2011). She asked how the microloan program would comply with Chapter 355 of the *Nevada Revised Statutes*, and she suggested that the same requirements should apply to the microloan program. She understood that it had taken one year to adopt regulations through the Legislative Commission to establish qualifications for individuals involved in the Nevada Microenterprise Initiative program. Assemblywoman Kirkpatrick expressed concern about how the proposed microloan program could be operated without proper statutory authority and who would provide oversight for the Legislature. She said the Permanent School Fund had set aside \$50 million for long-term investments, and stability was critical for the state's investments.

Assemblywoman Kirkpatrick stated that the state did not function as a financial institution, and it would be difficult to lend small amounts ranging from \$1,000 to \$8,000 to entrepreneurs. The existing program operated by GOED should be used before a new loan program was created. She recalled that the state had used American Recovery and Reinvestment Act (ARRA) of 2009 funds to lend to entrepreneurs, but those funds had not been fully repaid. The state did not have \$1 million to lose, because it would affect the larger projects. Assemblywoman Kirkpatrick asked whether the microloan program would be governed by regulations or statutes.

Mr. Hewitt answered that the proposed salary increases for the Treasurer's Office employees would not be paid from General Funds, and Mr. Milazzo would provide details about the funding sources.

Mr. Milazzo explained that the Treasurer's Office received its funding through several sources other than General Fund, which included:

- Bank assessments from the pooled collateral program; banks were charged a fee for the service.
- The Tobacco Master Settlement Agreement, which was administered through the Treasurer's Office.
- The Treasurer's assessment that was charged for assisting with the distribution of funds to state agencies.

- The investment fees charged for providing investment and accounting services for the State of Nevada's General Portfolio and other funds.
- Salary allocations from other budget accounts of the Treasurer's Office that received funding from the College Savings Endowment Account.

Mr. Milazzo stated that the Treasurer's Office would not request additional General Fund for salaries, and the proposed salary increases would be funded through assessments or interagency allocations.

Chair Anderson reiterated that the Committee understood the funding for the salaries in the Treasurer's Office. The salaries would be included in the unclassified pay bill for multiple agencies, so the funding source was irrelevant. He added that the Legislature had jurisdiction and responsibility to determine the salaries for unclassified positions.

Assemblywoman Kirkpatrick said she was concerned that the microloan program could adversely affect the General Fund. The State Permanent School Fund, which had taken nearly two legislative sessions to establish, had \$50 million in capital to make investments that the state relied on for revenue. She asked for specifics of the proposed microloan program operations, through either statute or regulations, and how oversight would be provided.

Mr. Hewitt explained that the new microloan program would be governed by the investment policy as part of the Nevada Capital Investment Corporation (NCIC), and it would be considered a temporary debt investment to Accion. According to the contract, Accion would accept the risk for the losses and would pay the state a 2 percent return on investment as funds were loaned. The microloan program would be authorized under the temporary investment policy of NCIC, which would require approval from the NCIC Board of Directors. The state would incur no risk of loss to its \$1 million investment.

Assemblywoman Kirkpatrick asked for the specifics of the contract with Accion to ensure that the State Purchasing Division, Department of Administration, processes were followed, which included:

- A hearing before the State Board of Examiners.
- Facilitation of the contract by the Purchasing Division.
- Status of the current vendor.
- Status of the contract with Accion.
- How the vendor was identified.

Assemblywoman Kirkpatrick advised that the NCIC Board of Directors was conservative and exercised oversight of the Nevada Microenterprise Initiative program, which had been created to serve specific sectors of the economy. The Board worked closely with GOED. She requested that the Treasurer's Office present more details regarding the contract for the microloan program. The Legislature should be responsible for the oversight of the program to ensure that the Treasurer's Office performed well and the state's bond rating remained at a high level. The Treasurer's Office should confirm that the Legislature would have oversight. Assemblywoman Kirkpatrick knew that businesses provided services for profit, and she needed to understand the details of the Accion contract. The Legislature needed to be responsible for oversight to help the Treasurer make good decisions for the state.

Mr. Schwartz responded that the \$1 million cost was part of the \$50 million in capital that the Legislature authorized, and the funds would be considered a bond with a fixed rate of return. He advised that the Treasurer's Office would loan the funds to Accion at a 2 percent rate of return that was within the guidelines of NCIC, and Accion would loan the funds to businesses at a 10 percent rate. Accion would earn a profit of the difference between the 2 percent and 10 percent rates. He said the concern of the Treasurer's Office would be that the interest payments were made timely.

Assemblywoman Kirkpatrick asked whether the contract with the current vendor would remain in place.

Mr. Schwartz replied that the current vendor, Hamilton Lane [a global leader in private markets investing], would remain under contract to the Treasurer's Office. Agreement had been reached that Hamilton Lane would authorize the contract within the \$50 million authorization.

Assemblywoman Kirkpatrick asked whether the current NCIC Board would determine who would receive the smaller loans.

Mr. Schwartz responded that the current Board would not determine who would get the smaller loans.

Assemblywoman Kirkpatrick expressed concern that the Legislature approved \$50 million in 2011 and established sufficient oversight, but the \$1 million would be taken from the \$50 million with no oversight. She noted that the money for the microloans would reduce funding available for the major sector councils that worked with the business community through GOED. She wondered whether the microloan program would also follow the same rules or whether new regulations would need to be adopted.

Mr. Schwartz explained that the Treasurer's Office would award \$1 million to Accion for the contract, and the Treasurer's Office would review Accion's returns on the microloans. However, the Treasurer's Office had no control over the investments once the funds were provided to Accion.

Mr. Hewitt added that the Treasurer's Office would provide a copy of the initial contract negotiations with Accion to the Committee and provide updated information on the microloan program.

Assemblywoman Benitez-Thompson asked for justification of the 358 percent increase for in-state travel funds requested for the Treasurer's Office.

Mr. Schwartz replied that the percentage of increase was accurate because the previous in-state base travel budget was too small. The Treasurer's Office had \$6,809 in its in-state travel budget in FY 2015, and that amount was only sufficient to pay travel costs for staff to take 12 trips between Las Vegas and Reno. He said that the staff issued debt and managed large sums for the college savings plans and was unable to manage those funds from Carson City. He added that the percentage increase seemed high, but the in-state travel increase of \$24,364 [for a total request of \$31,173 in each year of the 2015-2017 biennium] was appropriate.

Assemblywoman Benitez-Thompson asked whether different methods to reduce travel costs were considered, such as teleconferencing. She said there had been an emphasis on reducing travel costs for state agencies and legislative activities.

Mr. Milazzo explained that the Treasurer's Office used teleconferencing every week for meetings with the deputies across the state. The Office staff had little person-to-person contact, and some managers and employees had never met one another in person.

Assemblywoman Benitez-Thompson asked what measureable outcomes could be expected if the in-state travel budget increase was approved.

Mr. Hewitt answered that more travel would increase participation in the 529 Nevada College Savings Plans [authorized in *United States Code*, Title 26, §529]. The Treasurer's Office would provide a better-coordinated education and outreach effort, including more effective messages to parents about investing in the Nevada College Savings Program and the Nevada College Kick Start Program. He added that teleconferences would not facilitate staff discussion of innovative ideas, and there should be person-to-person discussions among staff.

Assemblywoman Benitez-Thompson asked whether the Treasurer's Office expected an increase in the prepaid educational funds.

Mr. Hewitt replied that the Treasurer's Office expected an increase in enrollment in the program, but not necessarily an increase in funds. Face-to-face meetings would facilitate streamlining the policies and procedures for the Unclaimed Property Program to decrease the average number of days to process a claim for unclaimed property.

Assemblywoman Benitez-Thompson asked that additional details be submitted to Fiscal Analysis Division staff and included in the legislative record for the specific goals of the Treasurer's Office associated with the travel increase request.

Mr. Hewitt agreed to provide additional information to the Committee.

Assemblywoman Benitez-Thompson asked whether the salary increases would be considered a reallocation of current funding. She asked how many of the existing 36 positions in the Treasurer's Office were presently vacant.

Mr. Milazzo answered that the reallocations were not based on vacant positions, but would be a reallocation of the funding stream. The General Fund paid for 18 percent of the existing salaries for the positions. The Treasurer requested a reallocation of salaries from the assessments and fees received in the other Treasurer's Office budget accounts.

Assemblywoman Benitez-Thompson asked whether those assessments would result in fee increases.

Mr. Milazzo confirmed that assessments to the agencies would result in fee increases.

Assemblywoman Benitez-Thompson wondered how much the fees would increase through the assessments.

Mr. Milazzo stated Treasurer's assessments consisted of an assessment for administering the investments, and a fee was charged for the interest distribution.

Assemblywoman Benitez-Thompson wanted to scrutinize the assessment amounts, and asked what the percentage of increase would be and how the percentages would be applied to the funding streams.

Mr. Milazzo responded that the assessment increases would be defined and provided to the Committee, and the net change would not be an increase. The Treasurer's Office would increase the Treasurer's assessment to state agencies, but the increased assessment would be offset by the reduced amount of General Funds that the Treasurer's Office would receive.

Assemblywoman Benitez-Thompson asked whether those calculations were available for Fiscal Analysis Division staff to review.

Mr. Milazzo said that he had calculations, but would prefer to present them in a spreadsheet that would be easier to understand.

Chair Anderson summarized that the Committee had received insufficient backup for the Treasurer's budget requests, and the justification and business plan were needed. Fiscal Analysis Division staff was unable to brief the Committee because of the lack of information provided on the Treasurer's Office budgets.

Assemblywoman Carlton asked whether a Capital Improvement Program (CIP) project had been submitted for the \$50,000 proposed remodel project and wondered about the funding of the project.

Mr. Hewitt stated that a priority of the Treasurer's Office was to consolidate staff and increase the space in the remodel project for its Las Vegas office. The Treasurer's Office worked with the Buildings and Grounds Section, State Public Works Division, Department of Administration, and other state agencies to identify the space requirements. The State Public Works Division analyzed the availability of space in the Grant Sawyer State Office Building and would search for other suitable locations outside of the building.

Assemblywoman Carlton surmised that the funding for the remodel project would come from portions of the different assessments. She cited an example of approximately \$25,400 that would be spent from the Unclaimed Property budget account [BA 3815].

Mr. Milazzo responded that the Unclaimed Property Program was fully funded from unclaimed money that was returned to the Treasurer's Office each year. He said that the remodel costs would be allocated to each program budget based on the current rent percentages reflecting the number of positions located in the Las Vegas office. Because 50 percent of the staff in the Las Vegas office was assigned to the Unclaimed Property Program, the cost allocation for the remodel project would be funded at 50.8 percent from the Unclaimed Property budget account [BA 3815]. The Nevada College Savings Plan program would

pay 43 percent of the remodel costs from the Endowment Account (BA 1094). The State Treasurer's administrative budget account (BA 1080), which included Treasurer's assessments, banking assessments, and tobacco assessments, would pay 7 percent of the remodel costs.

Assemblywoman Carlton asked for clarification about the remodel costs paid from the Endowment Account [BA 1094].

Mr. Milazzo responded that 43 percent of the remodel costs would be paid from the Endowment Account, which included the following funds:

- Millennium Scholarship administration
- Higher Education Prepaid Tuition Program
- Nevada College Savings Plans (529 plans)

Assemblywoman Carlton wondered whether statutory authority existed in *Nevada Revised Statutes* (NRS) 353B.370, subsection 8, to pay for the move or remodel project. She read subsection 8, but found no reference to remodeling costs. She said that she would work with Fiscal Analysis Division staff on the details, but there should be further discussion of the topic. If the remodel costs were paid from the Endowment Account, she questioned what items would then remain unfunded.

Assemblyman Hambrick asked when the Treasurer's Office would submit a completed plan, including the remodeling costs and other items.

Mr. Hewitt said that the Treasurer's Office would provide the additional information within one week.

Chair Anderson advised that the Treasurer's Office should provide the supplemental information to Fiscal Analysis Division staff, and the information would be disseminated to the Committee members.

Mr. Schwartz confirmed that a complete, comprehensive plan would be submitted within one week. [A memorandum from the Office of the State Treasurer dated February 17, 2015, which described the modifications and clarifications to the Treasurer's Office budget request, was received subsequent to the meeting and is included as [Exhibit E](#).]

ELECTED OFFICIALS
ELECTED OFFICIALS
TREASURER - NEVADA COLLEGE SAVINGS TRUST (101-1092)
BUDGET PAGE ELECTED-196

Dan Schwartz, State Treasurer, Office of the State Treasurer, testified that budget account (BA) 1092 was for the Nevada College Savings Plans Program. The state offered several 529 [*United States Code*, Title 26, §529] College Savings Plans, which were administered by the Board of Trustees of the College Savings Plans of Nevada.

Mr. Schwartz explained that the Board was tasked with two primary goals:

- Grow the number of participants in the Nevada College Savings Plans Program.
- Ensure the solvency of the Nevada Higher Education Prepaid Tuition Program.

Mr. Schwartz indicated that the Nevada College Savings Plans Program was funded with program fees collected from the various contracted program managers and did not receive State General Funds. The expanded outreach and awareness campaign resulted in a 69 percent increase in new accounts between fiscal year (FY) 2010 and FY 2014. He said that the Treasurer's Office was modifying the outreach and awareness program by placing the four college scholarship and savings programs under a single authority titled "Let's Go To College."

Mr. Schwartz noted that the Silver State Matching Grant Program funding had increased from \$35,000 to \$50,000 annually, which was provided by one of the educational partners. The Distinguished Valor Matching Grant Program offered by the USAA 529 College Savings Plan was expanded last year to provide a match for contributions to a member of Nevada's military families.

Mr. Schwartz said the budget request included continuation of the funding for the Nevada College Savings Program administrative costs from budget account (BA 1094), Endowment Account, established pursuant to NRS 353B.350 (2)(b), which received fees from the various program managers. Those administrative costs were not paid from General Funds.

Mr. Schwartz listed the decision units for BA 1092 included:

- Decision unit Enhancement (E) 710 requested funding of \$2,833 in FY 2016 for one desktop computer and one laptop computer, per the Division of Enterprise Information Technology Services (EITS), Department of Administration, recommended replacement schedule.
- Decision unit E-720 requested the use of Treasurer's Office cost allocation funds of \$4,592 in FY 2016. (Other equipment that cost a total of \$55,153 in FY 2016 was requested in BA 1080.)

Mr. Schwartz stated that the performance indicators for BA 1092 had been met or exceeded.

Assemblywoman Kirkpatrick asked whether the Treasurer's Office planned to continue the successful Nevada College Kick Start Program.

Mr. Schwartz responded that the Nevada College Kick Start Program would continue as part of the "Let's Go To College" program, which included the Nevada College Kick Start Program, the Nevada College Savings Plans Program, the Nevada Higher Education Prepaid Tuition Program, and the Governor Guinn Millennium Scholarship Program.

Assemblywoman Bustamante Adams asked about a business plan for the "Let's Go To College" program and whether cost savings would result from the efficiency of the program.

Mr. Schwartz responded that a business plan was being prepared, and the fees paid by the program participants would total between \$700,000 and \$800,000 and could be used for all of the programs in the Treasurer's Office. The outreach campaign would emphasize awareness and create a "Culture of Education" in Nevada, which would result in expanded college savings and scholarship programs.

Assemblywoman Bustamante Adams asked when the Committee would receive the business plan for the program.

Grant Hewitt, Chief of Staff, Office of the State Treasurer, replied that the business plan was currently being prepared, and the Treasurer's Office was working with various partners to complete the plan. The business plan would be provided as soon as it was finished, but would not be completed in the next week. The Treasurer's Office would expand the \$800,000 outreach awareness program to the four college savings plans, increase the footprint, and prevent

the duplication of efforts. He did not expect any cost savings, but suggested there would be an increase in the number of participants.

Assemblyman Sprinkle recalled that the Nevada College Kick Start Program began in 2013 as a three-year pilot program, and he wondered whether there was any information available on the efficiency and effectiveness of the program.

Mr. Hewitt replied that the in-state enrollment rate for the College Savings Plans Program was 3.96 percent before the Nevada College Kick Start Program, and had increased to 15.67 percent. Participants learned about the need to save for college. He noted that the Nevada College Kick Start Program was fully funded in FY 2016, but would no longer be funded in FY 2017 because the Board of Trustees of the College Savings Plans of Nevada needed to reallocate the funding after the three-year pilot program ended. He indicated that there were 64,000 participants in the Nevada College Kick Start Program, and the program would continue to add every new kindergarten class. A college savings account was created for new kindergarten students, which encouraged parents to have early discussions about saving for college. The Treasurer's Office provided materials to teachers throughout Nevada to encourage students to attend college.

Assemblywoman Swank asked whether college students could use the funds in their college savings plans at the educational institutions of their choice in any state. She wondered whether the Nevada Higher Education Prepaid Tuition Program could be used to pay in-state tuition only.

Mr. Hewitt explained that the Nevada Higher Education Prepaid Tuition Program was a program for participants to purchase tuition credits at today's cost for future use at any eligible educational institution, including in-state and out-of-state institutions. The in-state tuition would be fully paid, but out-of-state tuition might cost more, and the difference would be assessed to the student.

Assemblywoman Swank asked whether there were any tools that encouraged students to enroll in Nevada educational institutions.

Mr. Schwartz responded that the college savings programs were attractive to parents because of their portability. The college savings programs could be used for out-of-state costs.

Mr. Hewitt added that when those programs were combined into the "Let's Go To College" program, there would be different opportunities for residents to

save for college through the Treasurer's Office. Multiple programs that allowed students to pay for college included:

- Prepaid tuition to help the students pay for tuition.
- Millennium Scholarship funds to cover the difference.
- Funds from college savings 529 plans to pay for room and board and other eligible expenses.

Mr. Hewitt said that parents would become the instrument that encouraged students to remain in Nevada, because parents would understand the advantages of using all the benefits for in-state schools. Those benefits were more limited for out-of-state schools.

Assemblywoman Swank commented that she wanted to encourage students to attend college and remain in Nevada.

Assemblywoman Benitez-Thompson asked about the discussions of the Board of Trustees of the College Savings Plans of Nevada Program related to combining the outreach programs.

Mr. Schwartz responded that the Board of Trustees was enthusiastic about combining the programs into one marketing plan.

Assemblywoman Benitez-Thompson asked whether the details that were provided to the Board of Trustees were different from the information provided to the Legislature.

Mr. Hewitt assured the Committee that the information provided to the Board of Trustees included high-level highlights. He agreed to provide specific details to the Committee later.

Mr. Schwartz added that details of the plan would be provided to the Committee. [Details of the "Let's Go To College" plan were included in the February 17, 2015, memorandum ([Exhibit E](#)) from the Office of the State Treasurer received subsequent to the meeting.]

Assemblyman Edwards commented that his constituents thought the college programs were good, but complained that parents did not learn about the programs early enough to maximize their benefits. He asked the Treasurer's Office to publicize the programs earlier, because as children aged, it became more costly for parents to participate.

Mr. Schwartz replied that the new outreach program would inform parents earlier.

ELECTED OFFICIALS

ELECTED OFFICIALS

TREASURER - ENDOWMENT ACCOUNT (101-1094)

BUDGET PAGE ELECTED-201

Dan Schwartz, State Treasurer, Office of the State Treasurer, stated that the budget request included continuation of funding the administrative costs of the Nevada College Savings Plans Program from the Endowment Account. He stated that budget account (BA) 1094 received funding from investment fees collected from the various contracted program managers for the college savings accounts. The Endowment Account did not receive State General Funds.

Chair Anderson said BA 1094 had been covered briefly during earlier discussion. There were no decision units that required specific information.

Chair Anderson asked whether the Committee members had any specific questions on BA 1094. Hearing no questions, he requested Mr. Schwartz to present the next budget account.

ELECTED OFFICIALS

ELECTED OFFICIALS

TREASURER - HIGHER EDUCATION TUITION ADMIN (603-1081)

BUDGET PAGE ELECTED-207

Chair Anderson noted that budget account 1081 had been briefly discussed during the presentation of the remodel project in budget account 1080. No decision units required any additional discussion. Chair Anderson asked whether the Committee members had any specific questions on budget account 1081.

Assemblywoman Bustamante Adams asked why the remodel project was necessary, because the Office of the State Treasurer achieved 100 percent of its performance measures and customers' needs. She questioned the efficiencies that would be created by the remodel project.

Dan Schwartz, State Treasurer, Office of the State Treasurer, stated the staff worked diligently in tight quarters to meet or exceed their performance indicators, which was evidence of their good work performance. He wanted to ensure that the Treasurer's Office continued to meet or exceed its performance measures, and the office needed remodeling and suitable office space.

Chair Anderson suggested that if 100 percent of the performance measures were achieved, perhaps the performance measures should be modified.

ELECTED OFFICIALS

ELECTED OFFICIALS

TREASURER - MILLENNIUM SCHOLARSHIP ADMINISTRATION (261-1088)

BUDGET PAGE ELECTED-214

Chair Anderson asked that the presentation by the Office of the State Treasurer focus on the solvency of the Governor Guinn Millennium Scholarship. The funding from the Tobacco Master Settlement Agreement would end in 2018, and Chair Anderson wanted to hear the plan to keep the program solvent. Chair Anderson asked whether the Committee members had any specific questions on budget account (BA) 1088.

Grant Hewitt, Chief of Staff, Office of the State Treasurer, explained that the Governor Guinn Millennium Scholarship would remain solvent until fiscal year (FY) 2021. He advised that several bills presented during the 78th Session (2015) would address the funding shortfalls. He added that problems could develop as early as FY 2018 or FY 2019, depending on legislation that might be approved. He urged that a permanent revenue source be found to support the program. Mr. Hewitt reported that the Treasurer's Office worked with the Nevada System of Higher Education (NSHE), which was responsible for the eligibility requirements of the program. The Treasurer's Office was responsible for the disbursement of the funds.

Dan Schwartz, State Treasurer, Office of the State Treasurer, stated that Assembly Bill 111, sponsored by Assemblyman Kirner, would gradually raise the number of required college credits from 12 to 15 per semester for each student. He said that the Treasurer's Office preferred that the credits per semester be raised in one action rather than graduated steps. He preferred that the amount of reimbursement per tuition credit hour (currently \$80 per credit hour) be raised to an amount closer to the market price [fall 2015 tuition was \$199.25 per credit hour]. Those preferred changes would result in a deficit in a couple of years for the Millennium Scholarship. Mr. Schwartz stated that Nevada made a promise to pay for college education through the Millennium Scholarship for its students, and he believed that promise should be honored.

Assemblywoman Bustamante Adams asked which agency was responsible for compiling the Millennium Scholarship data. She wondered about the total number of students who received the scholarship and how many students were female versus male.

Mr. Hewitt responded that NSHE compiled the demographic data for the Millennium Scholarship, and the information was provided to the Treasurer's Office.

Chair Anderson stated that the discussion about the solvency of the Millennium Scholarship would continue at another time.

Assemblyman Hickey stated that the Millennium Scholarship used a one-time funding measure as the best possible use of the tobacco settlement funding. He asked whether the State Treasurer wanted the Millennium Scholarship to continue and how the Treasurer's Office would secure funds for the program.

Mr. Schwartz replied that the Millennium Scholarship program was intended to pay for college for Nevada's best and brightest students. The Millennium Scholarship no longer paid for the credit hours needed or the current cost of the credit hours. He stressed that an original promise was made, and the state should keep that promise. The Governor's budget was focused on funding K-12 education, and the Treasurer's Office focused on higher education.

Chair Anderson recalled that the Legislature appropriated funds to the Millennium Scholarship during the 77th Session (2013) to maintain solvency for the Millennium Scholarship. He said that an additional appropriation of \$5 million in State General Funds was needed to maintain solvency through FY 2021. Current projections showed a \$13 million deficit would occur in FY 2022, and there was a need for further discussion of the program.

Assemblywoman Kirkpatrick asked whether the data from the Nevada System of Higher Education (NSHE) was available on the Treasurer's website.

Mr. Hewitt replied that he would compile the annual information from NSHE and provide it to the Committee.

ELECTED OFFICIALS
ELECTED OFFICIALS
TREASURER - UNCLAIMED PROPERTY (101-3815)
BUDGET PAGE ELECTED-222

Dan Schwartz, State Treasurer, Office of the State Treasurer, indicated that the Treasurer's Office had returned approximately \$35 million in unclaimed property, according to the statutory guidelines.

Chair Anderson stated that no major issues existed for budget account (BA) 3815.

Assemblywoman Benitez-Thompson asked whether the Unclaimed Property Program would remain unchanged.

Mr. Schwartz responded that no major changes were planned for the Unclaimed Property Program. He added that the Unclaimed Property Program needed better facilities, two additional positions to process claims, improvements to the conditions in which the unclaimed property was kept, streamlined processes, and replacement software. He agreed to provide the Committee with additional detailed information.

Assemblywoman Kirkpatrick asked how many additional staff positions were needed for the Treasurer's Office to bring its current programs up to date, and she requested more information on streamlining the processes. She thought it was easy for citizens to obtain their unclaimed property now and wondered what processes needed streamlining.

Mr. Hewitt responded that three vacant positions should be filled to allow the staff to be more efficient in providing claim information to the public. The process for claiming unclaimed property was easy for the public. He said that the Treasurer's Office was reviewing updated software, which was not included in the biennial budget request. The new software upgrade would enable staff to validate the claims more rapidly within the 90-day statutory requirement.

Chair Anderson stated that the Unclaimed Property Program had returned more funds to the owners than expected, and thus fewer funds were available for reversion to the State General Fund.

Mr. Schwartz concluded that the Treasurer's Office needed to make the following improvements: increase returns on investments, enhance education savings programs, and streamline unclaimed property processes. He advised

that the Treasurer's Office increase in its budget would result in higher returns to the state.

Chair Anderson closed the hearing on the Office of the State Treasurer budget accounts. He opened public comment, and hearing no public comment, Chair Anderson adjourned the meeting at 9:25 a.m.

RESPECTFULLY SUBMITTED:

Karen Daly
Committee Secretary

APPROVED BY:

Assemblyman Paul Anderson, Chair

DATE: _____

EXHIBITS

Committee Name: Committee on Ways and Means

Date: February 12, 2015

Time of Meeting: 8:03 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Dan Schwartz, State Treasurer, Office of the State Treasurer	State Treasurer's Office Executive Budget Accounts
	D	Dan Schwartz, State Treasurer, Office of the State Treasurer	Proposed Budget Amendment for salary increases
	E	Dan Schwartz, State Treasurer, Office of the State Treasurer	Memorandum to Modify Budget Requests and Clarifications