

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

**Seventy-Ninth Session  
March 20, 2017**

The Committee on Ways and Means was called to order by Chair Maggie Carlton at 8:04 a.m. on Monday, March 20, 2017, 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 at [www.leg.state.nv.us/App/NELIS/REL/79th2017](http://www.leg.state.nv.us/App/NELIS/REL/79th2017).

**COMMITTEE MEMBERS PRESENT:**

Assemblywoman Maggie Carlton, Chair  
Assemblyman Jason Frierson, Vice Chair  
Assemblyman Paul Anderson  
Assemblyman Nelson Araujo  
Assemblywoman Teresa Benitez-Thompson  
Assemblywoman Irene Bustamante Adams  
Assemblywoman Olivia Diaz  
Assemblyman Chris Edwards  
Assemblyman John Hambrick  
Assemblyman James Oscarson  
Assemblywoman Ellen B. Spiegel  
Assemblyman Michael C. Sprinkle  
Assemblywoman Heidi Swank  
Assemblywoman Robin L. Titus

**STAFF MEMBERS PRESENT:**

Cindy Jones, Assembly Fiscal Analyst  
Sarah Coffman, Principal Deputy Fiscal Analyst  
Carmen Neveau, Committee Secretary  
Lisa McAlister, Committee Assistant

Chair Carlton asked the committee secretary to call the roll. The Chair reminded Subcommittee members, testifiers, and members of the audience about Subcommittee rules and protocol.

The Chair asked for any public comment, and hearing no replies, public comment was closed.



**ELECTED OFFICIALS**

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**TREASURER - NEVADA COLLEGE SAVINGS TRUST (101-1092)**

**BUDGET PAGE ELECTED-224**

[This was a continuation of the budget presentation made by the Office of the State Treasurer on February 21, 2017.] Dan Schwartz, State Treasurer, Office of the State Treasurer, stated that when staff had answered all the questions, he wanted to offer closing remarks. He turned the presentation over to Grant A. Hewitt, Chief of Staff, Office of the State Treasurer.

Chair Carlton asked Mr. Hewitt to offer opening comments for the Nevada College Kick Start Program. Mr. Hewitt explained that in fall 2013, the Office of the State Treasurer launched the Nevada College Kick Start campaign. The campaign established \$50 college savings accounts for all public school kindergarten students in the state. He said that this was the first statewide and universal children's saving account program in the United States, and as such, garnered much attention. Accounts were established, he described, using a portion of the program manager fees paid to the Office of the State Treasurer and without taxpayer dollars. Nevada College Kick Start accounts were held in a master account in the State Street Global Advisors (SSGA) Upromise 529 Plan. Accounts were invested in the age-based portfolio, which closely matched the age of the students and was controlled by the Office of the State Treasurer. The Nevada College Kick Start accounts could only be used by the students for qualified educational expenses at an eligible institution. He stated that there were no participation fees, and because the program was an opt-out model, there was no paperwork to enroll students in the plan. Data needed to enroll students in the program, he continued, was provided to the Office of the State Treasurer by each school district and charter school. Data was secured, and by contract, could not be shared.

Mr. Hewitt stated that as of February 2017, there were 135,348 students eligible to participate in the program. With the introduction of an online portal in November 2016, over 2,303 parents claimed their child's Nevada College Kick Start account. Funding for student accounts totaled approximately \$6.7 million. The program was initially approved as a three-year program by the Board of Trustees of the College Savings Plans of Nevada, Office of the State Treasurer, but in fiscal year (FY) 2016, the program was made permanent. The impetus for the program, he explained, was several studies that showed that children who knew they had a college savings account in their name were seven times more likely to attend an institution of higher learning. Studies found that a small account improved a child's determination and preparedness for college, regardless of family income, ethnicity, or the educational level attained by the parents.

Mr. Hewitt further stated that in April 2016, the College Savings Board, Office of the State Treasurer, approved several plan changes to the Nevada College Kick Start Program. The first change he listed was the addition of an incentive-based program with possible incentives of up to a maximum of \$1,000 per student over five years. Incentive possibilities included \$200 for opening a corresponding separate college savings account, \$200 for making 12 timely monthly payments to a prepaid account, \$1,000 or \$500 for opening

a four- or two-year lump sum prepaid account, \$100 for setting up an automatic payment plan, and \$100 for every six months with a minimum of three payments to a college savings plan.

The next change, according to Mr. Hewitt, was the addition of approximately 2,616 private school kindergarteners into the program, which was previously limited to public school students. The third change, he said, was to allow current first-grade through third-grade students not part of a kindergarten cohort, into the program. The final change was the reclaiming of funds from the accounts when the family had not opened a corresponding separate savings account to acknowledge participation in the program.

Mr. Hewitt further stated that the budget account was submitted with three enhancements related to the College Savings Board-approved program changes. Two of the enhancements were removed during the Governor's recommended budget process.

Chair Carlton clarified that although Mr. Hewitt reviewed the chronological order of events, he included changes made for claiming accounts that were not part of the original pilot program. Mr. Hewitt replied that the Office of the State Treasurer had manually tried to track who had claimed or opened savings accounts before this fiscal year.

Assemblyman Sprinkle recalled the June 30, 2016, Interim Finance Committee (IFC) meeting and discussions regarding an Office of the State Treasurer's request for new financial incentives and the expansion of the program contributions. He further recalled that the request was not approved by IFC. Subsequently, on July 14, 2016, the Office of the State Treasurer acknowledged to the College Savings Board an overestimation of \$166,900 in funding for the program, which the College Savings Board then approved for the use of financial incentives and expanded contributions—the same activities that IFC had denied. He wondered what the justification was for going against the IFC direction. Further, Assemblyman Sprinkle recognized that the \$166,900 was built back into the 2017-2019 biennium proposed budget, even though IFC set a direction that the Office of the State Treasurer was ignoring. He asked for justification for this as well.

Mr. Hewitt explained that the chronological timeline provided by Assemblyman Sprinkle was correct. The Office of the State Treasurer clearly understood that the IFC needed data to support the incentives. The Office felt the only way to get the data after the IFC meeting but before the 2017-2019 biennium budget presentation was to offer an incentive. He stated that the Office was backed into a corner: the Office could not provide data until the incentives were offered, yet IFC had denied incentives.

Mr. Hewitt said that when the Office recognized the overestimation of \$166,900, the Office went to the College Savings Board. The Board approved a pilot program for \$200 incentives for families who opened Nevada College Kick Start savings accounts. He noted that this would provide the data needed by IFC to justify whether incentives "move the needle" for account openings.

Assemblyman Sprinkle felt that the IFC direction was explicit. The Office of the State Treasurer was to return and present the data at the 2017-2019 biennium budget presentation, not to do the opposite of the IFC intent two weeks later. Assemblyman Sprinkle asked for the data.

Mr. Hewitt replied that the Office had the data now. The incentive was only available for current kindergarten students (those in the 2016 cohort) and not for older students. As of March 16, 2017, he said 279 students had opened a new SSGA account to be eligible for the incentive. He stated that 416 students had opened qualified plans, but the SSGA plan was the statistic the Office tracked, as education and outreach were provided by the Office for this specific plan. He explained that of the 33,383 participants in the 2016 cohort, 1,924 had claimed their account in the online portal. He further stated that incentives claimed before December 2016 had been paid to the participants' Nevada College Kick Start accounts.

Assemblyman Sprinkle stated that 1,924 of the new incentives were claimed. He asked Mr. Hewitt what the cost was to fund those incentives. Mr. Hewitt explained that claiming an account did not qualify a child for the incentive. Opening a new account qualified a child for an incentive. Of the 1,924 accounts claimed, 416 opened up college savings accounts, which equaled \$83,200 in incentive payments.

Assemblyman Sprinkle asked for the demographics of the students who received the incentives. Mr. Hewitt replied that he would discuss this matter with the College Savings Board staff to find an answer for Assemblyman Sprinkle.

Mr. Hewitt asked for clarification on whether Assemblyman Sprinkle wanted the number for those who claimed accounts or those who received the incentive payment. Assemblyman Sprinkle replied that he would like to see the demographics for those who claimed accounts.

Chair Carlton stated that she had the minutes from the June 30, 2016, IFC meeting, and she read the following:

Assemblyman Sprinkle said he was very skeptical; that he liked the program as a whole, but would prefer the changes to be fully vetted in a legislative session. He asked about ways to continue the pilot program until the 2017 Legislative Session. He thought that maybe by then some data would be available to present to the Legislature.

Mr. Hewitt said the request would be submitted as an enhancement, so it would go through that vetting process.

Chair Carlton wanted to make it very clear that the request had not been submitted as an enhancement, and that the Office of the State Treasurer proceeded with the program during the interim, even after being told no. She recognized that there would be a difference of opinion, but she wanted to verify that the request was fully discussed at the IFC meeting and

the IFC was left with the impression that the request would be proposed as an enhancement and no work would commence.

Mr. Hewitt acknowledged that the minutes were correct, and his office had submitted a \$1,000 incentive as an enhancement request. The \$200 incentive, he explained, was not even contemplated before the IFC meeting.

Chair Carlton asked whether the \$200 incentive was brand new and whether the Office then proceeded with the incentive with no discussions.

Mr. Hewitt stated that this was an important discussion point, although he may not have been before the proper committee. He explained that the Nevada College Savings Board served as the policy-driving board behind the Nevada College Savings Plans and the Nevada College Kick Start Program. He felt there was no place to discuss Nevada College Kick Start policy, except in a money committee to discuss financing the program. The policy was decided by the Nevada College Savings Board, and the Office of the State Treasurer's staff administered the policy. The Assembly Committee on Ways and Means determined the funding allocations for the programs, and then the Nevada College Savings Board used its authority to set policy to create the \$200 incentives.

Chair Carlton replied that the problem could be fixed.

Assemblywoman Bustamante Adams recalled that her expressed concerns during the IFC meeting regarded outreach to parents who had not taken advantage of the Nevada College Kick Start Program. She wondered how to measure performance based on the 1,924 accounts claimed and how to determine the number of eligible children.

Mr. Hewitt explained that the 1,924 accounts claimed were for the 2016 cohort of kindergarteners. That class included 33,585 students. He wanted to draw the Committee's attention to the fact that ineligibility for the incentive did not mean that an account could not be claimed. The past cohorts, he conceded, could claim their accounts in the portal now. He noted that 6,563 total accounts were claimed over all cohorts. He said that out of 135,348 potential accounts, 4.8 percent were claimed.

Assemblywoman Bustamante Adams asked about the individuals who did not claim their accounts. Mr. Hewitt said that under the Nevada College Savings Board policy, at the end of the student's third-grade year, the funds could be reclaimed by the Office of the State Treasurer to make the Nevada College Kick Start Program a self-sustaining program. He specified that the initial cohort in the program (the 2013-2014 cohort) was granted until the fourth-grade year. The intent, he stated, was to give student families enough time to learn about the program and to ensure they had enough notice to claim the account.

Assemblywoman Bustamante Adams asked about outreach for families who had not claimed their accounts yet. She wondered what communication had been attempted, other than a letter in English. Mr. Hewitt explained that his office staff was looking at new ways to

communicate. For example, he offered, matching physical addresses to internet protocol (IP) addresses for online digital ads to target the families was one alternative; multiple letters, email campaigns, and communicating with schools were other options. He felt his Office was in flux on this matter, as they did not know how the Committee would proceed with incentives.

Assemblywoman Benitez-Thompson had reviewed the Nevada College Savings Board minutes from the July 2016 meeting. She recalled discussions where it was noted for the record, and she noted again for the record, that it was problematic to have a nonprofit board run by the head of the agency that the Board directed. She noted that the Board seemed to be an extension of the Office, not a check and balance for the Office. She felt there should be reconsideration, given the makeup of the Board and the ability of the Board to make decisions, because the existing setup was not working.

Mr. Hewitt explained that the State Treasurer was the Chair of the Nevada College Savings Board, but the Board was made up of appointees from the Nevada System of Higher Education (NSHE) and two Governor at-large appointees. Although he could not speak for the Board about this matter, he was going to reach out to get some direction from the Board. The Board, he said, might not be opposed to new members being added to the Board. The Board was aware of its fiduciary responsibility to the college Endowment Account, and the Board welcomed any changes to enhance the Board.

Assemblywoman Benitez-Thompson asked Mr. Hewitt to consider the Legislature's obligation to fund items that were not approved by IFC. The Constitution stated that the Committee controlled the purse, and if the Legislature said that a department should not do something and the department did it anyway, she asked what the funding obligation was. Mr. Hewitt responded that the discussion was important. The Nevada College Savings Board, according to Mr. Hewitt, followed the IFC decision not to fund the \$1,000 incentive plan, as there was no budgetary authority for the \$1,000 incentive.

Assemblywoman Benitez-Thompson asked whether the Office assumed that everything not specifically disallowed was acceptable. More specifically, she further wondered whether the IFC rejection of the \$1,000 incentive was interpreted by the Office of the State Treasurer as the Committee's approval for all incentive amounts except the \$1,000 incentives. This set a problematic precedent for Assemblywoman Benitez-Thompson. She did not want to hear a response.

Mr. Hewitt explained that the opinion Assemblywoman Benitez-Thompson put on the record was not his opinion and offered to meet with Assemblywoman Benitez-Thompson to discuss the matter further, but Chair Carlton pointed out that no response was required.

Chair Carlton asked for questions, and hearing no questions, she offered closing remarks on budget account 1092. She noted that she had pulled the minutes from the Nevada College Savings Board meeting, and she had timestamped specific parts of the meeting. She expressed concern over statements in the minutes that the IFC was confused, that the

Committee was concerned about policy changes, that she was up in arms, that the Office of the State Treasurer made the mistake of not educating IFC members, and that IFC members were not paying attention (timestamped 24 minutes into the meeting, she noted). The minutes, she continued, also contained a statement that the Legislature should not be setting policy for the Nevada College Savings Board (timestamped 38 minutes into the meeting) and that the Nevada College Kick Start was an outreach marketing program, not an incentive program; however, Chair Carlton stated that what she was seeing was an incentive program. She stated that there was a difference of opinion over statements made at the Board meeting and statements made before the Legislature. She looked forward to working with the policy committee, Assembly Ways and Means members, and Senate Finance to straighten this matter out because clarification was needed. Ultimately, she said, the Office of the State Treasurer was included in the Appropriations Act and the Authorizations Act, and the Assembly Ways and Means Committee did get to tell the Office how to spend the money. She would be very sure, she concluded, that this miscommunication did not happen again.

#### **ELECTED OFFICIALS**

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#### **TREASURER - ENDOWMENT ACCOUNT (101-1094)**

#### **BUDGET PAGE ELECTED-230**

Chair Carlton asked Grant A. Hewitt, Chief of Staff, Office of the State Treasurer, to provide a brief overview and then opened the discussion for questions.

Mr. Hewitt explained that budget account 1094 was the Nevada College Endowment administration account. The Endowment Account, he explained, must be used for the deposit of any money received by the Nevada College Savings programs. This account was protected by statute. In accordance with *Nevada Revised Statutes* (NRS) Chapter 353B, the money in the endowment account may be expended for any purpose related to the Nevada College Savings program. The other eligible purpose for the funds, he said, was the administration of the Governor Guinn Millennium Scholarship (GGMS) program. Fees from the Nevada College Savings Plans, he continued, were deposited into this budget account and used for the legislatively approved administrative costs of the prepaid tuition program, the GGMS program, and the Nevada College Savings program.

For the record, Mr. Hewitt explained that because of an extensive contract negotiation period starting with a request for proposal (RFP) initiation in May 2016, the State Treasurer's Office was unable to submit a budget enhancement request. The request was for the transfer of \$107,011 for fiscal year (FY) 2018 and \$43,750 for FY 2019 from budget account 1094 to budget account 1081, Higher Education Trust Administration. This transfer, he said, allowed for the completion of upgrades and for continuing maintenance of the prepaid tuition database. The Office of the State Treasurer had been advised that the request must be processed through work programs to the Interim Finance Committee (IFC) in June 2017.

Mr. Hewitt explained that all enhancement requests for this budget account were discussed under budget account 1092, Nevada College Savings Trust.

Chair Carlton asked whether this was the budget amendment that had been discussed with some members of Legislature already and was not included in the original budget. She asked whether the Office of the State Treasurer would need to go to the State Board of Examiners first and then to IFC.

Mr. Hewitt stated that she was correct, and the Office intended to go to the State Board of Examiners' meeting in May.

Chair Carlton stated that this request was submitted to the Office of the Governor, but it was not included in the budget proposal. Mr. Hewitt explained that at the time it was submitted to the Office of the Governor during the traditional budgetary process, the Office of the State Treasurer was unable to determine an amount for the enhancements because the Office was still in negotiations. The amount had now been determined, he stated, and the Office of the State Treasurer had gone back and requested an amendment through the Office of Finance, Office of the Governor. The Office of the State Treasurer, he noted, was informed that the proper course of action was to prepare a work program for the June IFC meeting, after taking the amendment to the State Board of Examiners meeting in May.

Chair Carlton asked whether the database amendment would be a technology investment request (TIR). Mr. Hewitt explained that the RFP was processed through the Purchasing Division, Department of Administration, and the Purchasing Division indicated that a TIR was not needed. He acknowledged that there had been debate between the Office of the State Treasurer and the Purchasing Division about the need for a TIR. Chair Carlton responded that the Committee had the authority to help get an answer to her question, and she would look into the matter, as her staff knew TIRs needed to be submitted before April each year.

Chair Carlton wondered whether some of the dollars from earlier discussions could be used for GGMS as well. Mr. Hewitt explained that Bill Draft Request (BDR) 31-975 would allow transfer of the allowable expenses under budget account 1094 to the GGMS program. Mr. Hewitt felt this was another important policy discussion. The only way, he said, that those dollars would be available was through the reclaiming of Nevada College Kick Start accounts. When accounts were not reclaimed and the program remained unchanged with funds being reclaimed after a child completed high school, there would be no funds to transfer to the GGMS. He stated that BDR 31-975 would transfer \$4 million to \$5 million to the GGMS program per biennium. He further noted that amount would not significantly matter to the program, which was short by \$25 million to \$30 million.

Chair Carlton explained that the discussion would happen under budget account 1088, the Millennium Scholarship Administration, but she acknowledged that the budget accounts all blended under one umbrella.

Chair Carlton asked for any questions under budget account 1094, and hearing no questions, she moved on to budget account 1088, the Millennium Scholarship Administration.



**ELECTED OFFICIALS**

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**TREASURER - MILLENNIUM SCHOLARSHIP ADMINISTRATION (261-1088)**

**BUDGET PAGE ELECTED-243**

Grant A. Hewitt, Chief of Staff, Office of the State Treasurer, explained that since the 1999 inception of the Governor Guinn Millennium Scholarship (GGMS), 157,656 students had been awarded scholarships. He noted that of those students, 39,073 had graduated with a certificate, an associate's degree, or a bachelor's degree. The number of students eligible in the six-year utilization period after high school graduation was 28,346. He stated that the program was funded with 40 percent of all monies received by the state from any settlements with a manufacturer of tobacco products. He stated that *Nevada Revised Statutes* (NRS) 120A.620 required a \$7.6 million transfer from the Abandoned Property Trust Account to the Millennium Scholarship Trust Fund each fiscal year.

Mr. Hewitt explained that previous projections provided to the Office of Finance, Office of the Governor, and the Legislative Counsel Bureau indicated that the current permanent funding stream of the tobacco settlement funds and the transfer from the unclaimed property fund were insufficient to maintain the GGMS program beyond fiscal year (FY) 2017. With the current approved funding sources, projections indicated that at the end of FY 2018, the GGMS program would be short \$3,117,862, and at the end of FY 2019, the program would be short by \$15,769,404. Mr. Hewitt continued to state that in The Executive Budget, there was a one-shot appropriation request of \$20 million in FY 2018, which would extend the solvency of the program through the end of FY 2019. In the following biennium, Mr. Hewitt cautioned, legislators would have to address funding for the GGMS program. There were no enhancements for this budget account, and the Office of the State Treasurer requested a continuation of the millennium scholarship administrative costs being paid from the college savings Endowment Account.

Assemblywoman Diaz asked Mr. Hewitt for a brief summary of the long-term viability of the Millennium Scholarship Trust Fund. Mr. Hewitt said that without a permanent funding stream, there was no long-term solvency. There would have to be a request for a one-shot appropriation every biennium. He stressed that the Committee needed to realize that funding the \$20 million one-shot appropriation and possibly adding the transfer of reclaimed Nevada College Kick Start accounts into the GGMS program would not solve the long-term problem. Those actions would only delay the inevitable problem of running out of funds. He further believed that at some point in time, starting to tell junior high school and high school students not to count on the program's future existence would be the right thing to do. He asked the legislators when the appropriate time to communicate that information to students would be.

Chair Carlton responded that the appropriate time was when the Legislature advised Mr. Hewitt to do so.

Assemblywoman Swank wondered about the participation numbers since the program's inception in 1999. She stated that the intent was to bring more students into college and see more students through to graduation. She felt statistics would be helpful in justifying a dedicated funding stream, and the success of the program would help her to determine the value in a committed revenue source. Mr. Hewitt answered that in total, 157,656 students were eligible for the program, and 39,073 had received certificates, associate's degrees, or bachelor's degrees.

Assemblywoman Swank asked for verification of her numbers— there were 157,656 eligible students, and 39,073 students who took advantage of the program. Mr. Hewitt added that 99,246 students had accepted the scholarships.

Assemblywoman Swank asked how the Nevada numbers compared to other states with similar scholarship programs for statistics such as the usage rate and the graduation rates. This would help her to determine whether the program actually worked. Mr. Hewitt responded that he would check other states with similar programs and provide statistics for the Committee members.

Assemblyman Anderson recalled that the reimbursement was changed from 12 credits to 15 credits during the 78th Session (2015), thereby accelerating the outlay of cash from the program. He asked whether the Office of the State Treasurer was monitoring the program to determine whether more students were graduating earlier. He also asked whether there was any forecasting to see whether the dollars would go farther as students potentially graduated sooner. He also asked how long students could remain in school under the scholarship.

Mr. Hewitt replied that six years after high school graduation was the maximum time allowed for students to complete a degree program. He explained that the Nevada System of Higher Education (NSHE) was the group responsible for the eligibility requirements for the program. Mr. Hewitt agreed to check with NSHE to provide data to the Committee members.

Assemblyman Anderson added that he was curious whether the findings about the length of time in the program would be substantial. He also wondered whether the Committee had approved any one-shot appropriations for the GGMS in the last sessions.

Mr. Hewitt replied that there was a \$10 million one-shot appropriation in FY 2011 and a \$7 million one-shot appropriation in FY 2013.

Assemblyman Anderson asked whether the absence of a one-shot appropriation in FY 2015 and the increase in the number of reimbursable credit hours exacerbated the problem, especially with the depleting tobacco funds. He also asked whether the scholarship was only available to University of Nevada, Reno (UNR) and University of Nevada, Las Vegas (UNLV) students.

Mr. Hewitt responded that Assemblyman Anderson was correct regarding the funding deficiencies. He added that students at the community colleges, as well as Sierra Nevada College, were also eligible for scholarships.

Assemblywoman Bustamante Adams asked Mr. Hewitt about the cost for the administration of the GGMS program and what percentage the administrative costs of that budget were. Mr. Hewitt advised the Committee that the dollars to administer the program did not come out of the dollars used to fund the scholarships. The administration was covered under budget account 1094, the Endowment Account, as one of the eligible expenses. Administering the program, he said, did not affect the drawdown of funds as it related to the number of eligible scholarships available. In response to Assemblywoman Bustamante Adams' question, the administration of the program cost was estimated at \$364,742 in FY 2018 and \$369,029 in FY 2019.

Assemblyman Edwards was curious about the 40 percent success rate for the completion of degrees. He asked whether data was being collected to indicate who was included in the 40 percent, because he wanted to compare those who received scholarships with those who completed degrees. Mr. Hewitt said he would contact NSHE to get that data, if the data was available.

Assemblyman Edwards felt that data would be beneficial in determining policy parameters so taxpayer dollars were not being wasted: there was a big difference between \$8 million and \$20 million. Assemblywoman Swank added that she wanted a comparison between the graduation rates for students with millennium scholarships and the overall graduation rates.

Assemblyman Sprinkle returned to the long-term viability matter. He noted that in the Office of the State Treasurer's numbers, it looked like a 5 percent potential growth rate for the GGMS. He asked what factors were considered in determining the growth rate.

Vincent (Budd) Milazzo, Senior Deputy Treasurer, Office of the State Treasurer, responded that FY 2016 was the first year with the new credit requirements, and the expenditures for the year went up from \$24 million to \$30 million. He therefore increased the program budget by 5 percent, but level-adjusted by \$5 million because of the FY 2016 increase and reflected both of those adjustments in FY 2017. His Office also considered that the one fall/summer payment was 5.5 percent higher than the same payment in FY 2016. With the credits changing, he said, there was no ability to know what the future payments would be, and 5 percent was just an estimate.

Assemblyman Sprinkle asked for verification that the increases were based on the change to the reimbursable credit hours and not a projection of more eligible students. Mr. Milazzo confirmed Assemblyman Sprinkle's understanding.

Chair Carlton asked whether the scholarship did any means-testing. Mr. Hewitt answered that no means-testing was conducted.

Chair Carlton asked for any other questions on budget account 1088, and hearing no questions, moved to budget account 3815, Unclaimed Property.

**ELECTED OFFICIALS**

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**TREASURER - UNCLAIMED PROPERTY (101-3815)**

**BUDGET PAGE ELECTED-250**

Grant A. Hewitt, Chief of Staff, Office of the State Treasurer, explained that the Office of the State Treasurer served as the administrator for the unclaimed property program. He said that the relevant statutes were contained in *Nevada Revised Statutes* (NRS) Chapter 120A. The primary responsibility was to unite the rightful owners and their heirs with the abandoned property, while at the same time improve collections from unclaimed property holders. While owners never lost ownership of their property, he stated, the state had to maintain custody of these assets in perpetuity. The Office of the State Treasurer had expanded search capabilities on the Office of the State Treasurer's website to allow individuals greater access to the unclaimed property data. Mr. Hewitt stated that the Office used free media, including radio and television, whenever possible to promote the program, in addition to the statutorily required annual newspaper advertisements across the state. There was an increased education and outreach component to the program for unclaimed property owners as well to bring the owners into better compliance.

Mr. Hewitt further explained that this budget account had two enhancements. The first decision unit was Enhancement (E) 266, a request for \$119,404 to maintain funding for the notice and publication of unclaimed property information pursuant to NRS 120A.580. He stated that historically, this advertising was placed in June, the last month of the fiscal year. Since 2016, the advertisement was placed in July, at the start of a new fiscal year. In FY 2016, the base year, he noted, there was no advertising expenditure because the placement date was changed to July. This enhancement did not result in any change to the advertising budget, he concluded.

Chair Carlton asked why the advertisement date was being changed. Mr. Hewitt replied that there was no requirement to place the advertisement notices in June. He noted that 75 percent of claims occurred from the advertisement placement, and the Office of the State Treasurer was inundated with claims at that time. Moving the advertisement date away from the close of the state's fiscal year made sense.

Chair Carlton asked what the newspaper inserts cost each year. Mr. Hewitt replied that it was \$119,000: the vast majority of that amount was spent on one specific newspaper, and a small portion was for rural county newspapers. Advertising, he noted, had to be done in the paper of record in every county.

Chair Carlton asked whether the advertising cost was just for the advertisement or whether it was the list of names for unclaimed property. Mr. Hewitt replied that the advertisement was the list of names. He noted that Senate Bill 10 added flexibility for discussions with

unclaimed property owners. That bill, he said, was heard in Senate Judiciary, but there was no work session scheduled yet.

Assemblyman Araujo followed up on the marketing discussion. He asked what the return on investment was for the newspaper advertising costs for the list of names. He wondered whether unclaimed property owners were surveyed or whether owners had reached out to the Office because of the advertisement. Mr. Hewitt replied that he would forward data on the number of claims initiated around the advertisement dates. The ad itself, he stated, was a public notice statutory requirement, so he was not aware of any studies for return on investment in the past.

Hearing no other questions, Chair Carlton moved to decision unit Enhancement (E) 320.

Mr. Schwartz explained that the second decision unit was E-320, a request for a new administrative assistant 3 position to replace an eliminated auditor 2 position. He said that based on an analysis of the job functions in the Unclaimed Property Division and other areas with staffing shortages identified in the Performance Audit, Office of the State Treasurer, Unclaimed Property Program – 2015, LA16-07, management determined that the Unclaimed Property Division would be better served by eliminating the vacant auditor position and requesting a new administrative position.

Chair Carlton asked whether there was a backlog to justify the position change. Mr. Hewitt stated that there was a backlog for processing claims: 2,066 property claims were waiting to be processed. This number grew closer to the advertising period, he stated, and the reclassification of this position would allow the Office to better process the items for safekeeping that arrived from banks when safety deposit boxes were unclaimed. Until that property was reviewed, he said, the property could not be claimed. This reclassified position would help with that process.

Chair Carlton asked about the processing periods. Mr. Hewitt said that when the State Treasurer's term began, it took 120 days to acknowledge a claim. By moving resources in the Office, that backlog was reduced to 21 days, but that was not during a high-volume season. He anticipated that during the advertisement period, the range for responses would be 90-100 days. In fiscal year (FY) 2016, he said, \$46,422 was spent on temporary employees, and in FY 2017 to date, \$9,246 was spent on temporary employees and interns. He concluded that it was an "all-hands-on-deck" approach during the advertisement period.

Chair Carlton tried to reconcile Mr. Hewitt's comments and estimates with the Performance Audit, Office of the State Treasurer, Unclaimed Property Program – 2015, LA16-07. She wondered about the auditor position that was left open for a significant period and caused problems as noted in the audit report. She asked how reclassifying the position would address the audit report findings.

Mr. Hewitt explained that the auditor position's function was to help companies comply with unreported unclaimed property. Before this administration, he said, because of the claims

processing backlog, compliance audits for businesses were not conducted. A new auditor 3 position had been filled and an auditor 2 position would be under recruitment to work with a program officer to process voluntary disclosure agreements and audits. While this work was going on, the administrative position would help to maintain the auditor role of business compliance, while not lessening the focus on statutorily required claims processing.

Chair Carlton noted that the Office of the State Treasurer had not been properly tracking savings bonds in the Office's possession. She wanted to know how that effort was going. Mr. Hewitt responded that after the legislative audit, the Office worked to ensure a process was put in place and that savings bonds were monitored appropriately. He offered to get back to the Committee for verification, but he believed the Office had complied with the audit findings.

Vincent (Budd) Milazzo, Senior Deputy Treasurer, Office of the State Treasurer, explained that there were two types of auditors. As the Office would be back in front of the Interim Finance Committee (IFC) for unclaimed property in June 2017, he felt it was important to note the difference. One type of auditor, he differentiated, was the internal auditors: the state employees who identified unclaimed property. The other type of auditor was the contracted auditing firms that performed nationwide audits for businesses. Those contracted auditors only received a percentage of the unclaimed property holdings that were identified. Every year, he continued, the Office prepared a documented work program to increase expenditures to these auditors because the more unclaimed property they identified, the more they were paid.

Chair Carlton asked the Committee members for any questions, and hearing no questions, Dan Schwartz, State Treasurer, Office of the State Treasurer, offered his closing remarks.

Mr. Schwartz explained that no one in the Treasurer's Office benefited from the work that was done in the Office, such as generating \$15 million in interest that was distributed to state agencies, saving \$80 million in bond refunds, and arguably saving taxpayers \$175 million from bonds not issued.

Mr. Schwartz stated that he did not dispute the Interim Finance Committee's (IFC) clarity on its direction to delay the Nevada College Kick Start incentive enhancement. He stated that the justification for proceeding against the IFC direction was the responsibility of the College Savings Board, Office of the State Treasurer. The Committee, he felt, was capable of changing the Board, but given the structure in place now, the College Savings Board made the decision to demonstrate that the enhancement was a viable enhancement when funded properly. He noted that decision did not involve any State General Fund dollars.

It was not, Mr. Schwartz stated, that the Office of the State Treasurer was defying the IFC wishes. He believed that the Board and the Office followed the parameters correctly, and the results were successful on both the revenue and the expense side. He asked the Committee to consider this in its deliberations.

Chair Carlton asked for any questions or comments from the Committee members, and hearing no questions, she stated that the Committee had been abundantly clear from all angles. She heard Mr. Schwartz place the responsibility for the decision on the College Savings Board, and she knew that Mr. Schwartz was both the Chair of the Board and the guiding force behind the Board. The Committee had shared its concerns with Mr. Schwartz. She stated that it was in the Legislature's purview to ensure policies were in place. Policy, she continued, was not made by constitutional officers; rather, the officers followed policy created by the Legislature. The people's branch of government was the Legislature with its responsibility to create policy. To move forward in the future, she concluded, decisions would be made abundantly clear to all involved.

With nothing else on the agenda, Chair Carlton opened the meeting for public comment. Hearing no public comment, the meeting was adjourned at 9:09 a.m.

RESPECTFULLY SUBMITTED:

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Carmen Neveau  
Committee Secretary

APPROVED BY:

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Assemblywoman Maggie Carlton, Chair

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

## **EXHIBITS**

[Exhibit A](#) is the Agenda.

[Exhibit B](#) is the Attendance Roster.