

**MINUTES OF THE A.B. 560 SUBCOMMITTEE OF THE  
SENATE COMMITTEE ON FINANCE**

**Seventy-third Session  
May 31, 2005**

The A.B. 560 Subcommittee of the Senate Committee on Finance was called to order by Chair Bob Beers at 10:35 a.m. on Tuesday, May 31, 2005, in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

**COMMITTEE MEMBERS PRESENT:**

Senator Bob Beers, Chair  
Senator Barbara K. Cegavske  
Senator Dina Titus

**STAFF MEMBERS PRESENT:**

Jeffrey A. Ferguson, Program Analyst  
Bob Guernsey, Principal Deputy Fiscal Analyst  
Cindy Clampitt, Committee Secretary

**OTHERS PRESENT:**

Kathryn A. Besser, Assistant Treasurer, Office of the Treasurer  
Janet E. Murphy, Management Analyst, Office of the Treasurer

**CHAIR BEERS:**

Mr. Jeffrey A. Ferguson, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau has provided the Subcommittee with a spreadsheet for Assembly Bill (A.B.) 560 concerning the Millennium Scholarship Program ([Exhibit C](#)). It delineates the various financial options regarding the Millennium Scholarship.

**ASSEMBLY BILL 560 (1st Reprint):** Revises provisions governing millennium scholarships. (BDR 34-1424)

JEFFREY A. FERGUSON (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

It is difficult to break out the financial considerations, but I attempted to provide fiscal data for A.B. 560 in its current form on pages 1 and 2 of [Exhibit C](#). The only policy issue in this bill is the two-strike proposal which would save approximately \$1 million annually.

On pages 3 and 4 of [Exhibit C](#), I have included the cost savings of \$2 million in each year if summer school were deleted. Limiting the scholarship to 12 credit hours per student each semester would save approximately \$5.5 million to \$5.6 million each year.

I have recently discussed these adjustments with the Treasurer's Office and our calculations are reasonably close in these areas.

In its current form, A.B. 560 would continue the scholarships through approximately 2009 or 2010. Those calculations include a \$35 million one-shot

appropriation and the \$8 million allocation from the unclaimed property account in ongoing appropriations.

If all the policy changes in the proposed amendments from the Treasurer's Office were adopted, the Program would be solvent until 2017 or 2020.

CHAIR BEERS:

The Subcommittee has been provided a section-by-section analysis of A.B. 560 ([Exhibit D](#)).

Sections 1, 2 and 3 of the bill are transitory; moving the administration of the Program from the Treasurer's Office to the Department of Administration in accordance with a request from the Governor.

Section 4 addresses criteria for the initial award of a Millennium Scholarship. The changes are to round the high school grade point average (GPA) to two digits of precision. It includes an expansion of the Program to allow eligibility for special education students. The language appears to suspend certain rules while leaving in place a 3.10 or 3.25 GPA and removing the requirement that the student graduate within four years. Section 4 is infinitely retroactive. For instance, that provision would apply to students who received their diploma in the 1980s. It eliminates the minimum course load requirement for college attendance. That is language I have not heard discussed previously.

SENATOR TITUS:

Is the funding source from the unclaimed property account?

CHAIR BEERS:

Yes, it is a General Fund appropriation through the unclaimed property account.

SENATOR TITUS:

Will the two-strike provision save \$1 million each year?

CHAIR BEERS:

That is an agreed-upon estimate from staff and the Treasurer's Office.

SENATOR TITUS:

Would the deletion of the summer school provision save \$2 million each year?

CHAIR BEERS:

That is the estimate from the Treasurer's Office.

SENATOR TITUS:

How would that be a savings if a total scholarship is disbursed per student?

CHAIR BEERS:

Presumably, it would stretch out the usage because some students would decide not to attend summer school and would graduate in five years instead of three years. It is more of a cash-flow issue.

SENATOR TITUS:

I would suggest we look for some other method to lengthen cash flow because summer school is important, especially in certain programs such as nursing.

SENATOR TITUS MOVED TO REJECT THE OPTION TO ELIMINATE THE USE OF THE MILLENNIUM SCHOLARSHIP FOR SUMMER SCHOOL.

THE MOTION DIED FOR LACK OF A SECOND.

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SENATOR CEGAVSKE:

Assemblywoman Chris Giunchigliani made comments on May 30, 2005, that there are students who are attempting to complete college earlier through summer school attendance. I was told payment for summer school is not made until the student completes their courses. It is not upfront funding. If that is true, I am not opposed to funding summer school.

CHAIR BEERS:

Are there any other questions on the fiscal data?

SENATOR TITUS:

Students receive up to \$10,000 when awarded a Millennium Scholarship. Do they receive the \$10,000 regardless, or is it tied directly to the cost of a class?

CHAIR BEERS:

It is currently paid in dollars-per-credit-hour.

A provision in section 4 eliminates the six-year limit for an application for scholarship after high school graduation for special education students. Students are not required to graduate in four years under the amendments.

SENATOR TITUS:

Those changes are acceptable. Do those provisions only apply to special education?

CHAIR BEERS:

I am not sure that provision has been discussed in a hearing. We do not have an estimated cost for that provision.

Are there any other criteria the Subcommittee wishes to include to tighten the provisions for award of the Millennium Scholarship?

SENATOR CEGAVSKE:

I believe the requirement to include a social security number on scholarship applications needs to be retained in the bill.

I have requested, many times, for a requirement of four-year attendance at a Nevada high school.

CHAIR BEERS:

Do you wish the requirement to be four years in a high school or can it be four years in a secondary school?

SENATOR CEGAVSKE:

The requirement can be made that it be a secondary school. That would provide for students who may graduate in three years but have attended seventh or eighth grade in Nevada.

CHAIR BEERS:

Will the amendment be that a student has to attend four years of middle or high school in Nevada?

SENATOR CEGAVSKE:

This is a Nevada scholarship. I see nothing wrong with requiring four years of attendance in Nevada schools to be eligible for the scholarship.

SENATOR TITUS:

Is the current requirement simply to graduate from a Nevada High School?

SENATOR CEGAVSKE:

The current requirement is for graduation from a Nevada high school.

SENATOR TITUS:

What about a student who is a long-time resident on an accelerated program?

CHAIR BEERS:

By making the requirement four years in a secondary school, middle school years of attendance can be included to meet the requirement.

SENATOR TITUS:

I think the qualifications for award of a Millennium Scholarship needs to be as broad as possible because the purpose of the Program is to help Nevada students attend college. Only a small percentage of Nevada students attend college. The requirements for continuance of the scholarship should be tightened.

CHAIR BEERS:

Section 5 addresses the grade inflation issue. By having linked the qualifications to the GPA, we have an opportunity for a positive impact on the overall Nevada GPA. Suggestions in previous hearings have included linking qualifications to the American College Test (ACT) or the Scholastic Aptitude Test (SAT) scores. It was explained the problem with that suggestion is that Nevada does not have an SAT or ACT test requirement. Eligibility could be linked to an aggregate score of the high school proficiency examinations.

SENATOR TITUS:

The high school proficiency examinations have been controversial. There were questions concerning the math element of whether or not the scoring was correct and were teachers teaching to the examination. Students were required to be retested. Testimony earlier today indicated tests should be shown to parents.

CHAIR BEERS:

It would have been helpful if [Exhibit C](#) had indicated the number of new Millennium Scholarship recipients accepted in each year.

SENATOR TITUS:

That would have indicated where the increases have been.

CHAIR BEERS:

It would also have indicated the number of students making application for the scholarship. Ultimately, when the GPA is increased, we should see a decrease in the number of new awards made.

KATHRYN A. BESSER (Assistant Treasurer, Office of the Treasurer):

I have provided the Subcommittee with a group of charts indicating the status of students in the Program ([Exhibit E](#)). It indicates, for each graduation year, the number of students who were eligible for the Program.

CHAIR BEERS:

[Exhibit E](#) indicates there were 4,265 students utilizing the Program in 2000, 4,560 students received the award in 2001, 4,680 students in 2002 and 5,048 students received Millennium Scholarships in 2003.

It appears to me the majority of the student increase is a function of the increasing number of high school graduates and grade inflation.

There are fewer students graduating in 2003 than in 2002, but larger percentages were eligible in 2003. Page 3 of [Exhibit E](#) indicates 57.1 percent of graduates were eligible for the scholarships in 2002 and 60.6 percent were eligible in 2003.

SENATOR TITUS:

The percentage of eligibility decreased between 2001 and 2002, while the number of graduates increased. I am not sure a trend can be established from a four-year comparison.

CHAIR BEERS:

One method to stretch the Millennium Scholarship Program beyond the current limit of 2010 would be to limit the number of scholarships offered. That could be done objectively by instructing the Department of Education to consider the aggregate high-proficiency examination score and limit qualification to 8,600 eligible students. That presumes the 55- to 60-percent utilization figures remain the same. It would be difficult to place a cap directly on the number of awards. We can adjust the passing score to influence the number of students eligible for the scholarships.

SENATOR TITUS:

That is similar to my suggestion at the inception of this Program. I worried about grade inflation. I felt the award should be earned, but I lost that proposal. It was decided to open the program to all Nevada students. The intent was that the Millennium Scholarship should not be a competitive scholarship based on GPA, writing samples or test scores. The intent of this Program was to serve a different purpose. Over time, I have seen the merit of those arguments against my original objections.

To completely change the focus of the Program in a Subcommittee should be considered more carefully. Perhaps that is a future consideration after 2010.

CHAIR BEERS:

My proposal is to develop a list of ideas for change in the Program and present the suggestions to the full Committee on Finance.

The proposed changes to section 5, addressed in [Exhibit D](#), concern use of funds to explicitly allow for payment of summer school, prohibit the use for remedial courses, not change the 2.6 GPA required to continue in the Program and add the two-strike provision.

SENATOR CEGAVSKE:

I would like to add a provision that no refunds be given. I would like to ensure there is an adjustment in place for the community colleges versus the university system.

MR. FERGUSON:

Are you speaking of the number of allowable credit hours?

SENATOR CEGAVSKE:

If a student is attending a community college rather than a university, are we charging them for the community college adjusted price versus that for a university? That would extend funds in the long run for community college students.

MR. FERGUSON:

It is my understanding that the funds-per-credit-hour is predicated on which institution they are attending.

SENATOR TITUS:

That would apply to Nevada State College as well. What do you mean by no refunds?

SENATOR CEGAVSKE:

Speaking from personal experience, the first year my son attended college with a Millennium Scholarship, a check was sent to him when he switched courses. The new course cost less per-credit-hour and he was sent a refund for the difference. The funds were not sent to the school or his parents. I have been told the federal government also sends refunds directly to students for grant or scholarship refunds. I heard testimony recently that the Treasurer's Office does not believe this is happening, but it happened in my own family.

I have learned that some students would sign up for as many credits as possible and then cancel some of the courses. That results in the student directly receiving a refund check for a portion of their scholarship. The ideal situation would be that a refund would be used for books or supplies, but when a college student receives an unexplained check, beer and pizza probably come to mind more frequently than books or supplies. I believe those limits can be set.

If a refund is necessary, perhaps it could be written to the bookstore account, identified to the specific student, or returned to the scholarship fund allowing the student to fund future credits of study.

SENATOR TITUS:

I think it would be a nightmare to try to have a bookstore set up these accounts. I understand the intent. Explain how Millennium Scholarship checks are issued. Are the checks written to the schools or to the student?

CHAIR BEERS:

On pages 5 and 6 of A.B. 560, beginning at line 39, a student is allowed \$40 for each credit hour if attending a community college and \$60 for each credit hour if attending a state college such as Nevada State College. The rate is \$80 for each of the universities. I believe the funds are paid to the student.

MR. FERGUSON:

The scholarship checks are written to the educational institution.

SENATOR CEGAVSKE:

The scholarship checks are written to the educational institution, but refund checks are written to the students. Another concern with that practice is that, because the students are over 18 years old, parents are not made aware of the refunds.

SENATOR TITUS:

Is the refund check issued from the Treasurer's Office or from the educational institution?

SENATOR CEGAVSKE:

The check was issued by the university.

SENATOR TITUS:

The proposal would be to direct the educational institution to track students who were receiving a Millennium Scholarship and issue the refund check to the Millennium Scholarship Fund.

CHAIR BEERS:

The institutions should already know that. Page 2, of [Exhibit E](#), indicates Millennium scholars are already being tracked with regard to student eligibility and the number of strikes against them.

We can choose to have any refunds directed to the Millennium Scholarship Fund or require, upon loss of eligibility, in addition to the two-strike provision, that a student must repay the scholarship on classes for which eligibility was not maintained.

SENATOR TITUS:

That would provide more funds, but I do not believe that is a feasible plan. I agree that if a refund is issued, it should not be issued to the student. The refund should be directed to the Millennium Scholarship Fund, but it will place a burden on the educational institutions to track refunds.

SENATOR CEGAVSKE:

If a refund is due to the Millennium Scholarship Fund, a red flag on any computer system to send refund checks back to the Millennium Scholarship Fund would solve the issue.

CHAIR BEERS:

Under section 5, in [Exhibit D](#), there seems to be some support to leave payment for summer school in the bill which would agree with the Assembly amendment.

SENATOR CEGAVSKE:

If the bill specifies the language, as stated by Assemblywoman Giunchigliani, that payment for summer school would only be paid after the student has completed classes, I would support that provision.

CHAIR BEERS:

I oppose the summer school provision because it will greatly impact administration of the Millennium Scholarship Fund.

SENATOR TITUS:

That is already being done.

CHAIR BEERS:

What is the Subcommittee's opinion with regard to deletion of the provision of Millennium Scholarship funds for remedial courses?

SENATOR CEGAVSKE:

I support it.

SENATOR TITUS:

I support it. That provision should result in significant savings.

MS. BESSER:

It is not quantifiable because we will still be paying for 12 credits. The requirement would only eliminate remedial courses as one of those allowed. They do not get credits from remedial courses toward college graduation. They will still take the remedial courses, so the Millennium Scholarship Funds would be used to pay for other courses.

The University and Community College System of Nevada, the Treasurer's Office and the Legislative Counsel Bureau all agree it is not quantifiable.

SENATOR TITUS:

As with the summer school provision, the deletion of remedial courses from eligibility may cause the Millennium Scholarship Fund to last longer. Approximately 40 percent of students were required to take remedial courses. If they take the required remedial courses without reimbursement, then the 12 credits that are counted may be stretched out longer.

SENATOR CEGAVSKE:

Elimination of payment for remedial courses would require the scholarship to be used toward degree courses and graduation.

CHAIR BEERS:

The Treasurer's Office has been paying for remedial courses.

MS. BESSER:

We have been paying for them in the sense that if a student took the classes, whether or not it was part of their required 6 or 12 credits, we did not differentiate. The same course load will be required. The student will pay for the three remedial credit hours.



CHAIR BEERS:

If a student was taking 15 credits of study, 3 of which were remedial credits, was the Treasurer's Office paying for 12 or 15 credits?

MS. BESSER:

We were paying for 15 credits.

SENATOR TITUS:

Are the remedial courses counted toward a degree? It needs to be made clear what a remedial course is.

CHAIR BEERS:

The Assembly language in section 5 of A.B. 560 prohibits Millennium Scholarship Funds from being used for remedial courses.

SENATOR CEGAVSKE:

I concur that remedial courses should be excluded from payment through the Millennium Scholarship Program.

CHAIR BEERS:

That is specified on page 6, line 16, of A.B. 560. I believe the Subcommittee concurs with that language.

What GPA should students be required to maintain?

SENATOR CEGAVSKE:

I recommend students should maintain a 3.0 GPA.

CHAIR BEERS:

In the discussions with the Assembly, that figure would likely become a 2.8 GPA.

SENATOR TITUS:

I would like to see a 3.0 GPA also, but 2.75 is more realistic.

SENATOR CEGAVSKE:

I recommend we suggest a 3.0 GPA and be open to compromise.

SENATOR TITUS:

I concur.

CHAIR BEERS:

What is the Subcommittee's recommendation concerning the two-strike provision?

SENATOR CEGAVSKE:

I recommend we allow only one strike and require repayment for courses in which a student fails to maintain eligibility.

SENATOR TITUS:

The eligibility requirements need to be strengthened, but every student has a bad semester. If they are only allowed one strike, that is not reasonable. They should be allowed one bad semester, but if they have a second instance, that would indicate a pattern and should affect their eligibility.

CHAIR BEERS:

There are two decisions to be made. We need to decide whether to allow one or two strikes. The second decision is whether or not to require a repayment for courses in which eligibility was not maintained.

SENATOR TITUS:

Would students who are not currently meeting eligibility be required to repay their scholarship?

CHAIR BEERS:

Senator Cegavske's proposal is that if they have a second strike, they must pay back the cost of the Millennium Scholarship.

SENATOR TITUS:

How does a student lose their eligibility currently?

SENATOR CEGAVSKE:

It is determined by the GPA.

CHAIR BEERS:

Other suggestions for that provision have included placing a six-year time limit on graduation from college.

MS. BESSER:

There are three ways Millennium Scholarship can be lost. One is through GPA. Another is by not taking enough credits as prescribed by the legislation and lastly, by not making satisfactory progress toward a degree.

SENATOR TITUS:

Is eligibility based on the overall GPA?

MS. BESSER:

It is not calculated on the cumulative average. It is computed for each semester. If a student drops to a 2.0 GPA and pays for a semester themselves, the cumulative GPA does not have to be brought up to a 2.6 average. A 2.6 GPA must be maintained in the semester the student is ineligible for the scholarship.

CHAIR BEERS:

What if a student decides to leave college after their sophomore year to work for two years?

MS. BESSER:

That is acceptable. The Millennium Scholarship can be used for a total of six years. A student in that situation would have two years of scholarship eligibility remaining.

CHAIR BEERS:

Would the student have met the criteria for a strike because of the fact no credits were taken under the scholarship program in those years?

MS. BESSER:

No, a strike occurs if a student enrolls for up to 15 credits and then drops below 12 credits of study.

SENATOR TITUS:

How would the two-strike proposal differ from the current practice?

MS. BESSER:

Currently a student can lose eligibility and regain it as many times as they wish. They must simply have an interim semester, or semesters, to bring the GPA back to at least a 2.6.

SENATOR TITUS:

Under the two-strike provision, are you saying students could only do so one time?

MS. BESSER:

That is correct.

CHAIR BEERS:

Section 6 relates to the source of ongoing funding. That provision is the use of the unclaimed property funds from the General Fund for \$7.6 million. The bill proposed by the Treasurer's Office allowed \$8 million.

This bill also includes a provision that if the unclaimed property fund falls short, other General Funds could be used.

Section 7 is the onetime endowment of \$35 million from the General Fund.

SENATOR CEGAVSKE:

The Senate passed this measure with an \$8 million allocation from the unclaimed property account. Why did the Assembly reduce the allocation to \$7.6 million?

MR. FERGUSON:

The \$7.6 million figure was what was originally proposed in the *Executive Budget*.

Senate Bill (S.B.) 463 also addresses the amount of the transfer from the unclaimed property account and the allocation is \$8 million.

**SENATE BILL 463**: Makes various changes concerning use of revenues from disposition of unclaimed property. (BDR 30-578)

SENATOR CEGAVSKE:

Is S.B. 463 a sufficient provision without section 7 of A.B. 560?

MR. FERGUSON:

No, it is not.

SENATOR TITUS:

The \$35 million provision, in section 7 of A.B. 560, is included in the *Executive Budget*.

SENATOR CEGAVSKE:

The decision is whether to allocate \$7.6 million or \$8 million?

CHAIR BEERS:

The more we allocate in each year, the longer the Program will last. This Program is costing the state \$33 million each year. At this time, the provisions will fund the Program for an additional four years. Assembly Bill 560 will allow the Program to extend four years.

SENATOR CEGAVSKE:

How long would S.B. 463 extend the Program?

MR. FERGUSON:

The Senate bill had several effects on the unclaimed property account. One of those effects was the \$8 million provision for the Millennium Scholarship Trust Fund. It did not address the scholarship in any other way.

CHAIR BEERS:

There are nine changes that have been recommended. I suggest the Subcommittee vote on each of the nine proposals and report the results to the full Senate Committee on Finance prior to amending A.B. 560.

The first recommendation is to retain the Treasurer's suggestion that eligibility requirements include a social security number for the recipient.

SENATOR CEGAVSKE:

I agree.

SENATOR TITUS:

I am opposed.

CHAIR BEERS:

Recommendation No.1 will be presented to the full committee with one in opposition.

The second recommendation is that students be required to complete four years of secondary school in Nevada instead of the current two-year requirement.

SENATOR CEGAVSKE:

I concur.

SENATOR TITUS:

Would the Subcommittee members consider decreasing the requirement to three years of secondary school in the amendment?

CHAIR BEERS:

If we changed the recommendation to three years, we could make a unanimous recommendation.

SENATOR TITUS:

A two-year requirement is not enough, but four years is too much.

SENATOR CEGAVSKE:

Four years is a high school education in Nevada prior to attending college. I will concede to three years.

CHAIR BEERS:

Recommendation No. 2 is unanimous to require three years of attendance in a secondary school in Nevada.

The third recommendation is to replace the GPA criteria with an instruction to the Board of Education to establish a composite proficiency examination score that results in 8,500 graduates eligible for the Millennium Scholarship.

SENATOR CEGAVSKE:

I agree.

SENATOR TITUS:

I am opposed.

CHAIR BEERS:

Recommendation No. 3 will be submitted to the full committee with one Subcommittee member in opposition.

The fourth recommendation is that no Millennium Scholarship refunds be allowed or payments made directly to university scholars after enrollment. Any refund application would, instead, be returned to the Millennium Scholarship Fund.

SENATOR CEGAVSKE:

I concur.

SENATOR TITUS:

I concur.

CHAIR BEERS:

Recommendation No. 4 will unanimously be made to the full committee.

The fifth recommendation would include the clause proposed by the Assembly to allow the Millennium Scholarship to be used for summer school courses.

SENATOR CEGAVSKE:

I will concur under the current provisions that the student must pay for the summer school courses and be reimbursed from the scholarship once the course is completed.

CHAIR BEERS:

Recommendation No. 5 will be presented to the full committee unanimously if the current reimbursement method is retained.

The sixth recommendation is to require a college GPA of 3.0.

SENATOR TITUS:

In my opinion, we should require a 2.75 GPA, but I will concur with the 3.0 GPA college requirement.

CHAIR BEERS:

Recommendation No. 6 will be unanimously presented to the full committee for a 3.0 GPA.

The seventh consideration is whether to allow one or two strikes and whether or not to require repayment to the Program for courses in which eligibility was lost. I will entertain a specific recommendation.

SENATOR CEGAVSKE:

I would recommend allowing two strikes and the requirement of repayment for ineligible courses on the second strike.

SENATOR TITUS:

Would a student be required to repay the entire Millennium Scholarship or only the amount for the course or courses for which they do not maintain the 3.0 GPA?

SENATOR CEGAVSKE:

If a student enrolled with 12 credits, they would repay the portion in which they failed to maintain the GPA.

SENATOR TITUS:

The problem with that provision is, if it is predicated on the GPA and a student takes four courses, they may not necessarily fail all four courses. Will the student be required to repay all four courses?

SENATOR CEGAVSKE:

The repayment will be required for any course in which a student fails.

CHAIR BEERS:

We could recommend repayment for any failed course to clarify the intent. If a student took four courses and received three As and one F, they would be required to repay the credits for the course in which they received the F.

SENATOR TITUS:

I will agree; however, I do not think they can be required to repay the credits; rather, the amount should be withheld from their next scholarship award. A repayment requirement would place the institutions into the collections business.

SENATOR CEGAVSKE:

What if the failure occurs in their final year of college?

CHAIR BEERS:

The Western Interstate Commission for Higher Education has similar requirements.

SENATOR TITUS:

Student loan repayments are one of the biggest problems nationally. If this recommendation is adopted, it must be established that a student would not receive credit for a future course until repayment is made.

If a student is in their final collegiate year, the repayment would be an uncollectible debt.

CHAIR BEERS:

If it is a second strike for a student, they will no longer be eligible for the Millennium Scholarship Program in any case.

I suggest we adopt the Assembly's two-strike language without a payback provision.

SENATOR TITUS:

I will support that suggestion.

SENATOR CEGAVSKE:

I oppose the deletion of the repayment provision. I support the two strike provision.

CHAIR BEERS:

Recommendation No. 7 will unanimously be presented to the full committee for the two-strike provision.

Recommendation No. 8 will be presented to the full committee not to require repayment for failure to meet the eligibility requirements with one in opposition.

The final decision is the funding. Do we want to authorize funding as recommended by the Assembly at \$7.6 million from the unclaimed property account or should we hold to the Senate recommendation of \$8 million?

SENATOR TITUS:

I recommend we hold at \$8 million.

SENATOR CEGAVSKE:

I concur.

CHAIR BEERS:

Recommendation No. 9 will be unanimously presented to the full committee that funding from the unclaimed property account be allocated at \$8 million.

MR. FERGUSON:

There are two other important items the Subcommittee may wish to address. Currently, 2 percent of the balance in the Millennium Scholarship Trust Fund is authorized for administrative costs. The Treasurer has requested authority for an increase to 3 percent for administrative costs from the anticipated Annual Tobacco Master Settlement Agreement revenue. That will provide adequate funding for Program administration. The allocation would be directed to the Department of Administration under the provisions of A.B. 560.

SENATOR CEGAVSKE:

What would be the amount of the allocation?

MR. FERGUSON:

That would depend on the annual revenue received from the tobacco settlement. Currently, administration costs are approximately \$400,000 to \$500,000 annually. If new duties are being added, an increase in the administrative cost provision is needed.

CHAIR BEERS:

I suggest we express the administrative costs in a dollar amount rather than a percentage. As the tobacco funds presumably continue to shrink, we could specify that administrative costs cannot exceed \$500,000.

SENATOR TITUS:

Will the program move from the Treasurer's Office to the Department of Administration?

CHAIR BEERS:

The Program will be administered under the Department of Administration, but the same duties will be required.

SENATOR TITUS:

Does the Treasurer's Office concur with transferring Program responsibility to the Department of Administration?

CHAIR BEERS:

Will employees be transferred to the Department of Administration?

MS. BESSER:

The Treasurer's Office has three positions devoted to the Millennium Scholarship Program; however, the budget committees recently approved an additional full-time position because there are now more than 50,000 eligible students.

It is the Treasurer's opinion that the team who established the Program will be disbanded. If the move helps the Program to remain, that is acceptable. It is all about preserving the Program. Lead time has been provided to transition the Program.

CHAIR BEERS:

The team in the Department of Administration may change as well by the time the Program is transitioned. Does the Subcommittee wish to require the duties to remain in the Treasurer's Office?

MR. FERGUSON:

The fiscal move of positions into the Department of Administration can be accomplished by simply moving the budget account.

CHAIR BEERS:

Can that provision be included in the final amendments to A.B. 560 in the Senate Committee on Finance?

MR. FERGUSON:

For clarification, are you referring to retaining the Program under the Treasurer's Office or to moving it into the Department of Administration?

CHAIR BEERS:

I am referring to moving it into the Department of Administration.

MR. FERGUSON:

That is already contained within A.B. 560.

CHAIR BEERS:

Does the bill provide for moving the positions into the Department of Administration?



MR. FERGUSON:

The bill moves the Program, and staff would request the authority from the committee to transfer the budget account containing the positions.

CHAIR BEERS:

What is the Subcommittee's pleasure regarding placement of a fixed amount for administrative costs from the Tobacco Master Settlement Agreement fund to be used for administrative costs?

SENATOR CEGAVSKE:

I concur.

SENATOR TITUS:

I concur. What amount is needed?

CHAIR BEERS:

The testimony indicated the need to be between \$400,000 and \$500,000 annually.

SENATOR CEGAVSKE:

I suggest we recommend a cap for administrative costs of not more than \$500,000.

CHAIR BEERS:

The strength of the agency presentations before the money committees in each legislative session will be directly proportional to the reversion.

SENATOR TITUS:

I am not sure how the amount of the cap can be calculated.

MR. FERGUSON:

I do not have the Millennium Scholarship budget before me. The current administrative costs are slightly more than \$400,000 in fiscal year (FY) 2006 and increase slightly for FY 2007. Beyond that, if a ceiling is placed, I am not sure how that would work when the Program costs reach a point where they would exceed the cap.

SENATOR CEGAVSKE:

When the cap is reached, the agency would need to appear before the appropriate legislative committees to request additional funding.

SENATOR TITUS:

That places the Legislature in the position of periodically reviewing the same issue. A percentage would allow ongoing funding.

CHAIR BEERS:

The problem is that the fund to be used for the administrative costs is shrinking. Currently, the number of recipients is increasing.

JANET E. MURPHY (Management Analyst, Office of the Treasurer):

In FY 2008, additional Tobacco Master Settlement Agreement payments will be made. The Millennium Scholarship Program fund would increase to approximately \$18 million from the current \$15 million being received. This is an additional payment that the state begins to receive.

The Treasurer's Office performed an analysis of the proposed 3-percent Millennium Scholarship administration costs. The costs would be approximately \$450,000 and slowly increase to \$550,000. That is in line with the Healthy Nevada Trust Fund.

CHAIR BEERS:

Did we add one full position or one-half position?

MR. FERGUSON:

One full position was added to this budget. One-half a position was transferred to the administration budget.

CHAIR BEERS:

Their total expenditures for FY 2006 are indicated as approximately \$373,000 and approximately \$392,000 for FY 2007.

MR. FERGUSON:

Those numbers are approximately correct with adjustments by staff.

SENATOR TITUS:

I would agree to a 3-percent cap. They have done a good job and we are placing additional tracking functions on the agency.

SENATOR CEGAVSKE:

I concur with a 3-percent cap for administration costs.

CHAIR BEERS:

The unanimous recommendation to the full committee will be to place a 3-percent cap on administration costs.

The final issue before the Subcommittee is a proposal, made by the Treasurer's Office, to increase the length of funding for Millennium Scholarships by limiting it to a maximum of 12 credit hours each semester at the university level or 6 credit hours at the community college level. What is the rationale behind the 6-credit-hour proposal?

MS. BESSER:

The intent is to make the scholarship awards more equitable. Students at a community college would have the ability to attend part time with the allowance of 6 credit hours paid, or they could attend full time at 12 credit hours.

CHAIR BEERS:

The proposal is a maximum of 12 credit hours under the scholarship in either case for full-time students.

SENATOR TITUS:

I realize it extends the life of the program, but many students want to complete their education quickly. To do so, they will take a full-course load of 15 credit hours.

CHAIR BEERS:

I agree.

SENATOR CEGAVSKE:  
I agree.

CHAIR BEERS:  
The unanimous recommendation to the full committee will be, not to place a 12-credit-hour-limit per semester for awards from the Millennium Scholarship Program.

SENATOR TITUS:  
Some of these issues work themselves out. If the maintenance GPA is increased, some students may wish to take fewer courses in a semester. A settling effect should occur.

CHAIR BEERS:  
We are adjourned at 11:30 a.m.

RESPECTFULLY SUBMITTED:

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Cindy Clampitt,  
Committee Secretary

APPROVED BY:

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Senator Bob Beers, Chair

DATE: \_\_\_\_\_