

FISCAL YEAR 2008  
JULY 1, 2007 TO JUNE 30, 2008

STATE TREASURER'S ANNUAL REPORT



State of Nevada  
**Office of the State Treasurer**  
**Kate Marshall**



## OFFICE OF THE STATE TREASURER

November 24, 2008

Dear Gov. Gibbons and Members of the Legislature:

As required by NRS 226.120, it is my pleasure to present you with the State Treasurer's Office Annual Report for Fiscal Year 2008, an account of the operations of the Treasurer's Office over the past fiscal year.

For Fiscal Year 2008 (FY 2008), investment interest earnings on the state's General Portfolio came in at \$118 million. As of June 30, 2008, total assets under management were almost \$3.9 billion. Our debt service payment reserves remain at nearly ten months, well above the standard "best practice" of six months of reserve.

For fiscal year 2008, the State Treasurer's Office had an approved budget, over all functional areas, of \$5,158,369, but expended only \$4,386,557. Thirty-three percent of the total expenditures were paid for with General Fund appropriation, with the balance being funded by assessments and trust fund transfers.



As State Treasurer, I was proud to help in the effort to offset the enormous budget challenges facing the state during FY 2008 by identifying \$60 million in additional revenue sources that were used by the Governor and Legislature to balance the state's budget.

The Unclaimed Property Division had unprecedented growth in FY 2008 with \$83.5 million in collections and \$25 million returned to owners. Collections increased by almost 85% from FY 2007, while claims paid doubled during this period.

Other noteworthy accomplishments achieved during FY 2008 were launching an automatic payroll deduction component to the state's college saving plans and providing greater opportunities for family members to contribute toward a child's college savings plan through the *Ugift* program, enhancing the State Permanent School Fund, working with the Board of Finance to adopt a divestiture policy and a new terror-free investment policy, negotiating a new banking contract that will save the state about \$1.2 million over the life of the contract, and maintaining the state's AA+ rating during trying economic conditions.

In cooperation with the Governor and Legislature, I look forward to continuing our efforts to increase the use of innovative technologies and efficiencies to improve the services the State Treasurer's Office provides to the people of Nevada.

Respectfully submitted,

A handwritten signature in blue ink that reads "Kate Marshall".

Kate Marshall  
State Treasurer

# TABLE OF CONTENTS

Overview of the State Treasurer’s Office.....	1
Investments .....	3
Debt Management .....	7
Cash Management .....	10
Unclaimed Property .....	12
Education Programs.....	14
Health Trust Funds.....	20
Staff Profiles.....	22
Kate Marshall’s Biography .....	25
State Treasurer’s Office Organization Chart.....	28

# OVERVIEW

*The Office of State Treasurer was created in 1864, under Article 5, Section 19, of the Constitution of the State of Nevada. The State Treasurer is elected to a four-year term and the general responsibilities include the receipt and safeguarding of all money of the State which is not expressly required by law to be received and kept by some other person; the disbursement of state money through electronic means and checks drawn upon the Treasury by the State Controller; the investment of all available state funds which include, but are not limited to, the General Investment Portfolio, Local Government Investment Pools, Prepaid Tuition Program, 529 College Savings Plan, and the Permanent School Fund; the issuance of any debt obligation authorized on behalf and in the name of the state (with few exceptions); and managing the state's Unclaimed Property and Pooled Collateral programs.*

The office is divided into six functional areas: Administration, Cash Management, Debt Management, Investments, Education Programs, and Unclaimed Property.

The mission of the State Treasurer's Office is to:

- Provide ethical financial leadership to the state;
- Provide prudent and conservative financial management of all state monies;
- Provide professional and judicious fiscal management of all state monies;
- Maximize earnings while maintaining the highest degree of safety;
- Assist families in providing for their children's higher education;
- Maintain the highest degree of public confidence and accountability;
- Maintain an organization which exudes confidence and professionalism;
- Promote efficiencies through technological advances and best practices.

Statutory responsibilities of the State Treasurer:

- Member of the State Board of Finance;
- Ex-Officio State Disbursing Office for the federal government;
- Administrator of the Municipal Bond Bank;
- Chairman of the Board of Trustees of the College Savings Plans of Nevada;

- Administrator of the 529 College Savings Plan and Trust Fund;
- Administrator of the Nevada Prepaid Tuition Program and Trust Fund;
- Administrator of the Fund for a Healthy Nevada and the Trust Fund for Public Health;
- Member of the Executive Branch Audit Committee;
- President of the Nevada Real Property Corporation;
- Administrator of the Nevada Unclaimed Property Division.

For fiscal year 2008, the State Treasurer's Office had an approved budget, over all functional areas, of \$5,158,369, but expended only \$4,386,557, of which personnel accounted for over 67 percent. Thirty-three percent of the total expenditures were paid for with General Fund appropriation, with the balance being funded by assessments and trust fund transfers.



**State Treasurer Kate Marshall at her office in Carson City**

# INVESTMENTS

*Investment of State of Nevada funds within the General Portfolio is a function performed by the State Treasurer, who, in accordance with state statute, has adopted guidelines for the prudent investment of these funds. The General Portfolio includes all state funds, except funds invested in the Local Government Investment Pool (LGIP), Local Government Pooled Long-Term Investment Account (NVEST,) Permanent School Fund, and the Higher Education Tuition Trust Fund.*

## General Portfolio

Permissible investments of the General Portfolio include United States Treasury and Agency securities, repurchase agreements, high quality corporate notes and commercial paper, negotiable certificates of deposit, and banker's acceptances. These securities are diversified to prevent over concentration in a specific maturity, a specific issuer, or a specific class of securities. The average maturity of the portfolio must not exceed two years, and no single security may be longer than ten years. The State Treasurer maintains a conservative, moderately active investment strategy, which has the ability to take advantage of longer-term market opportunities as they occur by analyzing projected cash flow. In order to prevent the forced sale of securities prior to maturity, a "Minimum Liquidity Requirement" is imposed which projects the cash flow needed to pay obligations within a four-week period. All securities to be included in this requirement must mature within 28 days. The benchmark used to assess performance is the yield of the rolling three month United States Treasury Bill. At the conclusion of FY 2008, the General Portfolio outperformed this benchmark by 140 basis points.

The State Treasurer also utilizes a Securities Lending Program whereby the Treasurer, through an authorized securities lending agent, temporarily loans qualified securities from our portfolio to an approved counter party or broker/dealer. Loaned securities are collateralized, thereby reducing the lender's credit exposure to the borrower. Except for the right to vote proxies, the lender retains entitlement to all the benefits of owning the original securities, including the receipt of dividends and interest. The cash collateral is invested by the agent in securities permitted by investment policy. The borrower is obligated to ultimately return the loaned securities at the maturity of the loan. Due to market volatility during FY 2008, activity in this program was suspended in December 2007, which allowed already loaned securities to reach maturity. Even with the suspension, in FY 2008, the State Treasurer earned \$2,569,260 in Securities Lending Revenues, which is included in the total interest earnings below.

During FY 2008, at the request of State Treasurer Marshall, the Board of Finance adopted a divestiture policy and a terror-free investment policy. The divestiture policy outlines procedures that must be followed in the event an investment falls below statutory or investment policy guidelines. The policy provides an avenue for the State Treasurer to gather advice from staff and external investment managers before using that information to make a determination if and when a security should be liquidated. The State Treasurer informs the Board of Finance when a security is being monitored and of any divestiture actions. The terror-free investment policy provides for the State Treasurer to cross-reference information compiled by federal government agencies who routinely track terrorist groups

and state sponsors of terrorism to ensure that investments made the State of Nevada are not being utilized by such persons, organizations, or government entities.

**General Portfolio Historical Interest Earnings**

FY	Interest Earnings	Average Amount Invested	Rate	FY	Interest Earnings	Average Amount Invested	Rate
1999	\$ 61,796,604	\$ 1,071,761,282	5.77%	2004	\$ 22,794,706	\$ 1,285,175,124	1.77%
2000	\$ 56,555,004	\$ 980,275,254	5.77%	2005	\$ 40,118,471	\$ 1,686,361,556	2.38%
2001	\$ 65,912,013	\$ 1,192,597,490	5.53%	2006	\$ 79,972,838	\$ 2,001,713,124	4.00%
2002	\$ 45,278,418	\$ 1,219,076,197	3.71%	2007	\$ 119,585,260	\$ 2,335,897,078	5.12%
2003	\$ 30,352,356	\$ 1,060,484,372	2.86%	2008	\$ 110,255,246	\$ 2,440,338,034	4.52%

**Local Government Investment Pool**

The State of Nevada Local Government Investment Pool (LGIP) was established as an alternative investment program to be utilized by local governments for their public funds. The State Treasurer is responsible for the operation of the program and for adopting prudent investment guidelines for these pooled funds. Any local government, as defined by NRS 354.474, may deposit its public monies into the fund for purposes of investment. In addition to providing local government participants a safe and convenient method of investment, the LGIP also offers the following benefits:

- Multiple accounts may be maintained for accounting purposes.
- No minimum or maximum size of accounts.
- No transaction size limitation for deposit or withdrawal of money.
- No restriction on length of time money is deposited.

The LGIP maintains a conservative investment strategy which incorporates the matching of maturing securities to the cash needs of the participants. Approximately 10% of the fund matures on a daily basis, ensuring sufficient liquidity to meet both anticipated and unanticipated withdrawals. In order to prevent the forced sale of securities prior to maturity, the LGIP imposes a “Minimum Liquidity Requirement” which projects the cash flow needed to pay obligations within a four-week period. All securities to be included in this requirement must mature within 28 days. The benchmark used to assess performance is the rolling three month United States Treasury Bill. As of June 30, 2008, the LGIP outperformed this benchmark by 78 basis points.

At the close of FY 2008, there were 82 LGIP members, including cities, counties, school districts, and various special districts. The LGIP’s foremost investment objectives include safety of principal, portfolio liquidity, and market return, which are consistent with a conservative, short duration portfolio of securities. As of June 30, 2008, the portfolio had a par value of \$855,675,000.

**NVEST**

The State Treasurer maintains a long-term investment program for local governments known as NVEST. As an alternative to the LGIP, NVEST is designed to increase yields by accepting large (\$3 million minimum), extended term (minimum one year commitment) deposits for investment. Members are offered three portfolio structures based on duration of investment. These portfolios are

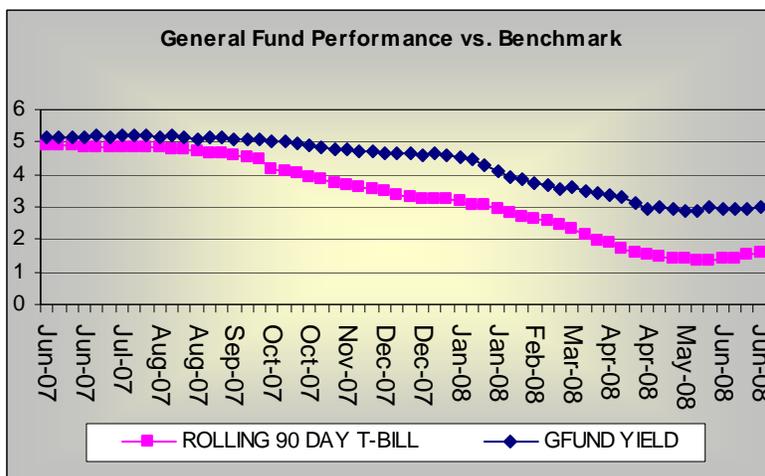
not commingled and are managed by registered investment advisors. Similar to the LGIP, authorized investments are governed by NRS 355.170. As of June 30, 2008, the portfolios had a par value of \$341,789,960.

	LGIP	NVEST
June 30, 2007 book balance	\$708,403,081	\$371,533,408
Deposits from members	1,444,928,412	0
Transfer to/from NVEST/LGIP	(8,000,000)	8,000,000
Portfolio interest earnings	30,900,669	17,858,975
Securities lending income	200,179	0
Less withdrawals	1,336,589,280	51,251,028
June 30, 2008 book balance	\$855,843,061	\$346,141,355

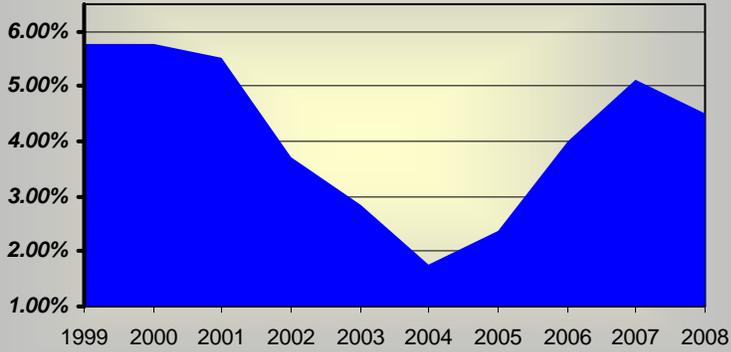
## Market Update

Global fixed income and equity markets continued to be under pressure in FY 2008 due to falling home values, concern that corporate earnings would continue to underperform projections, and lower consumer confidence. As a direct result of this pressure, all non-United States Treasury classes of securities suffered spread widening and price volatility. The State Treasurer’s Investment Division is not a direct participant in the sub-prime sector of the marketplace. Therefore, at fiscal year-end, any risk exposure to the sub-prime sector was indirect and extremely limited. All investment programs are continuously monitored for safety and adherence to investment policy.

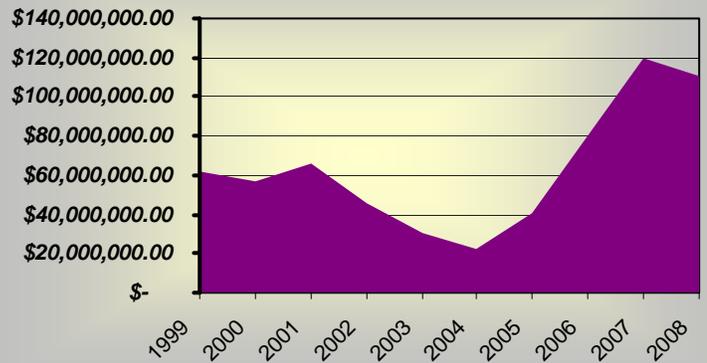
The Investment Division is composed of four staff members (3.5 full-time equivalents): the Deputy Treasurer of Investments, the Investment Analyst, the Management Analyst and the Account Technician, whose time is divided between the Investment and Debt Divisions. Staff responsibilities include the investment of the General Portfolio, the LGIP, and the Permanent School Fund. The Division also works with approved external investment advisers, whose responsibilities include the management of the NVEST and Higher Education Tuition portfolios. Securities lending for the General Portfolio is managed by an approved agent and is overseen by the Deputy Treasurer for Investments.



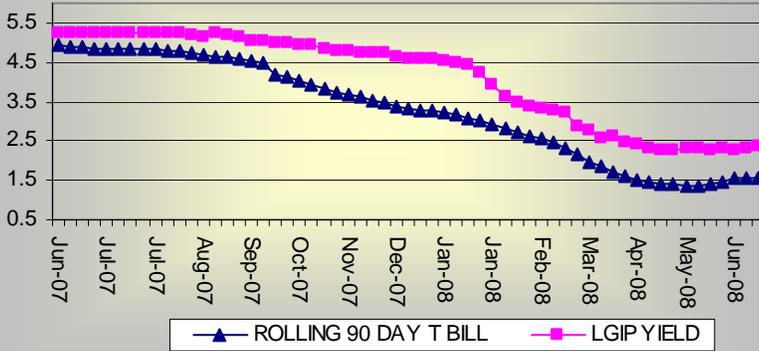
**General Portfolio Interest Earnings History**



**General Portfolio Interest Earnings History**



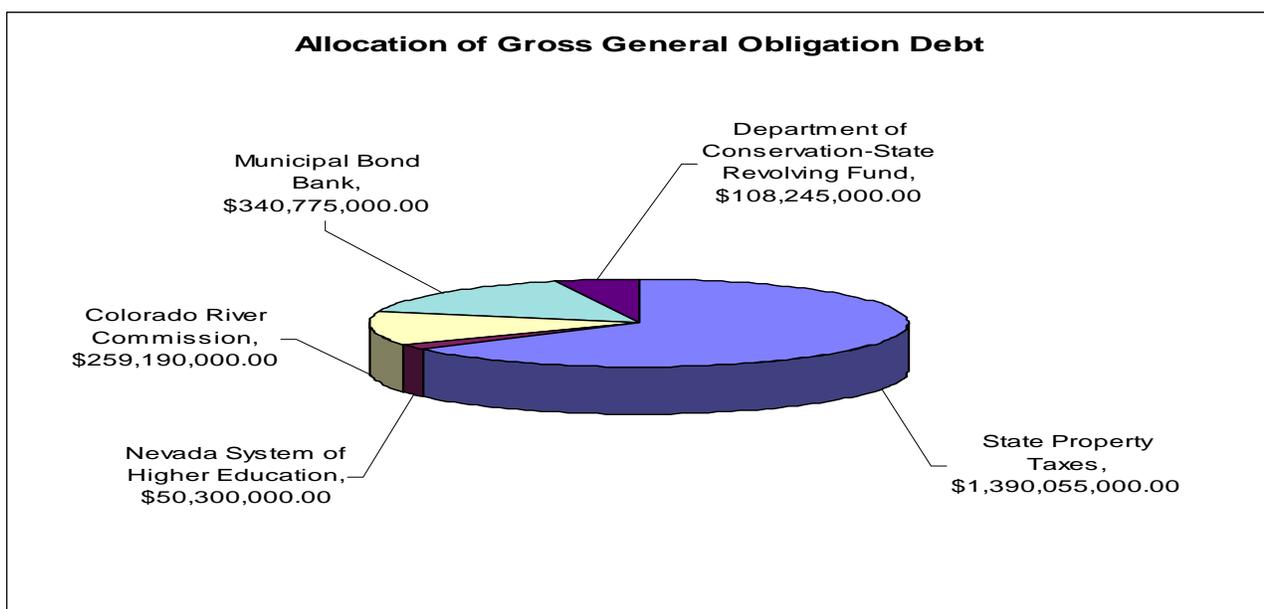
**LGIP Fund Performance vs. Benchmark**



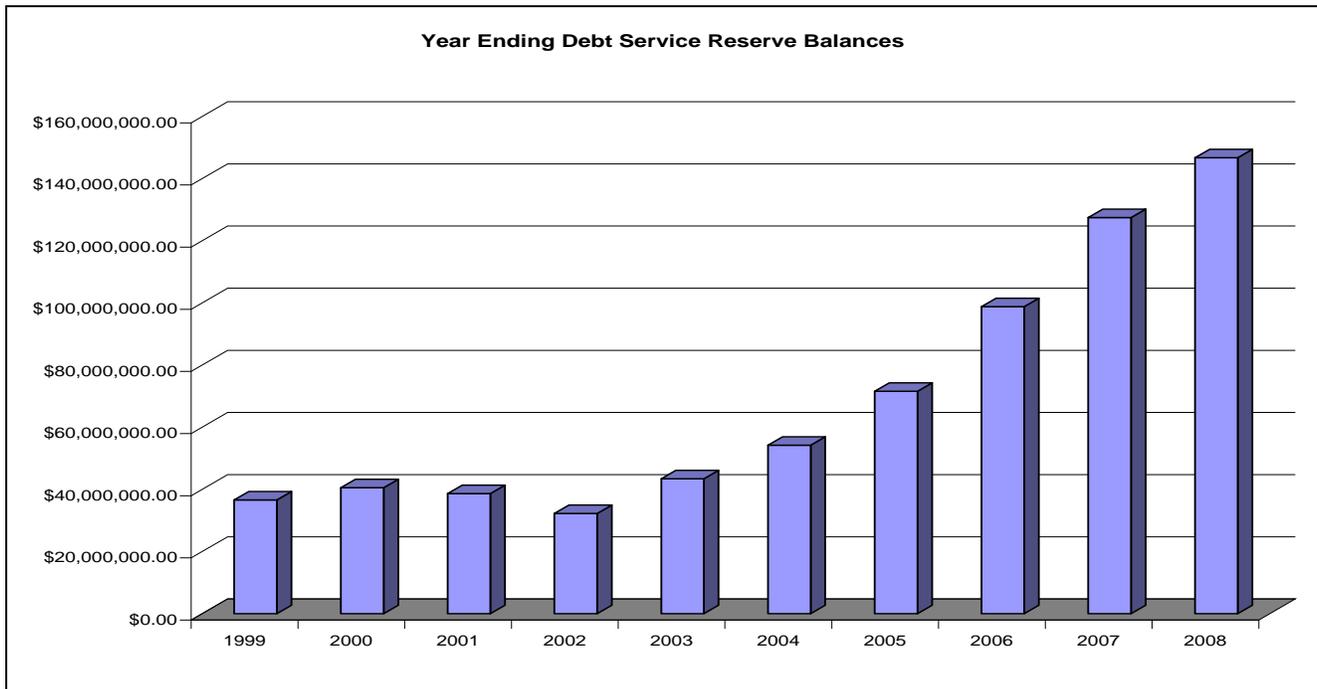
# DEBT MANAGEMENT DIVISION

*Per NRS 226.110 (10), the State Treasurer is directly responsible for the issuance of any debt obligation authorized on behalf of and in the name of the state, except for Housing and Industrial Development bonds. Subsection 11 allows the State Treasurer to organize and facilitate statewide pooled financing programs, including lease purchases, for the benefit of the state and any political subdivisions. The Constitution of the State of Nevada, Article 9, Section 3, limits the aggregate principal amount of the state's outstanding general obligation debt to 2% of the total reported assessed valuation of the state. The limitation does not extend to debt incurred for the protection and preservation of any property or natural resources of the state, or for the purpose of obtaining the benefits thereof. Subject to the constitutional debt limitation, the Legislature may authorize the issuance of debt for any public purpose. For fiscal year 2008, the debt limit stood at \$2.96 billion. Outstanding debt subject to this limit is approximately \$1.2 billion. Gross General Obligation bonded debt stood at \$2,208,923,261 as of June 30, 2007, and decreased to \$2,155,125,000 as of June 30, 2008.*

The State Treasurer is procedurally responsible for the following types of debt: Capital Improvement Bonds, Municipal Bond Bank Bonds, State Revolving Fund Bonds, Cultural Affairs Bonds, Highway Bonds, Natural Resources Bonds, and other miscellaneous general obligation bonds and securities. The Colorado River Commission, the University of Nevada System, and the Department of Business and Industry issue various types of bonds under a range of levels of autonomy. The state requires general obligation bonds to be legislatively-authorized and secured by the ad valorem tax portion dedicated to the payment of general obligation debt.



The debt service reserve fund is created from the proceeds of bond issues and/or the excess of applicable revenues. The fund is used to provide a ready reserve to meet current debt service payments, should monies not be available from current revenues. The State Debt Issuance Policy strives to maintain an amount equal to the next six months of debt service expense. At the conclusion of FY 2008, the fund had an ending balance of \$146.7 million, an increase of more than \$19 million from the previous year's ending balance, resulting in approximately ten months of state debt service payments held in reserve.



At the conclusion of FY 2008, the state was rated AA+, Aa1, and AA+ respectively by the three major rating agencies: Fitch Ratings, Moody's Investors Service, and Standard & Poor's. These agencies rely upon several factors in assigning credit ratings: financial, economic, debt, and administrative/management. Rating agencies believe debt management is an important factor in evaluating issuers and assigning credit ratings, which ultimately determine the borrowing cost of funds. In affirming the state's debt rating, the aforementioned agencies noted the state's prudent fiscal management as a key factor.

NRS 350A.140 designates the State Treasurer as administrator of the Nevada Municipal Bond Bank. In accordance with NRS 350A.150, the amount of state securities issued to acquire municipal securities may not exceed \$1.8 billion outstanding at any time. The state's Municipal Bond Bank program was established in 1981 to assist municipalities in undertaking local projects which foster and promote the protection and preservation of the property and natural resources of the state. Without this fund, municipalities might otherwise face the prospect of prohibitive interest rates. The Board of Finance must approve the issuance of state general obligation and revenue securities under the Bond Bank Act. The outstanding amount of securities issued pursuant to this Act was \$340,755,000 as of June 30, 2008.

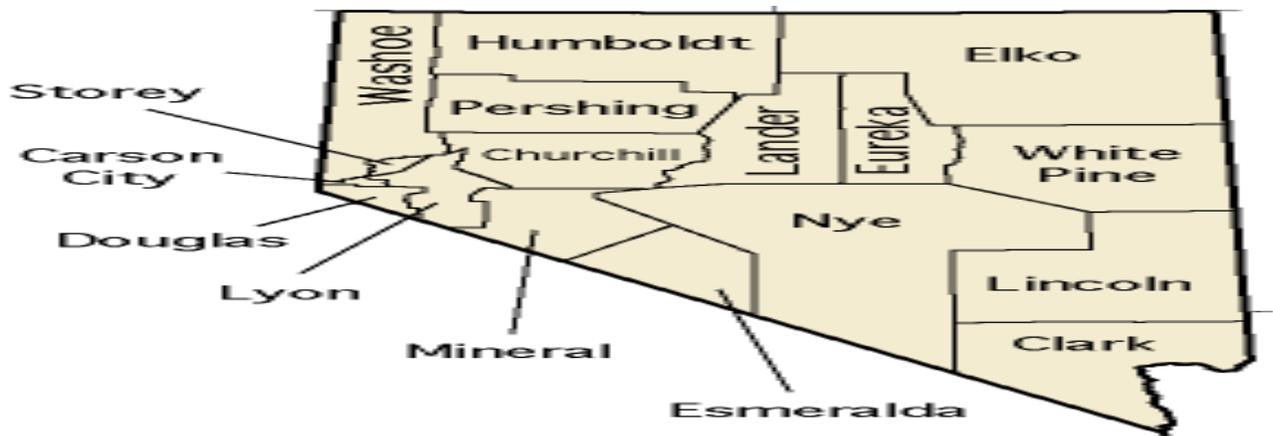
The Permanent School Fund Guarantee Program (PSFG), established under NRS 387.519, provides a mechanism for school districts to enter into agreements with the state whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain bonds issued by school districts. The program is designed to provide easier access to public credit markets and reduce borrowing costs to school districts by ensuring a “AAA” bond credit rating.

In collaboration with the 2007 State Legislature, the State Treasurer successfully sponsored Assembly Bill 554, which raised the Permanent School Fund Guarantee available for each school district from \$25 million to \$40 million, further allowing school districts to reduce costs. At the close of FY 2008, thirteen of Nevada’s seventeen school districts had taken advantage of the fund, saving taxpayers almost \$1 million in borrowing costs.

Fundamental to the program is the legal authorization of the Permanent School Fund to guarantee school district debt, which includes insuring timely debt service payment, coupled with strong oversight and enforcement provisions. The State Treasurer, who also has responsibility for investments related to the Fund, administers the program. If a district fails to make a timely payment, the State Treasurer is required to withdraw a sufficient amount of money from the Fund in order to make a timely debt service payment. The withdrawal from the Fund and payment of debt service on the bonds is considered a loan to the district. The loan must be repaid to the state from either district money available to pay debt service on the bonds that are guaranteed or from withholdings of state aid due the district.

The following highlights the school districts which have entered into PSFG agreements with the State Treasurer, along with their balances as of June 30, 2008:

Carson City	\$	33,244,000	Mineral	\$	3,825,000
Churchill	\$	5,650,000	Nye	\$	29,775,000
Douglas	\$	5,410,000	Pershing	\$	2,100,000
Eureka	\$	3,066,000	Storey	\$	10,800,000
Humboldt	\$	1,660,000	Washoe	\$	0
Lincoln	\$	3,642,000	White Pine	\$	5,040,000
Lyon	\$	18,455,000			



## CASH MANAGEMENT DIVISION

*The primary duty of the Cash Management Division is to manage the state's banking relationships and to assist state agencies with their banking needs. These responsibilities include:*

- *Managing all banking services under the control of the State Treasury;*
- *Acting as an advisor and liaison between state agencies and banks;*
- *Allocating and distributing interest earnings to authorized funds and budget accounts;*
- *Reconciling State Treasury bank transactions with state's accounting records;*
- *Managing the Nevada Pooled Collateral Program;*
- *Distribution of checks to state employees and vendors;*
- *Drawing funds from the federal government on behalf of state agencies;*
- *Assisting in the administration of trust funds related to the Tobacco Master Settlement Agreement; and*
- *Assisting the Debt and Investment divisions with revenue and cash forecasting.*

The collateral pool offers an alternative method of securing public funds that is efficient, cost effective, and safe, while complying with the requirements of NRS 356. The primary objective of the collateral pool is to reduce the risk for government agencies, while at the same time, decreasing the overall collateral requirement for depositories. By centralizing the administration and reporting functions through the State Treasurer's Office, government agencies and depositories recognize cost savings in terms of operational support and collateral efficiency.

Each financial institution is required to maintain as collateral (at a third party repository) acceptable securities having a fair market value that is at least 102 % of the amount of the aggregate uninsured ledger balances of the public money held by the depository. Participating financial institutions must report each day the amount of deposits held and the value of the corresponding pledged collateral. Any under collateralization must be rectified by the financial institution by the close of business on the day the under collateralized deposits are reported.

At the conclusion of FY 2008, 31 public entities in the state were participating in the pool, with deposits in 13 financial institutions. Three additional financial institutions have been approved to take part in the program and should begin participation in 2009. Accounts in the program averaged a weekly balance of more than \$417 million—an increase of \$14 million from the previous fiscal year—with pledged collateral of \$682 million. On average, excess collateral increased by \$21 million.

The Cash Management Division assists with agency administrative duties, including day-to-day budget processes, biennial budget requests, purchasing and contract management, revenue forecasts, and reports due to the Department of Administration and the Legislative Counsel Bureau. Most citizen inquiries are also handled through the Cash Management Division.



**State Treasurer's Office, Carson City, Cash Management Division**

# UNCLAIMED PROPERTY

*The State of Nevada's Unclaimed Property Division has the responsibility of collecting, safeguarding, and distributing unclaimed property for current and past residents and businesses. Companies and governmental agencies are required by NRS 120A to submit annual holder's reports and to turn over unclaimed intangible personal assets and contents of safe deposit boxes. Personal assets include securities, bank deposits, payroll, checks, utility deposits, insurance proceeds, and other items specified in Nevada's statutes. Property is considered abandoned when it remains unclaimed for the number of years prescribed by statute. The person or legal entity entitled to receive the property never loses the right to make a claim for the asset (or value of items sold). Owners could include the estate or the heir to the original owner.*

The Unclaimed Property Division had unprecedented growth in fiscal year 2008 with \$83.5 million in collections and \$25 million returned to owners. Fiscal year 2008 collections increased by 84.9% over FY 2007. Claims paid also doubled during this same time period. At the conclusion of FY 2008, the state was holding approximately \$287 million in unclaimed property.

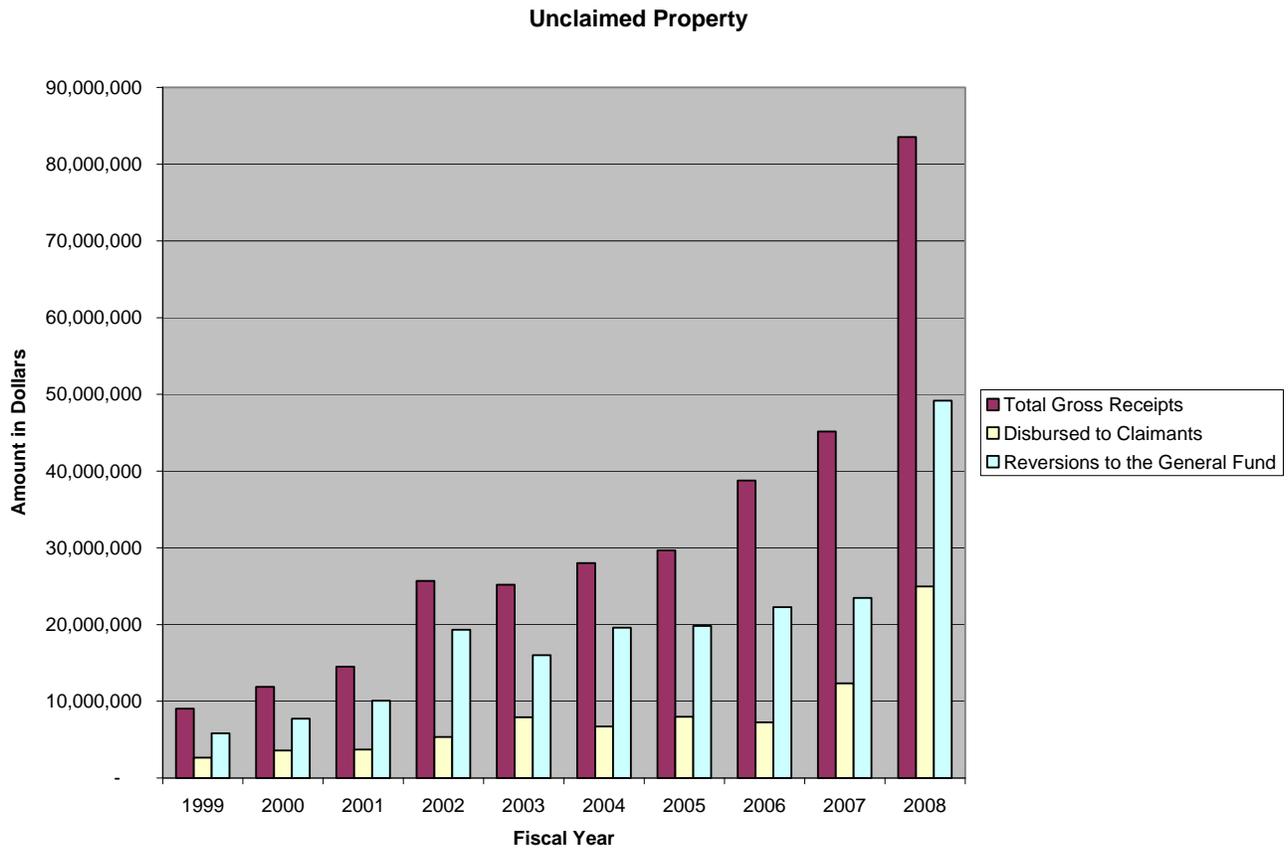
A new Holder Outreach program began in FY 2008 with the addition of a Program Officer to the staff. Thousands of notification cards were sent to holders for the first time, notifying them of their responsibility to file. An additional 3,500 notification cards were also sent to potential claimants.

Further, the Unclaimed Property Division increased outreach efforts by placing public notices by way of newspaper advertising about unclaimed property in 17 different newspapers statewide, as opposed to only 10 the previous fiscal year. The public notices identify property owners whose assets have been turned over to the state during the prior twelve months.

Division auditors completed 22 audits during FY 2008, including restaurants, casinos, car dealerships, health care organizations, and banks.

The Nevada Unclaimed Property Division has maintained a website since 1997 that provides individuals the ability to search the state's database of abandoned property, as well as to initiate claims. In November 2005, the State of Nevada joined the Official States' National Database free website sponsored by the National Association of Unclaimed Property Administration (NAUPA) as a means of increasing outreach to individuals and reuniting them with their unclaimed property.

	FY08	FY07
Total Unclaimed Property receipts	\$ 83,530,132	\$ 45,180,757
Payments to claimants	24,966,198	12,348,171
Administrative costs	1,777,829	1,749,333
Transfer to Millennium Scholarship Fund	7,600,000	7,600,000
Funds available to transfer to the General Fund	\$ 49,179,533.79	\$ 23,464,527



# EDUCATION PROGRAMS

*The State Treasurer's Office administers three different types of education programs:*

- *Governor Guinn Millennium Scholarship Program*
- *Nevada Prepaid Tuition Program*
- *Nevada 529 College Savings Plans*

## GOVERNOR GUINN MILLENNIUM SCHOLARSHIP PROGRAM

In 1999, the Legislature unanimously approved the dedication of 40 percent of Nevada's Tobacco Master Settlement Agreement payments to fund the Millennium Scholarship Program, which by legislative decree during the 2007 session was renamed after former Governor Kenny Guinn. The program provides scholarship funding toward attendance at any college or university located in the state to Nevada high school students who, as of July 1, 2008:

- Graduated with a minimum GPA of 3.25
- Have been a resident and attended a high school in Nevada for at least two years
- Graduated with a diploma from a public or private high school
- Pass the Nevada High School Proficiency Examination.

There is no application process for the student to complete. Nevada high schools electronically submit the names of eligible students to the Millennium Scholarship Program in the Treasurer's Office. Including the graduating class of 2008, more than 75,000 high school seniors have been eligible for the Millennium Scholarship, with 76% of those students choosing to accept the scholarship. By the end of the 2008 school term, more than \$179 million had been distributed to 47,723 Millennium Scholars, of which 8,591 had earned bachelors degrees and 5,025 had received associate degrees.



**Millennium Scholarship Executive Director Reba Coombs**

Now in its eighth year, the Governor Guinn Millennium Scholarship program has continued to recognize, make contact with, and support students in their pursuit of higher education. The State Treasurer's Office partners and collaborates with the Nevada System of Higher Education and the Nevada Department of Education to enhance and support our Millennium Scholars.

During FY 2008, Millennium Scholarship Program enhancements include:

- Development of a new database, MiSL (Millennium Scholarship Ledger), which replaces the outdated INSTEP 2 and greatly enhances the ability to collect, store, and maintain data on Millennium Scholars.
- Development of a new, fully automated and secure method to collect data on eligible high school seniors.
- Through a continuation of the program's outreach efforts, more than 3,000 people have attended such events at college fairs, schools, private companies, PTA groups, and other venues to hear about the Millennium Scholarship Program.

In addition, the State Treasurer's Office continues to:

- Cooperate with representatives of each NSHE institution, NSHE System Administration, System Computing Services, Millennium Scholarship Advisory Committee, Nevada Association of School Superintendents, Leadership Forum of High School Counselors, and the Nevada Department of Education to enhance outreach efforts.
- Collect eligibility data from 17 county school districts, 39 private high schools, adult education, GED, and home school applicants.
- Disseminate information to Nevada high school students, high school counselors, NSHE institutions, and the general public.
- Work with the Millennium Scholarship Advisory Committee and NSHE System Computing Services on a system-wide review process to review balance irregularities.

The following table identifies the number of Millennium Scholars who enrolled in a community college, state college, or university during FY 2008.

<b>Enrollment by Institution by Semester</b>				
<i>Institution Name</i>	<i>2007 Summer</i>	<i>2007 Fall</i>	<i>2008 Spring</i>	<i>2008 Summer</i>
College of Southern Nevada	757	2,981	2,582	865
Great Basin College	9	269	248	6
Nevada State College, Henderson	100	242	213	30
Sierra Nevada College		25	23	1
Truckee Meadows Community College	563	1,317	1,144	458
University of Nevada, Las Vegas	2,562	6,029	4,835	2,546
University of Nevada, Reno	1,402	5,475	4,400	1,596
Western Nevada College	70	459	422	70
<b>Totals</b>	<b>5,463</b>	<b>16,797</b>	<b>13,867</b>	<b>5,572</b>

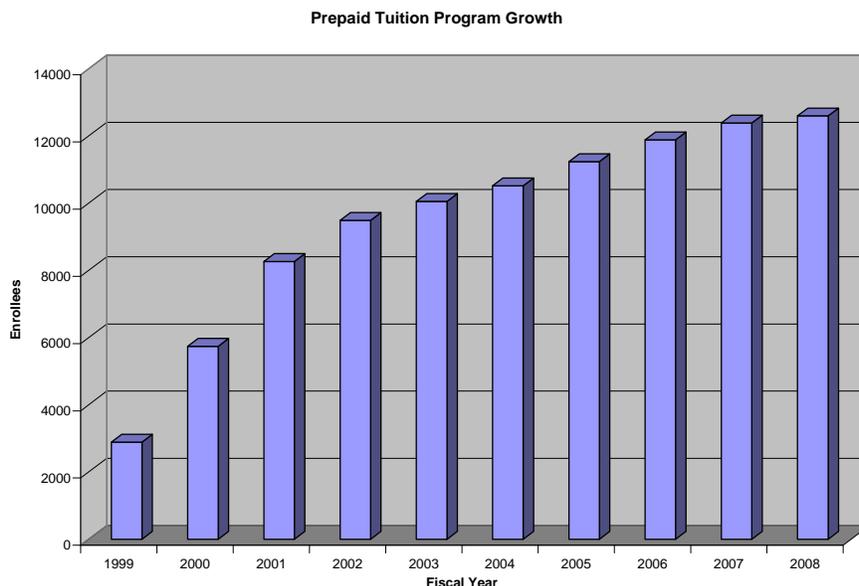
Revenues, expenses, and fund balance for the Millennium Scholarship Fund for FY 2008 are:

July 1, 2007 fund balance	\$	29,141,940
Tobacco settlement revenues		18,196,213
Interest income		854,187
Transfer from Unclaimed Property		7,600,000
Less tuition payments		25,650,525
Less administrative expenses		393,470
June 30, 2008 fund balance	\$	29,748,345

## NEVADA PREPAID TUITION PROGRAM

The State Treasurer administers two types of qualified 529 plans: the Nevada Prepaid Tuition program and the Nevada 529 College Savings Plans, as authorized by 26 U.S.C. § 529. The Nevada Prepaid Tuition Program, which began in 1998, continues to offer a smart savings option to Nevada residents or graduates of the Nevada System of Higher Education looking to begin a college savings program for their newborn to ninth grade child. The program provides parents, grandparents, other family members and friends a variety of options to make participation in the program easy and convenient. The tuition contracts can be satisfied with a lump sum payment, payments spread out evenly over sixty months, or from time of enrollment until the child is ready to start college. At the end of FY 2008, more than 12,599 children had enrolled in the program. The Nevada Higher Education Tuition Trust Fund (Prepaid Tuition Trust Fund) had \$101 million in assets as of June 30, 2008.

The Nevada Prepaid Tuition program is transferrable to private or public out-of-state colleges and universities, and can be transferred to another family member, including a first cousin. As of June 30, 2008, there were approximately 1,312 students using their benefits at Nevada public universities and colleges, independent (private) colleges, or at numerous out-of-state institutions. The program paid out \$3,113,156 in tuition benefits on behalf of these students, which represents an increase of nearly \$482,000 from the prior fiscal year.



## NEVADA 529 COLLEGE SAVINGS PLANS

The State Treasurer's Office partnered with Upromise Investments to help Nevada residents and families across the country save for college. The Nevada 529 College Savings Plans combines tax benefits and flexible features, making it a smart and easy way to save for college. Under the Internal Revenue Code regarding 529 College Savings Programs, earnings in the account grow tax-deferred and, if used for qualified educational expenses, are withdrawn tax-free. This allows savings to grow faster, providing more money toward college-related expenses. There are also additional unique estate and gift tax planning advantages.

Any person may open a 529 college savings account by contributing as little as \$50 per month or by making a minimum one-time investment of \$250. The maximum that can be saved in a 529 plan is \$310,000. These accounts may be used for any qualified education expenses at any eligible post-secondary school in the world, including two and four year colleges, technical and trade schools, and graduate school.

The Nevada 529 College Savings Plans consist of three direct sold programs: Upromise College Fund 529 Plan; Vanguard 529 College Savings Plan and USAA College Savings Plan; and one advisor-sold plan, Columbia 529 Plan. As of June 30, 2008, there were 392,854 accounts actively managed across all four of these plans, with \$4,737,043,497 in assets under management. **This represents an increase of nearly \$675 million from the prior fiscal year.**

The college savings programs offer a variety of market-based savings options. Each portfolio has a different allocation of stock, bond, and money market funds. The investor selects a portfolio depending on his or her own risk tolerance and the amount of time until the child enters college.

In collaboration with Upromise Investments, Nevada launched *Ugift*, an innovative online program which invites friends and families to give the gift of college savings, in lieu of traditional gifts. A pilot program began in November 2007 with two of Nevada's 529 Plans, Upromise College Fund and USAA College Savings plan. As of June 30, 2008, *Ugift* added \$696,450.79 in gift contributions to these plans, with an average gift contribution of \$592.

With the intent of increasing Nevada resident participation in these plans, the State Treasurer's Office has shifted its focus during FY 2008 toward marketing to and better educating Nevada residents about the value of saving for college through grassroots efforts, including:

- Treasurer Marshall encouraging support from school district superintendents in all 17 counties to help deliver the message about the importance of saving for college by sharing with teachers and students a pinwheel postcard highlighting 529 plans in general, along with information about some of Nevada's direct plans.
- Participating in local community events and direct mail campaigns targeting young parents and children, such as Las Vegas' Kids Mix and May 529 Day.
- Eliminating the annual account fee for Upromise College Fund (\$20) and USAA College Savings Plan (\$15) for Nevada residents.
- Introducing a payroll deduction option available to Nevada state employees requiring a minimum deduction of only \$15 per pay period.

- Creating a Nevada College Savings Plans brochure used at local employee benefit and community events.
- Creation of a Nevada resident factsheet for Upromise College Fund and a Nevada resident section on the Upromise College Fund website.

Accounts through 6/30 fiscal year ends:

Year	Upromise College Fund	Vanguard 529 Plan	Columbia 529 Plan	USAA 529 Plan	Total
2004	64,462	35,178	5,939	13,520*	119,099
2005	112,901	60,787	7,579	26,117	207,384
2006	151,384	88,552	8,176	41,505	289,617
2007	157,307	115,055	8,455	58,596	339,413
2008	166,569	141,601	8,516	76,168	392,854

\* August 31, 2004

Assets through 6/30 fiscal year ends:

Year	Upromise College Fund	Vanguard 529 Plan	Columbia 529 Plan	USAA 529 Plan	Total
2004	\$92,139,392	\$567,197,658	\$76,940,731	\$85,110,079*	<b>\$821,387,860</b>
2005	\$261,630,755	\$1,137,692,239	\$81,402,014	\$153,351,294	<b>\$1,634,076,302</b>
2006	\$383,842,469	\$1,871,984,679	\$98,035,268	\$246,846,481	<b>\$2,600,708,897</b>
2007	\$564,881,385	\$2,972,622,759	\$125,472,185	\$400,566,218	<b>\$4,063,542,547</b>
2008	\$630,076,335	\$3,493,167,241	\$122,811,600	\$490,988,322	<b>\$4,737,043,498</b>

\* August 31, 2004

Nevada Accounts:

Year	Upromise College Fund	Vanguard 529 Plan	Columbia 529 Plan	USAA 529 Plan	Total
2007	2,824	1,460		660	<b>5,043</b>
2008	3,305	1,923	118	826	<b>6,172</b>

According to Financial Research Corp, as of June 30, 2008, Nevada was ranked 6<sup>th</sup> in the industry in terms of total 529 plan assets, after being ranked 14<sup>th</sup> at the conclusion of FY 2004:

<b>Rank</b>	<b>State</b>	<b>Assets*</b>	<b>Market Share</b>
1	Virginia	\$25,933	23.4%
2	Rhode Island	\$ 7,893	7.1%
3	New Hampshire	\$ 8,106	7.3%
4	New York	\$ 8,061	7.3%
5	Maine	\$ 5,315	4.8%
<b>6</b>	<b>Nevada</b>	<b>\$ 4,737</b>	<b>4.3%</b>
7	Ohio	\$ 4,200	3.8%
8	California	\$ 3,287	3.0%
9	Colorado	\$ 3,175	2.9%
10	Alaska	\$ 3,172	2.9%

\*(Assets in millions)

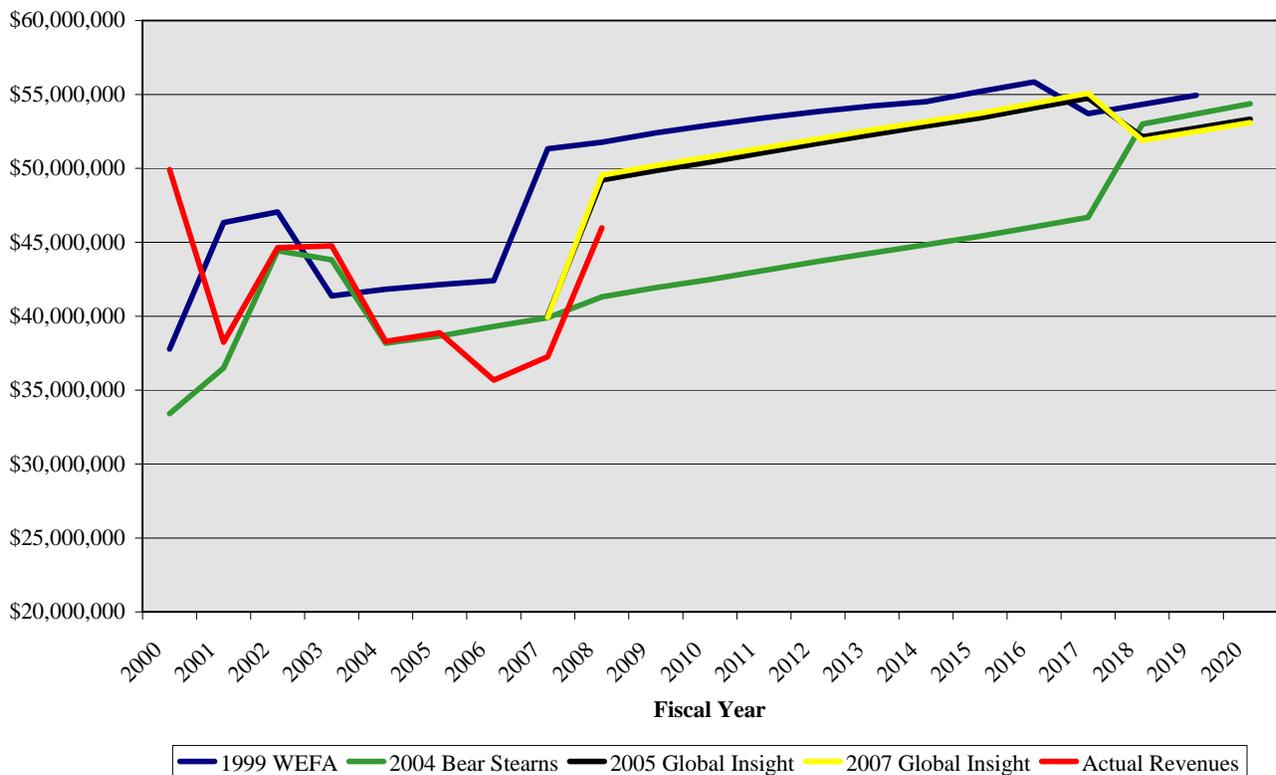
In addition, during FY 2008, the State Treasurer’s Office completed implementation of all the legislative audit recommendations. Quarterly (unaudited) financial statements now compiled and presented to the College Savings Board, along with key information on assets under management and fees generated by the college savings plans. Further, 2008 will be the first year in which 529 College Savings Plans information is included in the Comprehensive Annual Financial Report (CAFR) for Nevada.

# FUND FOR A HEALTHY NEVADA; TRUST FUND FOR PUBLIC HEALTH

*During the 1999 session, the Nevada Legislature approved two bills—Assembly Bill 474 and Senate Bill 496—which determined how money received by the State of Nevada from the Tobacco Master Settlement Agreement (MSA) would be distributed. Following the disbursement of funds for several one-time expenditures, it was determined that 50% of tobacco revenues would be credited to the Fund for Healthy Nevada and 10% to the Trust Fund for Public Health.*

In FY 2008, Nevada received \$45.9 million as the state’s portion of the MSA, 10.4% below the amount originally estimated in 1999 and 7.21% less than the 2007 projection by Global Insight. The following chart provides a view of total tobacco revenues projected by WEFA (now Global Insight) and Bear Stearns through fiscal year 2020. The chart also shows actual tobacco revenues received through FY 2008.

**Projected and Actual Tobacco Revenues**



As administrator of these funds, the State Treasurer’s responsibilities include maintaining the financial records of the funds, investing the money in the trust fund, managing any account associated with the funds, contracting with vendors for any goods or services that are necessary to carry out the provisions of this section, and performing any other duties necessary to administer the funds.

NRS 439.625 created the Task Force for the Fund for a Healthy Nevada as the decision-making body of the Fund (*Note: AB182 of the 2007 legislative session eliminated the Task Force for the Fund for a Healthy Nevada, effective July 1, 2007. The duties previously performed by the Task Force will now be performed by the Department of Health and Human Services*). NRS 439.630 limits the amount of funds allocated for direct expenditure as follows: not more than 20% for programs that prevent, reduce, or treat the use of tobacco and the consequences of the use of tobacco; not more than 10% for programs that improve health services for children; not more than 7.5% for programs that improve the health and well-being of persons with disabilities; not more than 2.5% for expenditures by the Department of Health and Human Resources for the Medicaid waiver program; not more than 30% for the Senior Rx program; and not more than 30% to assist senior citizens with independent living.

NRS 439.610 created a Board of Trustees as the oversight entity for the Trust Fund for Public Health. NRS 439.605(6) allows only the earnings of the Fund to be expended to support projects in the following areas: promotion of public health and programs for disease or illness prevention; research on issues related to public health; and provisions of direct health care services to children and senior citizens.

The following statement identifies the revenues, disbursements, and fund balance of the health funds for FY 2008:

	<u>Fund for Healthy Nevada</u>	<u>Trust Fund for Public Health</u>
June 30, 2007 fund balance	\$ 32,890,180	\$ 33,406,864
FY 07 closing corrections	335,978	
Tobacco settlement revenues	23,230,690	4,549,053
Interest income	1,533,350	1,645,469
Return of unused grant/loan funds	2,868	13,023
Less disbursements	<u>17,394,894</u>	<u>1,219,398</u>
June 30, 2008 fund balance	\$ 40,598,172	\$ 38,395,011

## Staff Profiles



**Mark Winebarger** was promoted to Chief Deputy Treasurer in October 2008 after previously serving as the agency's Senior Deputy Treasurer. He joined the Treasurer's Office in 2001 as the agency's Deputy Treasurer for Cash Management. Mark oversees the Cash Management, Investments, and Debt Management divisions, and serves as the secretary for the Board of Finance.

Mark began his state government career in 1994 in the Controller's Office, eventually ascending the position of Chief Deputy Controller.

A Certified Public Accountant and a Certified Treasury Professional, Mark and his wife, Anji, reside in Dayton with their three boys. The family is very involved in youth sports programs in Lyon County.

**Kim Huys** joined the State Treasurer's Office in July 2007 as Senior Deputy Treasurer for Las Vegas. Her responsibilities include overseeing the Nevada College Savings Plans and the Prepaid Tuition programs.

Previously, Kim served as Chief Deputy in the Nevada Secretary of State's Office and prior to that as Chief Accountant and later Chief Deputy in the Nevada Controller's Office. Kim has spent more than 22 years in public service, 15 in Washington-state and seven in Nevada state government.

She lives with her husband, Jean-Paul, in Henderson.



Senior Deputy Treasurer for Carson City **Steve George** joined the State Treasurer's Office in October 2008. His duties include serving as the agency's legislative liaison; overseeing all internal and external communication, including the Treasurer's Office website; and personnel.

Steve has the distinction of having worked for four constitutional officers—Attorney General, Governor, Secretary of State, State Treasurer. He also authored and/or revised two books relating to the history of the state: The 11th Edition of the *Political History of Nevada*, and *Moving Nevada into the 21<sup>st</sup> Century: Governor Kenny C. Guinn*.

He lives with his wife, Erin, and two children in Dayton. Steve is also a highly respected youth volleyball coach with more than 25 years of coaching experience.

**Kim Arnett** serves as the agency's Deputy Treasurer for Cash Management. The cash section of the Treasurer's Office is responsible for monitoring the banking services of the state, and acts as a liaison between banks and agencies.

Before joining the Treasurer's Office in May 2008, Kim worked six years for the Legislative Counsel Bureau's Audit Division. Kim received her Bachelors of Science degree in 1998 from Sonoma State University. Prior to working for the state, Kim was employed by a public accounting firm in Reno. She is a Certified Public Accountant.

Kim lives in Dayton with her fiancé, Rick, and her two sons.



**Lori Chatwood** accepted the position of Deputy Treasurer for Debt Management in March 2008. She has been employed by the State Treasurer's Office since 1997, and worked within the Debt Management division since 2000.

Besides overseeing the issuance of State securities, Lori is responsible for the collection and payment of various state obligations: Transportation, Capital Improvements, Water Pollution Control Revolving Fund, Safe Drinking Water Revolving Fund, Municipal Bond Bank, Lease-Backed Financings and the Permanent School Fund Guarantee, among others.

Lori, who has resided in Carson City since she was a year old, considers herself a native Nevadan.

**Mary McElhone** became the agency's Deputy Treasurer for Unclaimed Property in October 2007. She oversees a staff of four auditors and six office members. The Division is responsible for finding owners of unclaimed property, processing claims, ensuring holder compliance, securities management, and enforcing the Unclaimed Property Nevada Revised Statute 120A.

Mary holds a Bachelors of Science degree in Business Administration from University of Nevada, Las Vegas. She is also a certified public accountant.

A state employee for more than 13 years, Mary previously worked for the Gaming Control Board as an Audit Supervisor and Senior IT Auditor.

She has resided in Las Vegas for over 20 years with her husband and family.





**Diana Vansickle** has the enormous task of serving as the agency's Deputy Treasurer for Investments, a position she has held since it was created by the 1989 Legislature.

She began her career with the State Treasurer's Office in 1985 after working in the municipal bond industry for eight years.

Diane is responsible for daily investment activities conducted through the Treasurer's Office, including the state's \$2.3 billion General Portfolio, \$750 million Local Government Investment Pool, and the \$275 million Permanent School Fund, among others.

A graduate of the University of California, Los Angeles, with a Bachelor's Degree in Sociology, Diane lives in Henderson with her husband and stepson.

**Reba Coombs** has been the Executive Director of the Governor Guinn Millennium Scholarship program since June 2007. She manages all aspects of the program and acts as a spokesperson to inform and motivate people about the scholarship benefits.



During her 17 years of state service, Reba has worked in all three branches of state government—executive, legislative, and judicial—most recently as an Executive Assistant to Gov. Guinn's Chief of Staff.

Reba and her husband reside in Carson City.



In April 2007, **Steve Martin** became Director of Information Systems for the State Treasurer's Office. He is responsible for overseeing all IT-related aspects of the agency, including systems, applications, and IT contracts.

Steve has almost twenty years of experience in the IT field, having served in both the state and private sector during his career. He holds a master's degree in Information Technology from Regis University.

Steve lives with his wife and five children in Las Vegas.

**Sandy Dombrowski** serves as Executive Assistant to State Treasurer Kate Marshall. She joined the office in October 2007. Her duties include scheduling, administrative tasks, assisting with inquiries and correspondence from constituents and elected officials, and other responsibilities assigned by the Treasurer.



Sandy previously was a customer service representative and executive office receptionist for the Secretary of State's Office, as well as serving as back up to the Secretary's Executive Assistant.

Sandy lives in Gardnerville with her husband, who shares the joy of having a perfect son.



**KATE MARSHALL**  
**Nevada State Treasurer**



Kate Marshall was elected state treasurer in 2006 on a platform she called the Marshall Plan, which included seven main points she would emphasize during her tenure. The basic tenets were simple: Improve and implement programs that will save taxpayer dollars; reduce spending by becoming more efficient; and identify innovative methods for increasing economic development in our state.

During her first year in office, investment earnings on the state's general portfolio grew by more than \$119 million, an increase of almost 50 percent over the previous fiscal year. In addition, the reserves for Nevada's debt service payments increased from the office's historic practice of keeping six months available to ten months, providing greater security for the state.

Upon entering office in January 2007, Kate immediately set out to implement the strategy she had promised voters. One of her first objectives was to enhance the Unclaimed Property Division, to the benefit of the state and the people of Nevada. Previously, the state had done little to find the rightful owners of unclaimed property.

The Unclaimed Property Division had unprecedented growth in FY 2008 with \$83.5 million in collections and \$25 million returned to owners. Collections increased by almost 85% from FY 2007, while claims paid doubled during this period.

With two young daughters of her own and as someone who benefitted from a college education herself, Kate wanted to provide parents, other caregivers, and friends with greater resources for saving for a college education for their children. In collaboration with Upromise, she initiated the *Ugift* program, which provides an avenue for other family members—grandparents, uncles and aunts, friends, and others—to contribute to a child's college savings plan. As an additional method for helping parents, in May 2008, the State Treasurer's Office initiated an automatic payroll deduction option as part of the college saving plan, providing employees in the state system a way to more easily save for their children's college education. An expansion of the program that will provide for private sector utilization is in the works.

As a member of the Nevada State Board of Finance, Kate proposed and the board adopted a new policy that assists the Treasurer's Office in avoiding investments in companies and organizations linked to terrorist groups and nations.

A bill sponsored by the State Treasurer's Office during the 2007 Legislative Session raised the Permanent School Fund Guarantee from \$25 million to \$40 million, providing public schools with easier access to public credit markets and reducing their borrowing costs. This move has saved

taxpayers nearly \$1 million.

Upon learning that the Deputy for Investments within the State Treasurer's Office was consistently beating the returns from private money managers under contract with the state, Kate took the initiative to drop the expensive outsourcing contract, saving the state more than \$500,000 per year.

In February 2008, the State Treasurer's Office awarded a new banking contract that saved taxpayers \$1.2 million. Prior to the contract being awarded, a pilot program designed to provide the state with a more efficient method for depositing checks payable to the state was initiated with several private banking institutions. The Check 21 program, which allows for quicker deposits through the scanning of checks, is now being used by several state agencies with plans to expand to several additional agencies. Through the Check 21 program, the state has the ability to earn interest sooner on deposits.

During turbulent financial times facing the Nevada in 2008, Kate stepped up and worked with her staff to identify revenue sources within the State Treasurer's Office that allowed the Governor and Legislature to lessen severe budget reductions. The first step was identifying an additional \$40 million, \$23 million from unclaimed property earnings and another \$17 million in savings was identified from the state's long-term bond obligation.

Later in 2008, the State Treasurer's Office was asked to locate any funding sources that could possibly be used to offset impending cuts to programs like education, health and human services, and general operating costs. Once again, Kate and her staff dug in their heels and identified another \$20 million in unclaimed property and bond sale savings.

As State Treasurer, Kate continues to work with her staff, legislators, other constitutional officers, and interested citizens to find new and improved ways to protect our state's future through prudent investment planning.

## Personal Biography

Kate started life struggling for life in a welfare clinic at Kaiser in San Francisco. Born prematurely and without modern day medication, her lungs had not fully developed.

As a young girl, Kate's family moved often due to family financial woes, which helped her understand at a very early age the importance of education.

After finishing high school, Kate attended California State University, San Francisco. She later transferred to the University of California, Berkeley, a move predicated after being contacted by the university's Minority Admissions Office, which reviewed Kate's SAT scores and offered her academic and financial grants and scholarships to attend. She earned her way through college, working in the school library.

Following graduation from UC Berkeley, Kate joined the Peace Corps, teaching English and Commerce in the rural outback of Kenya. Successful in her first teaching experience, the Peace Corps recruited Kate to establish the teaching curriculum for the Peace Corps program for Secondary School English in Kenya.

After returning from East Africa, Kate was accepted and graduated with a jurist doctorate degree from the Boalt Hall School of Law, UC Berkeley, spending her summers interning with law firms, most notably United States Senator Paul Laxalt's law firm, Laxalt, Washington, Perito & Debuc, in Washington, DC.

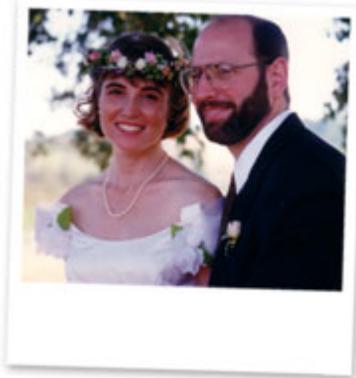


Kate later applied and was accepted to the United States Department of Justice’s Honors program. Kate was assigned to the Department of Justice’s San Francisco field office, building and prosecuting cases involving criminal antitrust litigation.

During one of her frequent business trips to Washington, DC, Kate met her future husband, John, through his sister.

Kate moved to Washington, DC, to be with the love of her life and to continue her work with the Department of Justice. Two years later, Kate and John were married – outside a barn in Healdsburg in Sonoma County, just as they had planned during their first date.

In 1994, she received the Department of Justice’s Antitrust Division’s Outstanding Contribution Award, and in 1997 she received public acknowledgement for her work in the Antitrust Division from then United States Assistant Attorney General of Antitrust Joel Klein.



In 1997, Nevada Attorney General Frankie Sue Del Papa asked Kate to move to Nevada to create Nevada’s Antitrust Unit. Perfectly paired with Kate and John’s hopes to raise their children in Nevada’s welcoming community, Kate accepted the job.

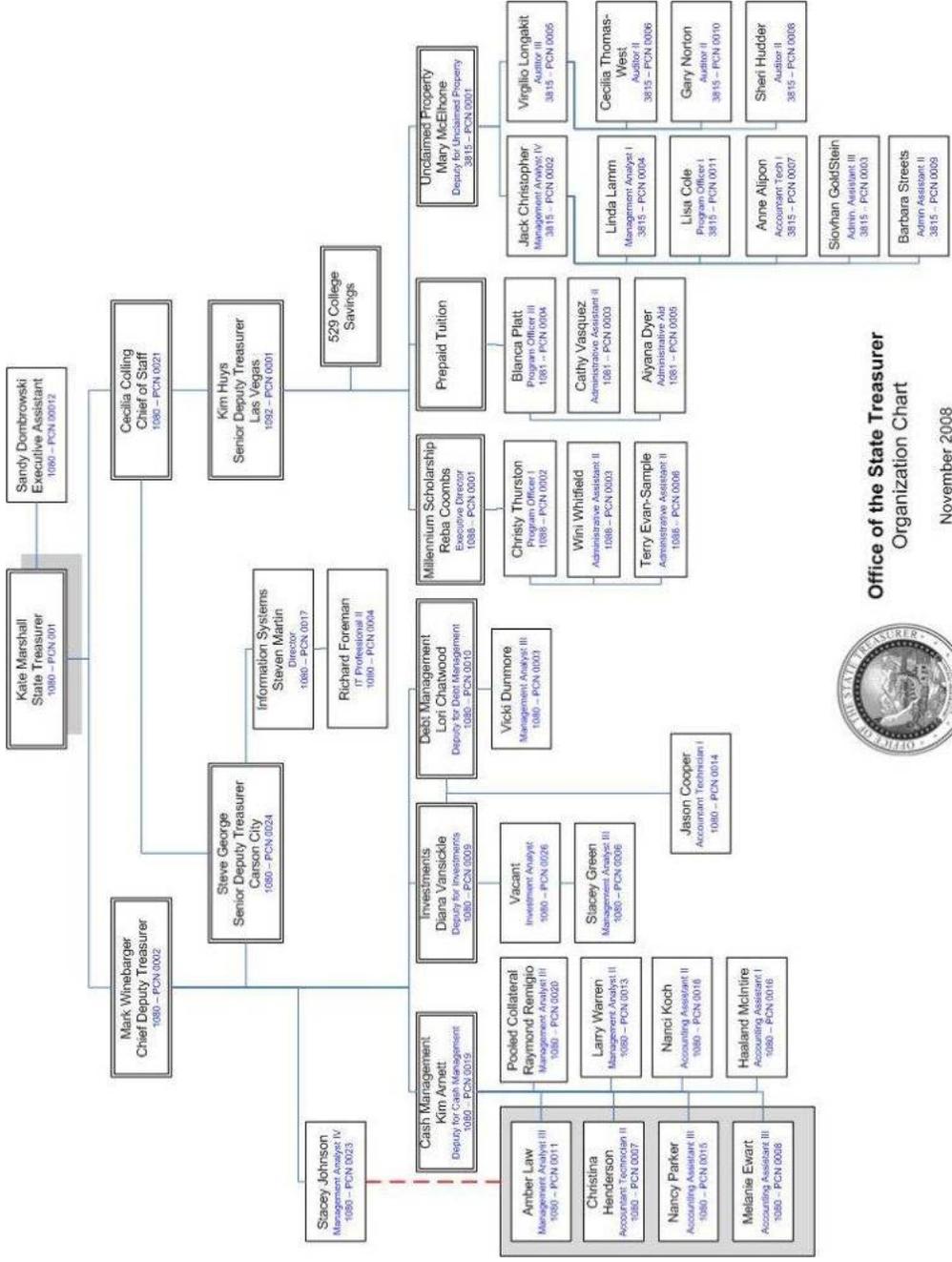
As Senior Deputy Attorney General and the creator of Nevada’s Antitrust Unit, Kate successfully streamlined and modernized Nevada’s antitrust statutes, facilitating greater access for all Nevadans. She also fostered the expansion of Nevada’s “Toys for Tots” program into rural Nevada.

In 2000, Kate became in-house counsel for ATG Inc., a private telecommunications firm serving small and medium size businesses in Northern Nevada. In 2001, she was chosen by ATG to be an honoree in the Nevada Women’s Fund, Women of Achievement event.

Before making the decision to run for elected office, Kate ran her own successful law practice, specializing in consumer protection, telecommunications law, and competitive market analysis.

Kate and John have two wonderful daughters, Anna and Molly. Anna is an avid skier and Molly loves playing the piano and swimming.





Office of the State Treasurer  
Organization Chart  
November 2008