

Dan Schwartz
State Treasurer



STATE OF NEVADA
OFFICE OF THE STATE TREASURER

NOTICE OF PUBLIC MEETING

THE BOARD OF TRUSTEES OF THE
COLLEGE SAVINGS PLANS OF NEVADA

Thursday, April 20, 2017, 3:30 p.m.

Meeting via teleconference:

Dial in access: 1-888-251-2909 Access Code 7399092

Grant Sawyer State Office Building
State Treasurer's Office
555 E. Washington Avenue, Suite 4600
Las Vegas, NV 89101

State Capitol Building
State Treasurer's Office
101 N Carson Street, Suite 4
Carson City, NV 89701

All items listed on this agenda are for discussion and action by the Board of Trustees unless otherwise noted. Action may consist of any of the following: approve, deny, condition, hold, or table.

AGENDA

1. **Public Comment.** *Comments from the public are invited at this time prior to the commencement of possible action items. The Board is precluded from acting on items raised during Public Comment that are not on the agenda.*

Consent Agenda

2. For possible action: Board review and approval of the minutes of the College Savings Board of Trustees meeting of March 23, 2017.
3. For possible action: Board review and approval of the minutes of the College Savings Board of Trustees meeting of April 13, 2017.

Discussion Agenda

4. For possible action: Board review and discuss AB475 and direct Staff as appropriate.

Comments

5. **Public Comment.** *The Board is precluded from acting on items raised during Public Comment that are not on the agenda*

Prior to the commencement and conclusion of a contested case or a quasi judicial proceeding that may affect the due process rights of an individual the board may refuse to consider public comment. See NRS 233B.126.

Items on the agenda may be taken out of the order presented at the discretion of the Chairman.

Items may be combined for consideration by the public body.

Items may be pulled or removed from the agenda at any time.

Notice of this meeting was posted at the following locations in Carson City, Nevada:

State Capitol Building, 1st & 2nd Floor & Basement, 101 North Carson Street

Nevada Legislative Building, 401 South Carson Street

Nevada State Library, 100 Stewart Street

Blasdel Building, 209 East Musser Street

Notice of this meeting was posted at the following location in Las Vegas, Nevada:

Grant Sawyer State Office Building, 555 East Washington Avenue, Suite 4600, Las Vegas, Nevada

1st Floor Capitol Police - (702) 486-2012

Notice of this meeting was posted on the following website:

www.nevadatreasurer.gov

www.notice.nv.gov

We are pleased to provide members of the public supporting material for the meeting as well as make reasonable accommodations for members of the public who are disabled and would like to attend the meeting. If supporting material or special arrangements for the meeting are required, please notify Linda English with the Office of the State Treasurer, 555 E Washington, Suite 4600, Las Vegas, NV 89101 or call (702) 486-3889 or fax your request to (702) 486-3246 as soon as possible. Materials will also be available at the Office of the State Treasurer, College Savings, 555 E. Washington Suite 4600, Las Vegas, NV 89101

THE BOARD OF TRUSTEES OF THE
COLLEGE SAVINGS PLANS OF NEVADA

Agenda Item 2
April 20, 2017

Item: Review and approve the College Savings Board minutes of March 23, 2017.

Recommendation:

That the Board review and approve the minutes of the March 23, 2017 College Savings Board of Trustees meeting.

Fiscal:
None.

Summary:
The minutes of the Board have been prepared and are complete for review and approval.

THE BOARD OF TRUSTEES OF
THE COLLEGE SAVINGS PLANS OF NEVADA
MINUTES OF BOARD MEETING
March 23, 2017

Chairman Dan Schwartz, State Treasurer, called the meeting of the Board of Trustees of the College Savings Plans of Nevada to order at 10:00 a.m., on Thursday, March 23, 2017. The meeting was held by video conference from the Nevada State Laxalt Building, 401 North Carson Street, 2nd Floor Chambers, Carson City, Nevada to the Grant Sawyer Building, 555 East Washington Avenue, Suite 5100, Las Vegas, Nevada. Other attendees participated in person or by conference call.

Board members present:

Chairman Dan Schwartz – Carson City
Ned Martin – Las Vegas
Bob Seale – Carson City
Janet Murphy – Excused
Jamie Hullman – Carson City

Others present:

Grant Hewitt, Chief of Staff, Treasurer's Office
Tara Hagan, Chief Deputy Treasurer
Linda J. English, Senior Deputy Treasurer – South
Budd Milazzo, Senior Deputy Treasurer – North
Holly Primka, Treasurer's Office – North
Sheila Salehian, Deputy Treasurer for Prepaid Tuition & Financial Literacy
Adam Varahachaikol, Treasurer's Office – North
Amairani Gonzalez, Treasurer's Office
Blanca Platt, Treasurer's Office
Troy Watts, Treasurer's Office
Wayne Howle, Nevada Attorney General's Office
James Canup, Hirschler Fleischer– Telephone
Megan Bedera, Amplify Relations
Allisa Robertson, Amplify Relations
Sue Serewicz, Ascensus
Lisa Connor, Ascensus
Khalel Pritchard, Ascensus
Ardie Hollingsworth, Ascensus
Gina Robinson, Phillips
Tom Hewitt, Vanguard
Judy Minsk, Putnam

Pattie Weed, Thomas & Thomas
Curt Mitchell, Chicago Equity
Kevin Calabro, Putnam
Salma Meraz, USAA

Roll was taken, and it was determined a quorum was present. Ms. English indicated the meeting had been properly noticed and the agenda was posted in accordance with the Open Meeting Law in both Carson City and Las Vegas.

1. **Public Comment**

There was no public comment in Las Vegas or Carson City.

Consent Agenda

2. For possible action: Board review and approval of the minutes of the College Savings Board of Trustees meeting of February 23, 2017.
3. For possible action: Board review and approval of the Ascensus program manager's report encompassing results for Vanguard, USAA, and SSGA Upromise 529 plans for the quarter ended December 31, 2016.
4. For possible action: Board review and approval of the Putnam 529 for America program manager's report for the quarter ended December 31, 2016
5. For possible action: Board review and approval of the Thomas & Thomas unaudited financial statements of the Nevada College Savings Plans compiled for the quarter ended December 31, 2016.

Bob Seale asked to pull agenda item #5. He wanted clarification on page #7 of the financial report regarding the SSGA 529 plan. Mr. Seale asked what the \$1,154,000 was for listed under "Account Fees and Program Manager".

Pattie Weed with Thomas and Thomas explained that it is account maintenance fees and transactions fees that are charged annually.

Bob Seale asked why that program has such a large number compared to the rest of the programs.

Linda English explained that all of the plans have different fee structure and she will get an outline of those fees and send out to the Board.

Bob Seale motioned to approve Consent Agenda item 5. Ned Martin seconded the motion. Motion passed unanimously.

6. For possible action: Board review and approval of the education and outreach expenditure report for the SSGA Upromise 529 Plan for the quarter ended December 31, 2016 to be recorded as non-cash revenue in the State's accounting system.
7. For possible action: Board review and approval of a supplement to the USAA 529 College Savings Plan Plan Description and Participation Agreement dated January 2016 to update performance and fee charts as of December 31, 2016.
8. For possible action: Board review and approval of the Prepaid Tuition Investment Monitoring Report prepared by Pension Consulting Alliance, Inc. for the quarter ending December 31, 2016.
9. For possible action: Board review and approval of Amendment 5 to the SSGA Upromise 529 Operational Agreement to incorporate the assignment by State Street Bank and Trust Company to State Street Global Advisors Trust Company.

Bob Seale motioned to approve Consent Agenda items 2, 3, 4, 6, 7, 8 & 9. Jamie Hullman seconded the motion. Motion passed unanimously.

Discussion Agenda

10. For possible action: Board to receive an update on "Let's Go to College! Nevada Saves" from Treasurer Office Staff.

Adam Varahachaikol gave the Board an update on the "Let's Go to College! Nevada Saves" campaign including that staff will continue to update the Board with progress and goals. He explained that overall brand awareness will be available in the fourth quarter and that new SSGA account openings are up substantially compared to 2015 with the numbers improving every month in October, November and December compared to 2015. He also stated that College Savings staff have been going to more events in FY17 compared to FY16. In quarter two of FY17, staff went to 95 events in comparison to 47 events the prior year.

Chairman Schwartz asked what they attribute the increase in the new SSGA accounts to.

Grant Hewitt stated that in the second quarter, they started the roll out of College Kick Start savings program to families and saw a significant bump in the opening of new accounts and linking to earn the \$200 incentive.

Linda English gave an update on the Kick Start program; stating that in November 2016 the new portal, through VistaShare, was launched and welcome letters were sent out to the class of 2016 incoming kindergarteners. At the end of the calendar year, there was substantial engagement with the portal on which families can register and link their Kick Start account to their SSGA and other Nevada 529 accounts. Additionally, if families linked to an SSGA Upromise account they can see the balances of both accounts on the portal.

Sheila Salehian gave update on Prepaid Tuition, explaining they have had a good year so far and have been participating in a lot of outreach events as well as events at private schools, public school and have participated in several sponsorship opportunities.

Chairman Schwartz commented that these updates are very helpful and useful to the Board.

No Action Needed

11. For possible action: Board review, approval of, and direct staff to select an actuary pursuant to the Request For Proposal for Actuarial Services for the Prepaid Tuition Program (RFP 3401 – Prepaid Tuition Actuarial Services) consistent with the evaluation committee scoring and direct staff to begin contract negotiations with the selected vendor.

Sheila Salehian stated that staff is working diligently to move the process along and that the bid evaluation committee has reviewed three bids that were received and two vendors have given presentations to the Committee. Ms. Salehian stated that at this time they are requesting Board approval to move forward with the contract negotiations.

Chairman Schwartz asked if the committee was satisfied with the two vendors that were interviewed.

Sheila Salehian stated that they were very satisfied and both vendors gave solid presentations.

Tara Hagan explained to the Board that they were only able to provide limited information regarding the vendors due to procurement rules. She noted that these rules require all bid information to remain confidential until the contract negotiations have been finalized. Staff will bring more detail back to the Board in June.

Ned Martin motioned to approve and direct staff to select an actuary pursuant to the Request for Proposal for Actuarial Services for the Prepaid Tuition Program (RFP 3401 – Prepaid Tuition Actuarial Services) consistent with the evaluation committee scoring and direct staff to begin contract negotiations with the selected vendor. The selected vendor will be disclosed at the June 2017 meeting. **Bob Seale** seconded the motion. Motion passed unanimously.

12. For possible action: Board review and approval of the Nevada College Savings Plans Investment Monitoring Report prepared by Pension Consulting Alliance, Inc. for the quarter ending December 31, 2016.

Eric White, of Pension Consulting, updated the Board on the Watch memo and stated that the Chief Investment Officer for USAA, Matt Freund, who oversaw the fixed income investments resigned in late 2016 to join Calamos Investments. Mr. White noted that Mr. Freund oversaw the investment team responsible for managing multiple fixed income portfolios and was listed as lead-manager on many of those funds. Due to this significant change, PCA is recommending all affected USAA funds be added to watch status due to Mr. Freund's departure from USAA. He went on to explain that the USAA Value Fund had a decent quarter outperforming by 70 basis points (0.70%) but still struggled for the one year period by being down by 4%. He stated that one other fund which qualifies for watch status that is not part of the fixed income suite is the Precious Metals and Minerals fund but noted that PCA isn't overly concerned about this fund. Further, Mr. White indicated that PCA is recommending two additional funds which need to be placed on watch status: the Putnam Equity Income Fund, due to a sector allocation that trailed for the one year period by 3.5%, and Vanguard Windsor Fund which is managed by Vanguard, due to a sector allocation that trailed for a one year period by 4%.

Jamie Hullman asked for clarification on the charts listed on pages 14 and 15 of the handout.

Eric White explained that the charts list the performance of the different age buckets for all of the plans and stated that they show how the programs and various age-based options are performing relative to the rest of the industry.

Jamie Hullman motioned to approve of the Nevada College Savings Plans Investment Monitoring Report prepared by Pension Consulting Alliance,

Inc. for the quarter ending December 31, 2016. Bob Seale seconded the motion. Motion passed unanimously.

13. For possible action: Board review and approval of investment changes for Putnam 529 for America and, if approved, the resulting changes to corresponding documents:

- a. Putnam High Yield Advantage to replace Putnam 529 High Yield Trust Investment Option within Putnam 529
- b. Amendment 6 to the Investment Management, Marketing and Administrative Services Agreement between Putnam and the Board to update the agreement with the change of fund information
- c. Supplement to the Putnam 529 for America Offering Statement dated December 19, 2016 to notice participants of the change of fund information

Judy Minsk with Putnam gave an overview regarding the investment option change to Putnam 529 for America stating it was due to the fact that Putnam management proposed, in their Board of Trustees meeting, an approved merger of the High Yield Trust fund into the Putnam High Yield Advantage. This merger is set to take place on May 8, 2017. Putnam is requesting the Board's approval of the merger stating that the execution will be treated as a transfer of assets and accounts. She noted that the two funds are similar in their characteristics and as noted in the handouts have the same strategy and philosophy.

Eric White commented that the funds are nearly identical in the way they are managed and stated PCA does not see any issue with the transferring of funds. He noted that the new fund will have a slightly higher fee but with the increase in assets and after having a discussion with Putnam it sounds like it will compress to essentially the same fee level as the current fund.

Bob Seale motioned to approve item "a" of Agenda 13, Putnam High Yield Advantage to replace Putnam 529 High Yield Trust Investment Option within Putnam 529 with "b" and "c" to follow suit. Ned Martin seconded the motion. Motion passed unanimously.

Comments

14. Staff Notes

Sheila Salehian gave an update on the Prepaid Tuition program stating that staff has stepped up the education and outreach efforts and are having many conversations with families letting them know the importance of enrolling in the program.

Linda English gave update on College Kick Start stating that they sent out emails and program summaries to all of the participants to encourage them to register on the portal to claim their account and to either open a new account or link an existing account. As of last March 16, 2017, there were 6,563 families registered on the portal and, of those, there were 810 participants who also had a separate Nevada 529 Plan account as well. Of the 810 accounts, 429 opened accounts because of the mailings. Staff continues to see great engagement with participants on the portal.

15. Public Comment

No public comment in Carson City, NV; no public comment in Las Vegas, NV; and no public comment on conference call.

Ned Martin motioned to adjourn the meeting. Bob Seale seconded the motion at 11:00 a.m.

Attest:

Linda English, Secretary to the Board

THE BOARD OF TRUSTEES OF THE
COLLEGE SAVINGS PLANS OF NEVADA

Agenda Item 3
April 20, 2017

Item: Review and approve the College Savings Board minutes of April 13, 2017.

Recommendation:

That the Board review and approve the minutes of the April 23, 2017 College Savings Board of Trustees meeting.

Fiscal:
None.

Summary:
The minutes of the Board have been prepared and are complete for review and approval.

THE BOARD OF TRUSTEES OF
THE COLLEGE SAVINGS PLANS OF NEVADA
MINUTES OF BOARD MEETING
April 13, 2017

Chairman Dan Schwartz, State Treasurer, called the meeting of the Board of Trustees of the College Savings Plans of Nevada to order at 1:17 p.m., on Thursday, April 13, 2017. The meeting was held by teleconference from the Nevada Capitol Building, 101 N. Carson Street, Carson City, Nevada to the Grant Sawyer Building, 555 East Washington Avenue, Suite 4600, Las Vegas, Nevada. Other attendees participated in person or by conference call.

Board members present:

Chairman Dan Schwartz – Carson City
Ned Martin – Las Vegas
Bob Seale – Carson City
Janet Murphy – Carson City
Jamie Hullman – Carson City

Others present:

Grant Hewitt, Chief of Staff, Treasurer's Office
Tara Hagan, Chief Deputy Treasurer
Linda J. English, Senior Deputy Treasurer – South
Budd Milazzo, Senior Deputy Treasurer – North
Holly Primka, Treasurer's Office – North
Adam Varahachaikol, Treasurer's Office – North
Blanca Platt, Treasurer's Office – South
Michelle Ashcraft, Treasurer's Office – South
Sue Serewicz, Ascensus
Tom Hewitt, Vanguard
David Kausch, GRS
Salma Meraz, USAA

Roll was taken, and it was determined a quorum was present. Ms. English indicated the meeting had been properly noticed and the agenda was posted in accordance with the Open Meeting Law in both Carson City and Las Vegas.

1. **Public Comment**

There was no public comment in Las Vegas, Carson City or telephone.

Consent Agenda

2. For possible action: Board to receive a presentation by staff on the fiduciary role of the Board members.

Bob Seale pulled agenda item 2 for more clarification.

Grant Hewitt explained that staff and the Treasurer wanted to provide the Board with detailed information on their roles and responsibilities as fiduciaries. Mr. Hewitt noted that the information is an important reminder as the Board discusses certain legislative bills and issues to ensure the participants of these programs are the continued focus.

Bob Seale motioned to approve Consent Agenda. Ned Martin seconded the motion. Motion passed unanimously.

Discussion Agenda

3. For possible action: Board review and discuss AB475 and direct Staff as appropriate.

Grant Hewitt gave an overview of legislation pertaining to AB475 explaining it was a measure that was heard in the Assembly Government Affairs Committee on April 7, 2017. During that hearing, Staff testified neutral to highlight our concerns. Also attending the April 7 meeting were former State Treasurer and Board member Seale, who testified as a private citizen, and former Treasurer Kate Marshall, who both testified in opposition to the bill.

Former Treasurer Marshall outlined for the committee her comments and concerns, first stating that she was excited the bill recognizes the College Kick Start Program. She noted that during her tenure as Treasurer she was pleased that the Prepaid Tuition Program survived the downturn in the economy, unlike many other prepaid programs in other states. She stated that the survival of the Program was a direct correlation to the importance of the College Savings Board having the flexibility to use the Endowment Account funds to stabilize the Prepaid Tuition trust fund during economic downturns. She expressed concern that this bill will not give Kick Start families enough time if they have to claim their account by the beginning of third grade and was opposed to that portion of the bill. She expressed concerns over removing the 3% cap as it relates to the use of funds for GGMS administrative costs and stated she was very concerned that this piece of legislation might jeopardize the Board's ability to add additional funds, as it deems needed, to other programs. She also pointed out that the fees earned from our 529 investment partner contracts should be used to help all Nevadan's seek higher education and not just those who qualify for the GGMS program or have a College Kick Start account.

Grant Hewitt recapped the April 7, 2017 hearing, stating that state Staff also testified regarding concerns regarding the inability to use endowment funds to assist the funding status of the Prepaid Tuition Trust Fund. Mr. Hewitt noted that Assemblyman Kramer asked the Governor's Director of Finance if the propping up of Prepaid Tuition would continue to be an allowable expense if the bill passed and Director Wells responded that this would not be an allowable expense.

Grant Hewitt said it was important to point out that at the beginning of the hearing the author of the bill, the Governor's Office of Finance, stated that the bill memorializes the College Kick Start Program in statute and makes amendments which better align with the Governor's recommended budget. Mr. Hewitt stated that at the end of the hearing the Director of the Governor's Office of Finance, Mr. James Wells, noted in his closing remarks that the bill was a way to "put a fence around the uses of the Endowment Account." It wasn't about GGMS or other programs but at the core, the bill is about limiting the Board's options for using the Endowment Account.

Grant Hewitt stated that the author of the bill has reached out seeking to work on an amendment to the bill. State staff has not responded to the request because staff seeks the Board's guidance at today's meeting.

Bob Seale commented that when he originally put this program together it was his intent to have these monies set aside in a trust fund that would be controlled by the College Savings Board and he is very concerned the author of the bill wants to take that ability away.

Bob Seale asked if there has been any movement or action by the committee.

Grant Hewitt responded that the last action on the bill was April 13, 2017, when the bill was noticed to be exempt or waived from the deadlines and that waiver was effective yesterday afternoon. He stated that it has not made any movement out of committee at this time.

Janet Murphy commented that Director Wells is addressing, in an amendment, Kate Marshall's concerns by making some changes that she recommended. She stated that she believes that the Board should stay within the state budget act and follow those rules.

Bob Seale asked Ms. Murphy if these monies aren't general fund monies why are they being budgeted in the executive budget and asked if the College Savings Plans' budgets have always been a part of the State's budget process.

Janet Murphy stated that there are a lot of state accounts that don't have general funds in them and that yes, the College Savings Plans' budgets have always gone through the State's budget process.

Grant Hewitt asked Ms. Murphy if Director Wells intends to share the proposed language in the amendment with the Board.

Janet Murphy stated she believes Director Wells will disclose the amendment and she will ask him and get back to the Board.

Ned Martin stated he is concerned the Board will not have the flexibility and ability to make decisions with these monies.

Grant Hewitt stated that staff is seeking guidance from the Board on its top three concerns. Staff suggested the following options to the Board:

- While presenting AB475, The Governor's Office of Finance indicated in their testimony the need or desire to transfer monies from the Endowment Account to the GGMS program and Staff feels that a bill is not needed to accomplish that goal;
- Offer a proposed amendment which adds a letter "D" to the bill which makes it an allowable expense to take the reclaimed dollars from Kick Start and move them into the GGMS.

Ned Martin questioned that if the bill passes what would be required of the Board in terms of disclosure to the participants who have entrusted us with their savings and will they have access to a document explaining all of the fees they are paying.

Grant Hewitt stated that such a notification would not be required to send to participants but a review of the participant fees and revenue contracts with the investment partners would be appropriate.

Janet Murphy stated that she thinks the Board should request a copy of the amendment from the Governor's Office of Finance and then decide what sections are of concern and then meet again to discuss.

Bob Seale, Jamie Hullman and Ned Martin all agreed.

Treasurer Schwartz made a motion to request a copy of the amendment proposed by the Governor's Office of Finance and to have a follow up meeting next Thursday, April 20, 2017 at 3:30 p.m. by conference call.

Bob Seale motioned to direct staff to follow through and report back. Ned Martin seconded the motion. Motion passed unanimously.

4. Public Comment

No public comment in Carson City, NV; no public comment in Las Vegas, NV; and no public comment on conference call.

Ned Martin motioned to adjourn the meeting. Bob Seale seconded the motion at 1: 54 p.m.

Attest:

Linda English, Secretary to the Board

DRAFT

THE BOARD OF TRUSTEES OF THE COLLEGE SAVINGS PLANS OF NEVADA

Agenda Item 4 April 20, 2017

**Item: Board review and discuss proposed amendment to
AB475 and direct Staff as appropriate.**

Recommendation:

The Board review and discuss the proposed amendment to Assembly Bill 475 (AB475) and direct staff as appropriate.
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Summary:

The author of AB475, Governor's Office of Finance, provided staff with the attached proposed amendment. The most significant change from the original bill language is the changes to Section 6. The proposed amendment appears to no longer limit the Board's authority to utilize the endowment fund to increase college savings awareness for all Nevadans.

With the proposed amendments to Section 6, Staff would contend that the language is now nearly identical to the current statute and therefore, is no longer needed. This is due to several reasons which include but are not limited to:

- The College Savings Board, the Legislature and the Governor's Budget Office has already set a precedent regarding both the ability and legality regarding the Board's ability to transfer Endowment funds to the Governor Guinn Millennium Scholarship (GGMS) trust fund. Please see attached the meeting minutes from the July 21, 2010 Legislative Interim Finance Committee meeting. There was much discussion regarding the GGMS trust fund and its ability to meet the current fiscal year obligations due to a reduction in revenue from the Master Settlement Tobacco Agreement, the elimination of the transfer from Unclaimed Property to GGMS and a transfer from the GGMS to the State

General Fund. On page 6 of the meeting minutes, Legislative Counsel Bureau's Director of the Legal Division, Ms. Brenda Erodes states that the College Savings endowment fund can be used to fund the GGMS program. She noted that 'it was very clear that NRS 353B.350 provided that money in the endowment fund that was not needed for administration may be used for three purposes, one of which was to provide more access to higher education to the citizens of Nevada.'

- During fiscal year 2010, the Endowment account was changed to an executive budget from a non-executive budget. Therefore, since FY2010 the Board has been required to seek approval from both the Governor's Office of Finance and the Legislature regarding its budget for the Endowment account. This would make the amended language in Section 6, Subsection (c) unnecessary.

Staff recommends that the Board deliberate during the meeting to consider both the pros and cons of memorizing the College Kick Start Program in statute. Staff will be available to answer any questions the Board may have regarding AB475.

ASSEMBLY BILL NO. 475—COMMITTEE
ON GOVERNMENT AFFAIRS
(ON BEHALF OF THE OFFICE OF FINANCE
IN THE OFFICE OF THE GOVERNOR)

Draft Mock up amendment:

1 **Section 1.** Chapter 353B of NRS is hereby amended by adding
2 thereto a new section to read as follows:
3 **1. The Board shall establish ~~the Nevada College Kick Start~~**
4 **a child development account Program to provide for the creation of a college savings**
5 **account**
6 **for each pupil who is a resident of this State upon commencement**
7 **of his or her enrollment in kindergarten at a public school in this**
8 **State. Within the limits of money available for this purpose, the**
9 **Board shall deposit money in such an account to be used to pay a**
10 **portion of the costs of higher education of the pupil.**
11 **2. The Board shall adopt regulations for the implementation**
12 **of the Program, including, without limitation, regulations**
13 **regarding:**
14 **(a) Enrollment in the Program, including without limitation,**
15 **opting in or opting out of the Program;**
16 **(b) Procedures for the parent or guardian of a pupil to access**
17 **the account of the pupil created pursuant to subsection 1;**
18 **(c) The time within which the money in the account created**
19 **pursuant to subsection 1 must be used; and**
20 **(d) Distributions from an account created pursuant to**
21 **subsection 1.**
22 **3. The Board may apply for and accept any gift, donation,**
23 **bequest, grant or other source of money to carry out the Program.**
24 **4. The Board shall transfer to the Endowment Account**
25 **established pursuant to NRS 353B.350 the balance in the account**
26 **of a pupil created pursuant to subsection 1 that:**
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15 (c) The Chancellor of the System, who may name a designee to
16 serve on the Board on his or her behalf.
17 (d) Two members appointed by the Governor. A member who is
18 appointed by the Governor must possess knowledge, skill and
19 experience in the field of:
20 (1) Accounting;
21 (2) Finance;
22 (3) Investment management; or
23 (4) Marketing.
24 3. A member of the Board who is appointed by the Governor:
25 (a) Serves for a term of 4 years;
26 (b) Except as otherwise provided in paragraph (c), may be
27 reappointed by the Governor; and
28 (c) Except as otherwise provided in this paragraph, may serve
29 for only two terms. A member who is appointed to fill a vacancy in
30 an unexpired term that is not longer than 3 years may serve two
31 terms in addition to the unexpired term.
32 4. The State Treasurer or his or her designee shall serve as the
33 Chair of the Board.
34 5. Each member of the Board serves without compensation,
35 except that each member is entitled to receive:
36 (a) The per diem allowance and travel expenses provided for
37 state officers and employees generally; and
38 (b) Reimbursement for any other actual and reasonable expense
39 incurred while performing his or her duties.
40 6. As used in this section, the term "College Savings Plans of
41 Nevada" includes the Nevada Higher Education Prepaid Tuition
42 Program set forth in NRS 353B.010 to 353B.190, inclusive, and the
43 Nevada College Savings Program set forth in NRS 353B.300 to
44 353B.370, inclusive [.] , and **section 1 of this act**.
– 4 –

1 **Sec. 3.** NRS 353B.320 is hereby amended to read as follows:
2 353B.320 The Board may delegate to the State Treasurer any
3 of its administrative powers and duties specified in NRS 353B.300
4 to 353B.370, inclusive, **and section 1 of this act** if the Board
5 determines that such delegation is necessary for the efficient and
6 effective administration of the Nevada College Savings Program
7 and the Trust Fund.
8 **Sec. 4.** NRS 353B.330 is hereby amended to read as follows:
9 353B.330 Savings trust accounts and agreements entered into
10 pursuant to NRS 353B.300 to 353B.370, inclusive, **and section 1 of**
11 **this act** are not guaranteed by the full faith and credit of the State of
12 Nevada.
13 **Sec. 5.** NRS 353B.340 is hereby amended to read as follows:
14 353B.340 1. The Nevada College Savings Trust Fund is
15 hereby created.
16 2. The Trust Fund is an instrumentality of this state, and its
17 property and income are exempt from all taxation by this state and
18 any political subdivision thereof.
19 3. The Trust Fund consists of:

20 (a) All money deposited in accordance with savings trust
21 agreements;
22 (b) All money received as a matching contribution made as
23 described in NRS 363A.137 or 363B.117; and
24 (c) All earnings on the money in the Trust Fund.
25 4. Money in the Trust Fund:
26 (a) Is not the property of this state, and this state has no claim to
27 or interest in such money; and
28 (b) Must not be commingled with money of this state.
29 5. A savings trust agreement or any other contract entered into
30 by or on behalf of the Trust Fund does not constitute a debt or
31 obligation of this state, and no account owner is entitled to any
32 money in the Trust Fund except for that money on deposit in or
33 accrued to his or her account.
34 6. The money in the Trust Fund must be preserved, invested
35 and expended solely pursuant to and for the purposes authorized by
36 NRS 353B.300 to 353B.370, inclusive, **and section 1 of this act** and
37 must not be loaned or otherwise transferred or used by this state for
38 any other purpose.
39 **Sec. 6.** NRS 353B.350 is hereby amended to read as follows:
40 353B.350 1. The Trust Fund and any account established by
41 the State Treasurer pursuant to this section must be administered by
42 the State Treasurer.
43 2. The State Treasurer shall establish such accounts as he or
44 she determines necessary to carry out his or her duties pursuant to
– 5 –

1 NRS 353B.300 to 353B.370, inclusive, **and section 1 of this act**,
2 including, without limitation:
3 (a) A Program Account in the Trust Fund; and
4 (b) An Administrative Account and an Endowment Account in
5 the State General Fund.
6 3. The Program Account must be used for the receipt,
7 investment and disbursement of money pursuant to savings trust
8 agreements.
9 4. The Administrative Account must be used for the deposit
10 and disbursement of money to administer and market the Nevada
11 College Savings Program and to supplement the administration and
12 marketing of the Nevada Higher Education Prepaid Tuition Program
13 set forth in NRS 353B.010 to 353B.190, inclusive.
14 5. The Endowment Account must be used for the deposit of
15 any money received by the Nevada College Savings Program that is
16 not received pursuant to a savings trust agreement and, in the
17 determination of the State Treasurer, is not necessary for the use of
18 the Administrative Account. The money in the Endowment Account
19 may be expended: ~~for any purpose related to:~~
20 (a) ~~For any purpose related to the The Nevada College~~
21 ~~Savings Kick Start~~ **child development account** Program; **established pursuant to**
section 1
22 **of this act;** ~~or~~

23 (b) ~~To pay the costs of administering the~~ For any purpose related to the ~~The~~ Governor
Guinn

24 Millennium Scholarship Program created pursuant to NRS 396.926⇒

25 including costs to administer the program which ~~but such costs~~ must not exceed an
amount equal to 3 percent of

26 the anticipated annual revenue to the State of Nevada from the

27 settlement agreements with and civil actions against manufacturers

28 of tobacco products anticipated for deposit in the Trust Fund; or

29 (c) In any other manner approved in accordance with the State Budget Act which assists
the residents of this state

30 to attain postsecondary education.

31 **Sec. 7.** This act becomes effective upon passage and approval.

Comment [JRW3]: Addresses the concern of former Treasurer Marshall on limiting the administrative costs.

Comment [JRW4]: This would address the ability to propose innovations in this area as mentioned by State Treasurer's Office but would require the College Savings Board to receive approval from the Governor and Legislature in order to expend funds for purposes other than the child development account or the Guinn Millennium Scholarship. This provides some flexibility while requiring a broader level of approval before expending funds. Between this change and subsection 4, the language would allow for the payment of administrative costs associated with the College Savings Program and the Nevada Prepaid Tuition Program.

MINUTES OF THE JULY 21, 2010
MEETING OF THE
INTERIM FINANCE COMMITTEE
LEGISLATIVE COUNSEL BUREAU
Carson City, Nevada

Cochair Steven Horsford called a special meeting of the Interim Finance Committee (IFC) to order on July 21, 2010, at 11:15 a.m. in Room 4401 of the Grant Sawyer Office Building in Las Vegas. The meeting was videoconferenced to Room 4100 of the Legislative Building in Carson City, the IGT Knowledge Center at the University of Nevada, Reno, and the High Tech Center at Great Basin College in Elko. Exhibit A is the agenda, Exhibit B is the guest list, and Exhibit C is the meeting packet. All exhibits are available and on file at the Fiscal Analysis Division of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Senator Steven Horsford, Cochair
Assemblyman Morse Arberry Jr., Vice Chair
Assemblyman Paul Aizley for Assemblywoman Koivisto
Assemblyman Kelvin Atkinson for Assemblywoman Buckley
Assemblyman Moises (Mo) Denis
Assemblyman Joe Hardy
Assemblyman Joseph Hogan
Assemblyman Richard McArthur for Assemblywoman Gansert
Assemblywoman Kathy McClain
Assemblywoman April Mastroluca for Assemblyman Conklin
Assemblyman John Ocegura
Senator Bob Coffin
Senator Joyce Woodhouse

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Assemblyman Pete Goicoechea
Assemblyman Tom Grady
Assemblywoman Debbie Smith
Senator Mike McGinness
Senator William J. Raggio

COMMITTEE MEMBERS PRESENT IN RENO:

Senator Bernice Mathews, Cochair
Assemblywoman Sheila Leslie

COMMITTEE MEMBERS PRESENT IN ELKO:

Senator Dean Rhoads

COMMITTEE MEMBERS EXCUSED:

Assemblywoman Barbara Buckley
Assemblyman Marcus Conklin
Assemblywoman Heidi Gansert
Assemblywoman Ellen Koivisto

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT IN LAS VEGAS:

Lorne Malkiewich, Director, Legislative Counsel Bureau
Brenda Erdoes, Chief Legislative Counsel, Legislative Counsel Bureau
Alex Haartz, Program Analyst, Fiscal Analysis Division

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT IN CARSON CITY:

Tracy Raxter, Fiscal Analyst, Assembly
Michael Chapman, Principal Deputy Fiscal Analyst
Eileen O'Grady, Chief Deputy Legislative Counsel
Sherie Silva, IFC Committee Secretary
Cheryl Harvey, Fiscal Division Secretary

Cochair Horsford called the meeting to order at 11:15 a.m. and asked for a roll call.

A. ROLL CALL.

Lorne Malkiewich, Director, Legislative Counsel Bureau, and Secretary to the Interim Finance Committee, called the roll at each of the four locations; a quorum of each House was in attendance.

*B. APPROVAL OF GIFTS, GRANTS, WORK PROGRAM REVISIONS,
ALLOCATION OF BLOCK GRANT FUNDS AND POSITION CHANGES IN
ACCORDANCE WITH CHAPTER 353 OF NRS.

- 1. State Treasurer – College Savings Trust – Endowment Account – FY 2010 –** Transfer of \$200,000 from the Reserve category to the Transfer to Millennium Trust account category to facilitate an action approved by the College Savings Board in accordance with NRS 353B.350, Section 5. Requires Interim Finance approval since the amount transferred to the Transfer to 1085 Millennium Trust category exceeds \$50,000. **Work Program #C18113. This item was deferred from the June 24, 2010, IFC meeting.**
- 2. State Treasurer – College Savings Trust – FY 2011 –** Addition of \$187,500 in College Savings Endowment Account funds to cover the cost of an Investment Performance Monitoring contract. Requires Interim Finance approval since the amount added to the Operating category exceeds \$50,000. **Work Program #C18676**

3. **State Treasurer – College Savings Trust – Endowment Account – FY 2011 –** Transfer of \$187,500 from the Reserve category to the Transfer to College Savings category and transfer of \$312,500 from the Reserve category to the Transfer to Prepaid Tuition category to cover the costs of a new Prepaid Tuition computer system upgrade and an Investment Performance Monitoring contract. Requires Interim Finance approval since the amount transferred to the College Savings category exceeds \$50,000. **Work Program #C18665**
4. **State Treasurer – Higher Education Tuition Administration – FY 2011 –** Addition of \$312,500 in College Savings endowment account funds to cover the costs of a new Prepaid Tuition computer system upgrade and an Investment Performance Monitoring contract. Requires Interim Finance approval since the amount added to the Information Services category exceeds \$50,000. **Work Program #C18672**

Cochair Horsford announced the purpose of the meeting was to discuss the Millennium Scholarship Program, which was an agenda item that was deferred at the June 24, 2010, meeting.

Cochair Horsford stated the College Savings Board had met since the June 24, 2010, IFC meeting and was recommending a revision to the June request for an allocation of \$200,000 from the College Savings endowment account to the Millennium Scholarship Program. He asked Steve George from the Treasurer's office to outline the proposal for Committee discussion and consideration.

Steve George, Chief of Staff, Office of the State Treasurer, explained the first work program requested a \$200,000 transfer from the College Savings trust fund to the Millennium Scholarship account as a result of the reduced receipts from the tobacco settlement funds.

Mr. George said the second work program request was for the transfer of funds from the College Savings trust fund to the College Savings endowment account for an investment performance monitoring contract. As previously discussed at the June meeting, it was critical to the College Savings Board that there be an outside person providing oversight on how investment decisions were made.

Items 3 and 4, Mr. George continued, were requests to transfer funds for the purpose of upgrading the online computer system for the Prepaid Tuition Program. He explained the existing computer system was an old one from Virginia, and the fees for the system were consistently being increased. The board made the decision to try to develop its own system with the help of a vendor.

Senator Horsford asked the Fiscal Analysis Division to provide a step-by-step explanation of the new proposal.

Tracy Raxter, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, described the proposed revisions to Item 1, work program C18113:

- Revision of the category 14 amount, which was the transfer to the Millennium Scholarship trust fund, from \$200,000 to \$4,206,183.
- Reduction in category 86, in lieu of the \$200,000 reduction, of the full amount of \$2,562,321 that was in the reserve category and budget authority,
- Augmentation to the revenue authority in the endowment account, revenue GL 3803, contract services, of \$1,643,862.

Senator Raggio requested clarification of the dollar amounts. He asked what amount was actually being requested for transfer to the Millennium Scholarship Program.

Mr. Raxter explained the amount of \$200,000 in Item 1 was based on a projection prior to receiving the April 2010 tobacco settlement funds for the current fiscal year. Because the funds came in below the projected amounts, the \$200,000 would not provide enough cash to fully fund the Millennium Scholarship Program for the upcoming school year.

Senator Raggio again asked for the total amount being requested to transfer from the College Savings trust fund to the Millennium Scholarship Program at this time.

Mr. Raxter replied the total amount to be transferred from the endowment account would be \$4,206,183.

Senator Raggio affirmed the transfer would only fund the program through the current biennium. Mr. Raxter stated Senator Raggio was correct; funding would only be available through fiscal year 2011.

Senator Raggio asked if the transfer would allow the full tuition payments contemplated for the Millennium Scholarship for the entire school year.

Mr. Raxter said based on the current estimates, there would be sufficient funds for the 2010 summer and fall terms and the spring 2011 semester. He said it was possible that the 2011 Legislature would have to revisit the issue to ensure there would be sufficient funding for the spring 2011 semester.

Senator Raggio remarked it was important for Committee members to understand what they were being asked to do. He asked what impact the transfer would have on the College Savings trust. He still did not understand how the 2009 Legislature was given information that there would be sufficient funding for the Millennium Scholarship Program through 2014. To his knowledge, that information came from the Treasurer's office and the Fiscal Analysis Division. Sometime later, it was learned there would be a shortage, and it now appeared to be approximately \$4.2 million.

Senator Raggio asked how \$4.2 million was miscalculated when the 2009 biennial budget was approved. Secondly, he asked from what segment of the College Savings

Program the funds were being transferred and what the proposal was for repayment of the funds, if any, to the College Savings trust fund.

Cochair Horsford recalled that the 2009 analysis was done in cooperation with the Nevada System of Higher Education (NSHE) and the Treasurer's office.

In response to Senator Raggio's first question concerning the funding for the Millennium Scholarship Program for the current biennium, Mr. Raxter pointed out that the actual amount of tobacco settlement funds received by the state in fiscal year 2008 was \$18.2 million, and in fiscal year 2009 the actual amount was \$19.8 million. However, the actual amount in fiscal year 2010 was only \$16.5 million, approximately \$3.3 million below the amount received the prior fiscal year. He said the Treasurer's office estimate for fiscal year 2011 was \$15.6 million. He was not able to address why the amounts had dropped from the prior fiscal years.

Senator Raggio also wanted it clarified that funds from the unclaimed property fund had been utilized in the past to salvage some of the Millennium Scholarship payments. However, it was his understanding there was a legal opinion that, at this point in time, the unclaimed property fund could not be used in between sessions for that purpose, even though there were funds available.

Brenda Erdoes, Chief Legislative Counsel, Legislative Counsel Bureau, stated Senator Raggio was correct. The legal opinion was based on the fact that the Legislature took out the authority to use the unclaimed property fund for Millennium Scholarships for this biennium. The fund could be used after this biennium, but currently authority did not exist.

Cochair Horsford asked Mark Stevens to address the second part of Senator Raggio's question pertaining to the projections and the proposed plan.

Mark Stevens, Interim Vice Chancellor for Finance, Nevada System of Higher Education, explained the projections were developed in conjunction with the Fiscal Analysis Division and the State Treasurer's office. It was the best information available, and all of the offices agreed with the numbers. He said the Millennium Scholarships would be able to be granted at the full amount in fiscal year 2011 if the proposal was approved by Committee.

Cochair Horsford asked for further explanation of the revenues in the endowment account. He understood they were non-General Fund revenues, but he wondered where the funds came from and how they could otherwise be used. He also requested that Legal Counsel provide information to the Committee as to the authority within statute to use a portion of the endowment fund revenues for higher education purposes.

Mr. George explained people invested in College Savings funds, and they paid a fee to their broker; those fees were collected by the program managers, who paid a portion of the fees to the Treasurer's office, along with other fees. He said the money collected in

the College Savings fund was money provided to the state from the program managers. The funding was able to be used by the College Savings Board in a variety of different ways.

As discussed at the June 24, 2010, IFC meeting, Mr. George explained, the College Savings Board had made decisions on how it would like to have the money spent. There was approximately \$2.6 million left over at this point, which was the amount being proposed at this meeting to be used for the Millennium Scholarship Program.

Mr. George noted there were two other work programs for fiscal year 2011 that the College Savings Board desperately needed to go forward – the online system for the Prepaid Tuition Program and the financial monitoring system.

Cochair Horsford affirmed the brokerage fees were the fees collected by the company, they were not the actual investments made, and the fees were shared between the company and the state. The College Savings Board had authority to determine how best to utilize those fees and for what purposes. Mr. George indicated Cochair Horsford was correct.

Cochair Horsford asked Ms. Erdoes if use of the College Savings endowment fund for the Millennium Scholarship Program was an allowable use under statute.

Ms. Erdoes replied that it was an allowable use. It was very clear that NRS 353B.350 provided that money in the endowment fund that was not needed for administration may be used for three purposes, one of which was to provide more access to higher education to the citizens of Nevada. She confirmed the proposal being presented complied with specific statutory authority.

Assemblyman Hardy asked how the accumulated funds from the brokerage fees would normally be spent if this proposal was not being considered.

Mr. George replied the brokerage fees would be collected by the program managers and shared with the state. The state used the money to help administer the program and pay for marketing and program enhancements. The money had traditionally not been spent in the last few years, but the board was being more aggressive in what it wanted to do. In addition to marketing efforts and the computer system upgrade, the board wanted to go forward with the financial literacy program; the groundwork was currently being developed. Mr. George noted the Prepaid Tuition Program was currently funded at approximately 100 percent and doing very well, while programs in other states were either closed or not going forward because of different financial reasons.

Assemblyman Hardy said it was his understanding the fees were involved with getting people from other states to buy into Nevada's program, and therefore the bulk of the brokerage fees actually came from out of state.

Mr. George replied Assemblyman Hardy was correct, adding that the Nevada Prepaid Tuition Program was only for Nevada residents, and the College Savings Program was a program that the Treasurer's office administered for people from any of the 50 states. He thought that at least 90 percent of the fees came from out of state.

Cochair Horsford stated he wanted to hear testimony from the students, parents and members of the public before the Committee took action. He invited those wishing to speak to approach the testimony table.

The following students spoke in support of the Millennium Scholarship. Their verbatim testimony is attached as Exhibit D.

Testifying from Las Vegas:

- Kyle George, President, Graduate and Professional Student Association, University of Nevada, Las Vegas, and Chair of the Nevada Student Alliance.
- J.T. Creedon, Student-Body President, College of Southern Nevada.
- Sebring Frehner, Senator, Nevada Student Alliance, Nevada State College.
- Aimee Riley, Vice President, College of Southern Nevada Capital Club.

Testifying from Reno:

- Matt Smith, President, Graduate Student Association, University of Nevada, Reno.
- Brandon Bishop, Speaker of the Senate, Associated Students of the University of Nevada, Reno
- Jesus Palmer, Senator, Associated Students of the University of Nevada, Reno.

Testifying from Elko:

- Paulette Batayola, President, Student Government Association, Great Basin College, and Vice-Chair of the Nevada Student Alliance.

Cochair Horsford thanked the students for their testimony. He called for a motion.

ASSEMBLYMAN OCEGUERA MOVED TO REVISE THE AMOUNT IN AGENDA ITEM B.1 TO \$4,206,183 AND TO APPROVE ITEMS 2, 3 AND 4 AS SUBMITTED.

THE MOTION WAS SECONDED BY SENATOR WOODHOUSE.

Assemblyman McArthur asked if the transfer of funds would cover fiscal year 2011 only and if the problem would have to be revisited the following year.

Cochair Horsford replied the transfer would cover 2010 summer and fall and 2011 spring semesters. The 2011 Legislature would have to address the issue of the Millennium Scholarship Program and determine how the life of the program should be best preserved beyond current funding.

Assemblyman McArthur affirmed that currently there was not a good steady stream of revenue to fund the program.

Cochair Horsford explained there were dedicated revenues: the tobacco settlement funds, which were declining, and the amount from unclaimed property, which was currently unavailable for use.

Mr. George further explained the funding shortage was made worse by the reduction of tobacco funds, but the non-transfer of \$7.6 million from the unclaimed property fund in 2009, 2010 and 2011, which totaled approximately \$22 million, and the \$5 million taken from the Millennium Scholarship fund in 2010 and scheduled to be taken again in fiscal year 2011 for the budget shortfall, added up to \$32 million. He said if the decision was made by the 2011 Legislature to transfer the \$7.6 million in unclaimed property funds, the tobacco money would still be coming, and there would not be a funding problem in the future based on both of those elements.

Assemblyman Hardy asked if he understood correctly that the 2011 Legislature could fund the Millennium Scholarship Program with tobacco settlement dollars and/or some other source of revenue such as unclaimed property.

Mr. George replied that based on current projections, if the \$7.6 million in unclaimed property could be restored in the 2011 Session and approximately \$16 million in tobacco settlement funds were received, funding for the program would be available. The annual cost of tuition was approximately \$25 million. He explained part of the funding process for the Millennium Scholarship Program had always included transfers from the unclaimed property fund; the change was made by the 2009 Legislature to address the budget shortfall.

Assemblyman Hardy remarked the scenario was based on the premise that funds from unclaimed property would be dedicated as they were in the past. Mr. George concurred, adding that another option would be for the Legislature to change the criteria for the scholarships and make them more restrictive. He stated that since the inception of the problem, State Treasurer Marshall had been pursuing ways to fund the Millennium Scholarships until the 2011 Session so that the Legislature could address funding for the program. Mr. George was pleased with the solution being proposed; it would not adversely affect the College Savings or Prepaid Tuition Programs and would fund the Millennium Scholarship Program through fiscal year 2011. He believed the Committee was making a good decision.

Assemblyman Hardy asked for assurance that the situation would not occur again and that there would be no misinformation or confusion during the 2011 Session for the program going forward.

Mr. George replied the Millennium Scholarship Program had been in existence for many years and had never experienced financial problems. The problem occurred as a result of no longer having the unclaimed property transfer and the \$5 million transfers in 2010 and 2011 from the program to the General Fund.

Cochair Horsford clarified that the motion on the table was to transfer \$4.2 million from the College Savings endowment account, and Assemblyman Hardy's concern was whether the transfer would adversely impact the Millennium Scholarship or any other program.

Mr. George replied it would not. He reiterated the Treasurer's office was very happy with the solution; there would be no impact to the College Savings or Prepaid Tuition Programs, and the Millennium Scholarship Program would be funded through 2011 when the Legislature could decide its future.

Cochair Horsford clarified there was ongoing funding for the Millennium Scholarship Program; there was the dedicated amount from tobacco settlement funds, and the 2011 Legislature would again provide funding from unclaimed property. If those two revenue sources were in place, the Millennium Scholarship Program would be funded for some years, at least until the tobacco settlement funds were depleted.

Mr. George added that all of the states were surprised by the shortage of tobacco settlement funds; Nevada was not alone in dealing with the impact of the shortage. He said the projections of the number of students always had an effect on the cost of the program but, historically, the tobacco settlement and unclaimed property funding had supported the program costs.

Assemblyman Goicoechea stated that technically, \$2.8 million was being taken from existing reserves, and an additional \$1.3 million would be committed from revenues anticipated to be received in the College Savings trust account this fall.

Mr. Haartz clarified that \$2.8 million would be committed this fiscal year and \$1.3 million-plus would be available in fiscal year 2011.

Senator Coffin thanked the Treasurer's office for working with the Committee and staff to arrive at a solution. He remarked no one could guarantee that the situation would not change; it was impossible to forecast the future of tobacco consumption or the economy. He was reluctant to support any transfer from the endowment fund prior to the meeting, but he would support the motion now that he understood the transfer was from fees. He encouraged members of 2011 Legislature to tighten restrictions on receipt of the scholarships and the criteria for keeping them. He believed the

scholarships should be granted based on the quality of education and not necessarily on financial need.

Assemblyman Grady read from the minutes of the March 18, 2010, meeting of the Board of Trustees of the College Savings Plan. He noted it had been questioned whether the \$200,000 would be a transfer or a loan. He wanted the record to reflect that the funds were a transfer and not a loan.

Karen Duddleston, Senior Deputy Treasurer and Administrator for the College Savings Board, stated that at the March 18th meeting, the board had asked the Attorney General whether the \$200,000 could be a loan or if it had to be a direct transfer. The Attorney General's office had advised the College Savings Board that it had no authority to obligate the State Legislature to repay a loan; the funding could not be granted as a loan, and it was approved as a transfer.

Dr. Jane Nichols, member of the College Savings Board, testified she had made the motion to approve the funding, and the motion was made with the understanding that if it was not possible to make a loan, it would simply be a transfer.

Assemblyman Aizley noted the fiscal year would end June 30, 2011, right in the middle of the summer programs at all campuses. He asked if the summer session tuition would be fully covered.

Mr. George replied traditionally the summer programs had been paid for with the fall semester payment, and the University System billed the Treasurer's office for both semesters in September or October. Even though part of the summer sessions would take place in fiscal year 2010, tuition would be paid from 2011 funds.

Senator Raggio stated he had been one of the biggest supporters of the Millennium Scholarship Program; he was in the forefront when it was created at the behest of Governor Guinn. He believed it was a very important method of ensuring that there would not be "brain drain" of the state's better students, and it had been of great value to the higher education system. Senator Raggio noted that the University System had experienced some very serious cuts, and any further cuts would be extremely deleterious to the funding of higher education.

In hindsight, Senator Raggio speculated that the Legislature might have been wise to follow the advice of former Treasurers Bob Seale and Brian Kroliki, who had suggested securitization of the Millennium Scholarship Program. There would have been a steady assured stream of income, and the funding problem would not exist today. He cautioned that the Legislature might want to be more careful and analytical on some of the decisions it would make in the future.

Senator Raggio said he would support the motion with some reluctance. He disliked the idea of transferring funds from the College Savings trust fund, which had its own purposes. He thought the programs being considered by the College Savings Board

were valuable, but they would now be deferred or eliminated. More importantly, he was concerned about the 2011 Legislative Session. There would possibly be at least a \$3 billion shortfall, which was growing daily. He wanted to ensure insofar as possible the continuation of the Millennium Scholarship Program. The program may have to be tweaked, but the integrity of the program was important.

Senator Raggio recalled that after the program's inception, which was based solely upon tobacco settlement funding, as a result of diminishing proceeds, it was necessary to use funding from abandoned property, which was not a source of unlimited income either. He was concerned, not only with the Millennium Scholarship, but also with the College Savings trust fund and others, about how the enormous budget deficit was going to be dealt with. Some people were advocating more and more cuts, but he said that option was also unrealistic.

In summary, Senator Raggio said the 2011 Legislature would be facing some very tough decisions, and today's action would make decisions about the program more difficult. However, he believed the integrity and continuation of the Millennium Scholarship, at least for this biennium, was more important, and therefore, he reiterated, he would reluctantly support the measure. He was doing so with the understanding that the 2011 Legislature would have to take a serious look at the parameters for the Millennium Scholarship Program and how it would be funded in the future, as well as higher education as a whole, in view of limited resources.

Cochair Horsford asked for further comments on the motion; there were none. He thanked the Committee members, the stakeholders from the Nevada System of Higher Education, the Treasurer's office, the Fiscal and Legal Division staff members and, most importantly, the students and parents who attended. He remarked this was an example of the tough choices that had been made in the past and would be necessary in the future. He agreed with Senator Raggio that the next Legislature would have to address future obligations to the program.

Cochair Horsford wanted to underscore the fact that the funds were non-General Fund revenues, they did not impact that portion of the budget, and the transfer was an authorized use of the funds based on the priority of higher education. Students and their families were promised that if they graduated from a Nevada high school and met a certain grade-point average, they would receive scholarships. He believed the motion under consideration did that, and he appreciated the commitment of everyone to work together in the 2011 Legislative Session to preserve the Millennium Scholarship Program and fund it properly in order to meet the commitment to Nevada students who wanted to pursue a higher education degree in Nevada.

THE MOTION CARRIED UNANIMOUSLY.

Assemblywoman Smith announced that Tracy Raxter, Assembly Fiscal Analyst, would be retiring effective August 3, and this was his last IFC meeting. She said he had been a wonderful employee in the Fiscal Division and had been with the state for 24 years

and local government before then. He had been a very devoted employee and put forth heroic efforts during the past several months to work with the Committee while the Fiscal Division was going through a lot of transition. Assemblywoman Smith wanted to acknowledge Mr. Raxter for all of his years of service, especially over the last few months, and she thanked him for everything he had given to the state and everything he would leave behind. She added he had shown great leadership as he had taken over the position of Fiscal Analyst, and she knew the staff would miss him greatly. On behalf of the Committee, Assemblywoman Smith thanked him and wished him well. Cochair Horsford also thanked Mr. Raxter and wished him the best in his retirement.

C. PUBLIC COMMENT.

Public testimony from NSHE students was provided earlier in the meeting (Exhibit D). There were no further comments.

ADJOURNMENT.

ASSEMBLYMAN DENIS MOVED TO ADJOURN.

THE MOTION WAS SECONDED BY ASSEMBLYMAN ATKINSON.

THE MOTION CARRIED.

The meeting adjourned at 12:22 p.m.

Senator Steven Horsford, Cochair
Interim Finance Committee

Lorne Malkiewich, Director
Legislative Counsel Bureau and Secretary
Interim Finance Committee

**EXHIBITS
INTERIM FINANCE COMMITTEE**

Exhibit	Witness/Agency	Description
A	Fiscal Analysis Division Legislative Counsel Bureau	Agenda
B	Fiscal Analysis Division Legislative Counsel Bureau	Guest List
C	Fiscal Analysis Division Legislative Counsel Bureau	July 21, 2010, Meeting Packet
D	Students from the Nevada System of Higher Education	Verbatim testimony of students in support of the Millennium Scholarship.

ASSEMBLY BILL NO. 475—COMMITTEE
ON GOVERNMENT AFFAIRS

(ON BEHALF OF THE OFFICE OF FINANCE
IN THE OFFICE OF THE GOVERNOR)

MARCH 27, 2017

Referred to Committee on Government Affairs

SUMMARY—Revises provisions relating to education.
(BDR 31-975)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to education; requiring the Board of Trustees of the College Savings Plans of Nevada to establish the Nevada College Kick Start Program; requiring the transfer of money in accounts created under the Program to the Endowment Account in the State General Fund under certain circumstances; revising provisions governing the expenditures authorized from the Endowment Account; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

The Board of Trustees of the College Savings Plans of Nevada was created under existing law to oversee the Nevada Higher Education Prepaid Tuition Program and the Nevada College Savings Program. (NRS 353B.001-353B.370) **Section 1** of this bill requires the Board to establish the Nevada College Kick Start Program to create college savings accounts for pupils enrolled in kindergarten in public schools in Nevada who are residents of Nevada. **Section 1** requires the Board, within limits of money available for this purpose, to deposit money in the accounts to be used for the costs of higher education of those pupils. **Section 1** also requires the Board to adopt regulations for the implementation of the Program and authorizes the Board to apply for and accept gifts, grants and donations to carry out the Program.

Existing law authorizes the State Treasurer to establish an Endowment Account in the State General Fund to carry out the State Treasurer's duties with respect to the Nevada College Savings Program. The Endowment Account is required to be



used for the deposit of any money received by the Nevada College Savings Program that is not received pursuant to a savings account agreement and which the State Treasurer determines is not necessary for certain administration and marketing activities. The State Treasurer is authorized to expend money in the Endowment Account: (1) for any purpose related to the Nevada College Savings Program; (2) to pay the costs of administering the Governor Guinn Millennium Scholarship Program; or (3) in any other manner which assists residents of Nevada to attain postsecondary education. (NRS 353B.350) **Section 6** of this bill limits the purposes for which the State Treasurer is authorized to expend money in the Endowment Account only to purposes related to the Nevada College Kick Start Program or the Governor Guinn Millennium Scholarship Program. **Section 1** requires the Board of Trustees of the College Savings Plans of Nevada to transfer to the Endowment Account the balance in the account of a pupil created under the Nevada College Kick Start Program: (1) that has not been accessed by a parent or guardian of the pupil by the time the pupil is enrolled in the third grade; or (2) which otherwise has not been used within the time prescribed by regulation.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 353B of NRS is hereby amended by adding thereto a new section to read as follows:

1. The Board shall establish the Nevada College Kick Start Program to provide for the creation of a college savings account for each pupil who is a resident of this State upon commencement of his or her enrollment in kindergarten at a public school in this State. Within the limits of money available for this purpose, the Board shall deposit money in such an account to be used to pay a portion of the costs of higher education of the pupil.

2. The Board shall adopt regulations for the implementation of the Program, including, without limitation, regulations regarding:

(a) Enrollment in the Program, including without limitation, opting in or opting out of the Program;

(b) Procedures for the parent or guardian of a pupil to access the account of the pupil created pursuant to subsection 1;

(c) The time within which the money in the account created pursuant to subsection 1 must be used; and

(d) Distributions from an account created pursuant to subsection 1.

3. The Board may apply for and accept any gift, donation, bequest, grant or other source of money to carry out the Program.

4. The Board shall transfer to the Endowment Account established pursuant to NRS 353B.350 the balance in the account of a pupil created pursuant to subsection 1 that:



1 ***(a) Has not been accessed by a parent or guardian of the pupil***
2 ***in the manner prescribed in the regulations adopted pursuant to***
3 ***subsection 2 by the time the pupil is enrolled in grade 3.***

4 ***(b) Is otherwise remaining after expiration of the time***
5 ***prescribed in the regulations adopted pursuant to subsection 2***
6 ***within which the money in the account must be used.***

7 **Sec. 2.** NRS 353B.005 is hereby amended to read as follows:

8 353B.005 1. There is hereby created a Board of Trustees of
9 the College Savings Plans of Nevada.

10 2. The Board consists of five members composed of:

11 (a) The State Treasurer, who may name a designee to serve on
12 the Board on his or her behalf.

13 (b) The Director of the Office of Finance, who may name a
14 designee to serve on the Board on his or her behalf.

15 (c) The Chancellor of the System, who may name a designee to
16 serve on the Board on his or her behalf.

17 (d) Two members appointed by the Governor. A member who is
18 appointed by the Governor must possess knowledge, skill and
19 experience in the field of:

20 (1) Accounting;

21 (2) Finance;

22 (3) Investment management; or

23 (4) Marketing.

24 3. A member of the Board who is appointed by the Governor:

25 (a) Serves for a term of 4 years;

26 (b) Except as otherwise provided in paragraph (c), may be
27 reappointed by the Governor; and

28 (c) Except as otherwise provided in this paragraph, may serve
29 for only two terms. A member who is appointed to fill a vacancy in
30 an unexpired term that is not longer than 3 years may serve two
31 terms in addition to the unexpired term.

32 4. The State Treasurer or his or her designee shall serve as the
33 Chair of the Board.

34 5. Each member of the Board serves without compensation,
35 except that each member is entitled to receive:

36 (a) The per diem allowance and travel expenses provided for
37 state officers and employees generally; and

38 (b) Reimbursement for any other actual and reasonable expense
39 incurred while performing his or her duties.

40 6. As used in this section, the term "College Savings Plans of
41 Nevada" includes the Nevada Higher Education Prepaid Tuition
42 Program set forth in NRS 353B.010 to 353B.190, inclusive, and the
43 Nevada College Savings Program set forth in NRS 353B.300 to
44 353B.370, inclusive **†**, and section 1 of this act.



Sec. 3. NRS 353B.320 is hereby amended to read as follows:

353B.320 The Board may delegate to the State Treasurer any of its administrative powers and duties specified in NRS 353B.300 to 353B.370, inclusive, *and section 1 of this act* if the Board determines that such delegation is necessary for the efficient and effective administration of the Nevada College Savings Program and the Trust Fund.

Sec. 4. NRS 353B.330 is hereby amended to read as follows:

353B.330 Savings trust accounts and agreements entered into pursuant to NRS 353B.300 to 353B.370, inclusive, *and section 1 of this act* are not guaranteed by the full faith and credit of the State of Nevada.

Sec. 5. NRS 353B.340 is hereby amended to read as follows:

353B.340 1. The Nevada College Savings Trust Fund is hereby created.

2. The Trust Fund is an instrumentality of this state, and its property and income are exempt from all taxation by this state and any political subdivision thereof.

3. The Trust Fund consists of:

(a) All money deposited in accordance with savings trust agreements;

(b) All money received as a matching contribution made as described in NRS 363A.137 or 363B.117; and

(c) All earnings on the money in the Trust Fund.

4. Money in the Trust Fund:

(a) Is not the property of this state, and this state has no claim to or interest in such money; and

(b) Must not be commingled with money of this state.

5. A savings trust agreement or any other contract entered into by or on behalf of the Trust Fund does not constitute a debt or obligation of this state, and no account owner is entitled to any money in the Trust Fund except for that money on deposit in or accrued to his or her account.

6. The money in the Trust Fund must be preserved, invested and expended solely pursuant to and for the purposes authorized by NRS 353B.300 to 353B.370, inclusive, *and section 1 of this act* and must not be loaned or otherwise transferred or used by this state for any other purpose.

Sec. 6. NRS 353B.350 is hereby amended to read as follows:

353B.350 1. The Trust Fund and any account established by the State Treasurer pursuant to this section must be administered by the State Treasurer.

2. The State Treasurer shall establish such accounts as he or she determines necessary to carry out his or her duties pursuant to



1 NRS 353B.300 to 353B.370, inclusive, *and section 1 of this act*,
2 including, without limitation:

3 (a) A Program Account in the Trust Fund; and

4 (b) An Administrative Account and an Endowment Account in
5 the State General Fund.

6 3. The Program Account must be used for the receipt,
7 investment and disbursement of money pursuant to savings trust
8 agreements.

9 4. The Administrative Account must be used for the deposit
10 and disbursement of money to administer and market the Nevada
11 College Savings Program and to supplement the administration and
12 marketing of the Nevada Higher Education Prepaid Tuition Program
13 set forth in NRS 353B.010 to 353B.190, inclusive.

14 5. The Endowment Account must be used for the deposit of
15 any money received by the Nevada College Savings Program that is
16 not received pursuant to a savings trust agreement and, in the
17 determination of the State Treasurer, is not necessary for the use of
18 the Administrative Account. The money in the Endowment Account
19 may be expended *for any purpose related to:*

20 (a) ~~For any purpose related to the~~ *The* Nevada College
21 ~~Savings~~ *Kick Start* Program ~~established pursuant to section 1~~
22 ~~of this act; or~~

23 (b) ~~To pay the costs of administering the~~ *The* Governor Guinn
24 Millennium Scholarship Program created pursuant to NRS 396.926 .
25 ~~but such costs must not exceed an amount equal to 3 percent of~~
26 ~~the anticipated annual revenue to the State of Nevada from the~~
27 ~~settlement agreements with and civil actions against manufacturers~~
28 ~~of tobacco products anticipated for deposit in the Trust Fund; or~~

29 ~~—(c) In any other manner which assists the residents of this state~~
30 ~~to attain postsecondary education.~~

31 **Sec. 7.** This act becomes effective upon passage and approval.

