

**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, February 22, 2018, 10:00 a.m.

**Meeting via videoconference at the following locations:**

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

**Grant Sawyer State Office Building**  
Governor's Conference Room -Suite 5100  
555 E. Washington Avenue  
Las Vegas, NV 89101

**State Capitol Building**  
Old Assembly Chambers, 2<sup>nd</sup> Floor  
101 N Carson Street  
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**

*Consent Agenda - All matters in this sub-category are considered by the Board of Trustees to be routine and may be acted upon in one motion without discussion. Most agenda items are phrased for a positive action. However, the Board of Trustees may take other actions, such as hold, table, amend, etc.*

2. **For possible action:** Board review and approval of the minutes of the College Savings Board of Trustees meeting of December 14, 2017.

### **Discussion Agenda**

3. **For possible action:** Board review and approval of the Fiscal Year 2017 annual audit of the Nevada Prepaid Tuition Program by Eide Bailly LLP. (Dan Carter, Eide Bailly)
4. **For possible action:** Board review and approval of the Fiscal Year 2017 annual report for the Nevada Prepaid Tuition Program. (Sheila Salehian, Staff)
5. **For possible action:** Board review and approval of amendments to Nevada Administrative Code 353B for codification of federal law changes to Internal Revenue Code 529 as part of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) which include participant self-reporting requirements for distributions. (Jamie Canup, outside counsel and Staff)
6. **For possible action:** Board discussion regarding AB475 concerns regarding College Kick Start funding in future biennium budget years and reclaiming questions. (Wayne Howley, Attorney General's Office)
7. **For possible action:** Board review and approval of Fiscal Year 2018 Financial Literacy initiatives which include online training and awareness of 529 college saving options for families with children who have disabilities and development of a Financial Literacy Website in support of SB249 Summits. (Sheila Salehian, staff)

### **Information Item**

8. Discuss and provide update regarding federal 529 savings plan amendments.

### **Comments**

9. Staff Notes
10. 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, 1<sup>st</sup> & 2<sup>nd</sup> 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  
1<sup>st</sup> Floor Capitol Police - (702) 486-2012

Notice of this meeting was posted on the following website:

[www.nevadatreasurer.gov](http://www.nevadatreasurer.gov)

[www.notice.nv.gov](http://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  
MINUTES OF BOARD MEETING  
December 14, 2017

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Vice Chair Jeff Haag called the meeting of the Board of Trustees of the College Savings Plans of Nevada to order at 10:05 a.m., on Thursday, December 14, 2017. The meeting was held by video conference from the Nevada Capitol Building, 101 N. Carson Street, 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 Bob Seale – Excused  
Jeff Haag – Carson City  
Susan Brown – Carson City  
Ned Martin – Las Vegas  
Grant Hewitt – Las Vegas, Ex-Officio Non-Voting Board Member

Others present:

Tara Hagan, Chief Deputy Treasurer  
Holly Primka, Treasurer's Office – North  
Beth Ann Yeats, Senior Deputy Treasurer - South  
Sheila Salehian, Deputy Treasurer - South  
Blanca Platt, Treasurer's Office – South  
Troy Watts, Treasurer's Office - South  
Kim Stockton, Vanguard  
Christy Erickson, Vanguard  
Tom Hewitt, Vanguard  
Kay Cesareni, Pension Consulting Alliance (PCA)  
Lisa Connor, Ascensus  
Ardie Hollingsworth, Ascensus  
Sue Hopkins, Ascensus  
Judy Minsk, Putnum  
Lorne Johnson, SSGA  
Tony Scola, SSGA  
Lynne Keller, Opportunity Alliance Nevada  
Megan Bedera, Amplify Relations  
Trinda Freese, Amplify Relations  
Sarah Boxx, Social Entrepreneurs  
Justin Gardner, ARPI

Roll was taken, and it was determined a quorum was present. Ms. Hagan 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. Public comment, from Opportunity Alliance Nevada, gave verbal and written statement in Carson City.

**Consent Agenda**

2. **For possible action:** Board review and approval of the minutes of the College Savings Board of Trustees meeting of October 19, 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 September 30, 2017.
4. **For possible action:** Board review and approval of the Putnam 529 for America program manager's report for the quarter ended September 30, 2017.
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 September 30, 2017.
6. **For possible action:** Board review and approval of the Nevada Prepaid Tuition Program activity report for quarter ended September 30, 2017.

**Grant Hewitt** pulled item 3 from the Consent Agenda for further discussion.

**Ned Martin motioned to approve items 2, 4, 5 & 6 of the Consent Agenda. Susan Brown seconded the motion. Motion passed unanimously.**

**Grant Hewitt** stated that staff is concerned with the net rollover amounts out of the plan for the past four quarters for both SSGA and USAA. He asked the SSGA representative to speak about the firm's new marketing and outreach endeavor to see if that will help solve the rollover issue trend.

Tony Scola with SSGA stated that they share staff's concerns with the negative outflow in the plan over the past several quarters. He noted that the firm is taking steps to reverse that trend and will bring all the resources they have from distribution to marketing to help reverse the trend. Mr. Scola noted that in order to be successful, the firm must also work to diversify the asset base and increase new contributions into the plan too. He noted that the firm has been working on two

things this year to help increase new contributions and diversify the asset base which include: 1) The firm's decision to significantly reduce the fees on a number of the ETFs, including three in the 529 plan and 2) realigned the firm's distribution model, geographically, to ensure more coverage all the way from the top of firms and businesses, down to the bottom. He noted these two changes have started to move the needle and increase assets in the plan. He stated that the firm needs more time to determine the efficacy over the longer term but are pleased with the near term results.

**Vice Chair Haag** questioned the timeline of the two major changes and inquired as to when the Board should expect to see some positive results in the quarterly numbers.

Mr. Scola explained that the fee changes were effective at the end of October 2017 and noted that he expects to see a meaningful impact in the plan over the next six months to a year. He stated that the distribution reorganization took place in June of 2017 and he hopes to have more data on this change by mid-year 2018 to assess how effective the realignment has been.

**Grant Hewitt** asked what level of financial commitment, from a marketing standpoint, does SSGA have around the realignment and marketing efforts.

Tony Scola stated they spend somewhere around \$200,000 to \$250,000 annually on the plan. He noted that the firm has been consistent in the amount of effort and use of resources in its marketing efforts.

**Grant Hewitt** asked if SSGA can bring back to the Board at some point an evolution of how the marketing has evolved since the inception of the partnership.

Tony Scola agreed and stated they would work on that.

The USAA representative addressed the same concerns explaining that the firm continues to review its marketing efforts in regards to both the perspective of reaching out to current members as well as new members.

**Vice Chair Haag** asked if there was a sense of what USAA's local marketing dollars are in Nevada and where those dollars are being spent.

USAA representative explained they don't break it down by state but she provided the Board overall numbers for the 529 plan stating that on average they are spending about \$100,000 across the board and noted that the firm's primary focus is on sales nationwide.

**Susan Brown motioned to approve item 3 of the Consent Agenda. Ned Martin seconded the motion. Motion passed unanimously.**

### **Discussion Agenda**

7. **For possible action**: Board review and approval of amendments to Nevada Administrative Code 353B for implementation of Assembly Bill 475 which, among other items, codified the College Kick Start Program into statute.

**Grant Hewitt** explained to the Board that in 2013 the College Savings Board (CSB) created a pilot program in rural Nevada to fund child development accounts and titled the program the Nevada College Kick Start (CKS). The program is designed to help families save for college under the theory that if a child knows he/she has a savings account for college, he/she is seven times more likely to attend college. The program quickly grew from a pilot program in the rural communities to a statewide program. Mr. Hewitt explained that in 2015-2016 the CSB voted to end the pilot and make the program permanent.

In the last legislative session, the Governor's Office of Finance authored Assembly Bill 475 (AB475) which codified the program into law which has created the need for regulations. He stated that the regulations require two letters to be mailed to parents: 1) One letter will welcome the kindergarteners to the program and explain the process of claiming their account; 2) the second letter will be sent sometime during the child's fourth grade year which will explain the requirement to claim the account or risk forfeiture of the account. He noted that it's important that this is indicated in the regulations because it becomes an administrative cost rather than an education and outreach cost. He noted that these communications in the past, have been funded out of the education and outreach budget but due to restrictions that were also a part of AB 475, it's critical that these types of communications be delineated as administrative expenses in the regulations. The cost is approximately \$30,000 per fiscal year.

Tara Hagan explained that these are scholarship accounts according to the Internal Revenue Code so the \$50 that comes from the program fees and the endowment account are placed into an omnibus account which is completely under the control and ownership of the Board. In terms of distribution, it will go directly from the omnibus account to the higher education institution. Ms. Hagan stated that the regulations are pretty straight forward and expand on four main points, such as enrollment in the program including the opting in and opting out, procedures for parents and guardians on claiming the account, and distribution requirements. Ms. Hagan stated that she has a correction in section 3.2, noting the document should state "the provisions of sections 4 to 17" which will be corrected prior to submission to the Legislative Counsel Bureau.

**Ned Martin** questioned the fiduciary responsibility of the Board. He noted concern regarding the appropriation of the program manager fees and inquired about the Board's liabilities and fiduciary responsibilities.

Tara Hagan stated that within the governing statute, Nevada Revised Statute 353B, the Board governs the Endowment fund which is funded with the contractual program manager/investment partner fees. She noted that in statute, the Board has always had the right to direct staff in regards to the appropriate use of Endowment funds via the biennium budget process. Grant Hewitt noted that through the biennium budget process the Board can make the decision to not fund the CKS accounts in order to protect the college endowment fund. He noted that this would be a fiduciary decision the Board would make and stated that AB475 does not guarantee a funding stream. Mr. Hewitt recommended that staff work with the Attorney General's Office for more clarity on this issue and bring it forth to the Board at its January meeting. He suggested we motion to move forward with the timeline but not authorize staff to take it to any form of finality without another Board vote.

**Ned Martin** asked how much money is required per year to fund these accounts.

Tara Hagan stated that it is approximately \$1.8 million per year.

**Ned Martin motioned for the Board to approve staff to continue through the regulatory process as we wait for an opinion from the DAG, as to what liability the Board could be assuming, prior to making a final decision or allowing the regulations to pass on Agenda Item #7. Susan Brown seconded the motion. Motion passed unanimously.**

8. **For possible action:** Board review and approval of additional FY2018 Financial Literacy sponsorships including a school savings pilot, a military financial literacy training with emphasis on USAA 529 Plan & Matching Grant opportunity, and two financial literacy summits which will be held to educate administrators about college savings plan options and scholarships in support of SB249 requiring financial literacy to be taught in grades 3-12.

Sheila Salehian presented three different financial literacy initiatives for consideration and funding. At the October 2017 Board meeting, staff was given direction that financial literacy initiatives should contain the following components: a college savings focus, the ability to affect participants across the entire state, measurable indicators on before and after financial literacy knowledge is gained, and reports that illustrate awareness of the programs as well as engagement in college savings as a result of the initiatives. As listed in the agenda, Ms. Salehian stated the three initiatives are:

- School Savings Software



- Senate Bill 249 Educator Summits – organize and deliver a Financial Literacy Summit in the North and South before June 30, 2018
- Financial Literacy & College Savings for Military and Veteran Families

**Susan Brown motioned to approve Agenda Item #8. Ned Martin seconded the motion. Motion passed unanimously.**

9. **For possible action:** Board review and approval of the education and outreach expenditure report for the SSGA Upromise 529 Plan for the quarter ended September 30, 2017 to be recorded as non-cash revenue in the State's accounting system.

Tara Hagan explained that the Ascensus contract has "non-cash education and outreach dollars" which is essentially a \$200,000 per year commitment to education and outreach materials. She noted that any amounts which are unused in a fiscal year are balanced forward to the new fiscal year. She stated that staff has provided the Board with the invoice for the first quarter this fiscal year which is required to be approved by the Board.

No questions or comments from Board members

**Ned Martin motioned to approve Agenda Item #9. Susan Brown seconded the motion. Motion passed unanimously.**

10. **For possible action:** Board review and approval of the Prepaid Tuition Investment Monitoring Report prepared by Pension Consulting Alliance, Inc. for the quarter ending September 30, 2017.

Kay Ceserani with PCA presented to the Board, which was attached to the agenda, PCA's report for the quarter ending September 30, 2017. She stated that the program continues to remain over funded by 30% and the results this quarter are positive on a relative basis as well as an absolute basis. Ms. Ceserani discussed risk return, asset allocation (actual vs. target allocations), asset class performance and manager performance.

No questions or comments from the Board

**Ned Martin motioned to approve Agenda Item #10. Susan Brown seconded the motion. Motion passed unanimously.**

11. **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 June 30, 2017.

Kay Ceserani with PCA presented to the Board a memo which reviewed the portfolios qualifying for “watch” status explaining that there are seven funds on “watch” status and those are listed in the memo. She noted that PCA is not overly concerned with any of the funds on watch to date, as some investment strategies are more in favor than others as we move through various market cycles.

**Vice Chair Haag** questioned how long a fund is allowed to stay on watch status before there is a change which may need to occur.

Kay Ceserani explained it’s generally between twelve and eighteen months.

**Ned Martin motioned to approve Agenda Item #11. Susan Brown seconded the motion. Motion passed unanimously.**

12. **For possible action:** Board review and approval of the annual investment presentation for Vanguard 529 Plan.

Tom Hewitt with Vanguard presented its annual investment review for its 529 plan. He noted that the firm does not have any formal recommendations for the plan this year because the it did institute two large changes earlier this year which included the additional of the Total International Bond Fund in the plan and the smoothing of the glide path for all of the age-based portfolios which were successfully implemented in March. Vanguard representatives presented to the Board, its 2018 investment and economic outlook and reviewed the firm’s methodology, process and strategy used in the management of the program.

No questions or comments from the Board.

**Susan Brown motioned to approve Agenda Item #12. Ned Martin seconded the motion. Motion passed unanimously.**

13. **For possible action:** Board review and approval of the annual investment presentation for SSGA Upromise 529 plan.

SSGA presented to the Board their current investment strategies and investment performance during the past year. The representative reviewed the firm’s tactile investment strategies for the various asset classes and sectors. He noted that the firm has a team of investment professionals that participate in tactile recommendations and considerations each month based on various economic and

market drivers. The monthly process relies on quantitative models that provide total return forecasts. He noted that throughout 2017 the firm has built up a favorable position to grow assets and that towards the end of 2017 they have coordinated growth that is accelerating across both developed and emerging economies.

Tara Hagan explained that the SSGA, Board and Ascensus tri-party contract has an investment fee peer review which needs to be conducted every two years. She commented that behind the scenes, Ascensus, SSGA and Staff have worked on this review and is pleased to report that SSGA's firm wide decision to reduce ETF fees affected three underlying investments in the age-based portfolios which helped ensure that the plan fees are under the median expense target needed as part of the review process. She thanked both SSGA and Ascensus for its hard work and partnership in the peer review process.

**Ned Martin motioned to approve Agenda Item #13. Susan Brown seconded the motion. Motion passed unanimously.**

#### **Informational Agenda Items**

14. Board to receive an update on "Let's Go to College! Nevada Saves" from Amplify Relations.

Grant Hewitt gave a summary overview of the "Let's Go To College! Nevada Saves" campaign. He explained how the education and outreach is coordinated with Amplify Relations, staff and Ascensus to form our education and outreach team and noted that all three are all dependent on each other to accomplish our overall mission.

15. Board to receive information on Vanguard 529 Plan fee reduction.

Tara Hagan thanked the partnership with Vanguard and Ascensus. Vanguard proactively looked at the asset base and lowered its fees by one basis point or 0.01%. In addition, the total annual asset-based fees for the Individual Portfolios decreased from the range of 0.17% to 0.45% to a range of 0.16% to 0.44%.

16. Staff Notes

No questions or comments from the Board.

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

**Meeting was adjourned at 12:22 p.m.**

Attest:

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Tara Hagan, Secretary to the Board

THE BOARD OF TRUSTEES OF THE  
COLLEGE SAVINGS PLANS OF NEVADA

**Agenda Item 3**  
**February 22, 2018**

**Item: Fiscal Year 2017 Annual Audit of the Nevada  
Higher Education Prepaid Tuition Trust Fund**

**Recommendation:**

**That the Board review and approve the Fiscal Year 2017  
Annual Audit of the Nevada Higher Education Prepaid Tuition  
Trust Fund.**

Fiscal:  
\$17,030 annually.

**Summary:**

Pursuant to NRS 353B.180, the Board shall contract with a certified public accounting firm to perform an annual audit of the Nevada Higher Education Prepaid Tuition Trust Fund. Eide Bailly, LLP was retained to prepare the 2017 Annual Audit.

Based on their findings, the auditor has provided an unqualified opinion that the financial statements prepared by management fairly represent the financial position of the Trust Fund in all material respects. The audit must be approved by the Board prior to inclusion in the 2017 Prepaid Tuition Program Annual Report.

Eide Bailly representative, Dan Carter will be available to answer any questions.



February 8, 2018

To the Board of Trustees  
Nevada Higher Education Tuition Trust Fund  
Carson City, Nevada

We have audited the financial statements of Nevada Higher Education Tuition Trust Fund (the Trust Fund) as of and for the year ended June 30, 2017, and have issued our report thereon dated February 8, 2018. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and Government Auditing Standards**

As communicated in our letter dated June 9, 2017, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Trust Fund solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

**Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

## Qualitative Aspects of the Entity's Significant Accounting Practices

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Trust Fund is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are Management's estimates of the contributions receivable and tuition benefits payable and are based on the actuarial valuation. We evaluated the key factors and assumptions used to develop the contributions receivable and tuition benefits payable in determining that they are reasonable in relation to the financial statements taken as a whole.

### *Financial Statement Disclosures*

The financial statement disclosures are neutral, consistent, and clear.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

The State provides the trial balance prior to the release of the actuary report. As such, Eide Bailly adjusts the amounts associated with contributions receivable and benefits payable from estimates made by the State to actual amounts determined by the actuary. See below for the adjustments made during the audit:

- To adjust benefits payable to match the actuarial valuation and to reclassify current portion from long-term.

Tuition benefit expense, actuarial accrual	\$ 99,221	
Current portion of tuition payable	\$3,839,157	
Tuition benefit payable		\$3,938,378

- To adjust contributions receivable to match the actuarial valuation and to reclassify current portion from long-term.
 

Tuition contributions, actuarial accrual	\$390,902	
Current portion of tuition receivable		\$354,665
Contribution receivable		\$ 36,237
- To reclassify contribution revenue associated with the actuarial accrual from participant contributions.
 

Participant contributions	\$292,296	
Tuition contributions, actuarial accrual		\$292,296

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management that are included in the management representation letter dated February 8, 2018.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the Trust Fund, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Trust Fund's auditors.

### **Modification of the Auditor's Report**

We have made the following modification to our auditor's report.

We have included an emphasis of matter paragraph in our report to draw attention to the fact that the financial statements present only the Trust Fund and do not purport to, and do not, present fairly the financial position of the State of Nevada, as of June 30, 2017, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

This report is intended solely for the information and use of the Board of Trustees, and management of the Trust Fund and is not intended to be and should not be used by anyone other than these specified parties.

*Eide Bailly LLP*

Reno, Nevada





Financial Statements  
June 30, 2017

**State of Nevada**  
**Office of the State Treasurer**  
**Higher Education Tuition Trust Fund**

State of Nevada  
Office of the State Treasurer  
Higher Education Tuition Trust Fund  
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June 30, 2017

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## Independent Auditor's Report

To the Board of Trustees  
Higher Education Tuition Trust Fund  
Carson City, Nevada

### Report on the Financial Statements

We have audited the accompanying financial statements of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund), an enterprise fund of the State of Nevada, which comprise the statement of net position as of June 30, 2017, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Trust Fund, as of June 30, 2017, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

As discussed in Note 1, the financial statements present only the Trust Fund and do not purport to, and do not, present fairly the financial position of the State of Nevada, as of June 30, 2017, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Matters****Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Report on Summarized Comparative Information**

We have previously audited the Trust Fund's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 17, 2017. In our opinion, the summarized comparative information presented herein as of, and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2018, on our consideration of the Trust Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust Fund's internal control over financial reporting and compliance.



Reno, Nevada  
February 8, 2018

As management of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund), we offer readers of the Trust Fund's financial statements this narrative overview and analysis of the financial activities of the Trust Fund for the fiscal year (FY) ended June 30, 2017.

## **FINANCIAL HIGHLIGHTS**

The Trust Fund's financial position continued to significantly improve in Fiscal Year 2017.

- The Trust Fund's total assets and deferred outflows grew by \$28,377,988 in FY 2017. This represents an increase of 10% from the prior fiscal year. These assets are used to pay tuition benefits on behalf of contracts purchased.
- The Trust Fund's total net position in FY 2017 was \$77,752,905, which is an increase of \$18,689,523 from the prior year. The growth is primarily due to strong investment performance.
- The Trust Fund's certified actuary reported that the funded status of the Prepaid Tuition Plan (the Plan) as of June 30, 2017 was 132.7%, utilizing an investment yield assumption of 5% per year (135.3% if the market value of assets was used). This represents an increase from the funded status of 130.5% as of June 30, 2016, and continues to be one of the highest funding ratios nationwide for a state prepaid tuition plan.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Trust Fund's annual report. The Trust Fund's financial report consists of: Management's Discussion and Analysis (MD&A), Basic Financial Statements including Notes to the Financial Statements and a Compliance Section.

## **REQUIRED FINANCIAL STATEMENTS**

The financial statements of the Trust Fund report information about the Trust Fund, which is considered an enterprise fund (proprietary fund type). Proprietary funds use the full accrual basis of accounting, similar to that used by private sector companies. Under this method, revenues are recorded when earned and expenses are recorded at the time a liability is incurred. The Statement of Net Position includes all of the Trust Fund's assets and deferred outflows and liabilities and deferred inflows and provides information about the nature and amount of its resources and the obligations to contract holders. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This Statement measures the success of the Trust Fund's operations over the past year, and can be used to determine whether the Trust Fund has successfully met all of its costs through its tuition contributions, along with other fees and charges for sales and services. The final statement is the Statement of Cash Flows, which is used to provide information about the Trust Fund's cash receipts, cash payments and net changes in cash resulting from operating, investing and financing activities.

## **NET POSITION**

Net position may serve over time as a useful indicator of financial position. In the case of the Trust Fund, the Trust Fund's position increased significantly, ending with net position of \$77,752,905.

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June 30, 2017

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The vast majority of the Trust Fund's assets and deferred outflows, 84%, are its investments. The Trust Fund uses these assets to pay future tuition benefits for contracts purchased.

Higher Education Tuition Trust Fund Net Position

	2017	2016
Assets		
Current and other assets	\$ 299,161,095	\$ 270,789,799
Net capital assets	73,405	90,103
Total Assets	<u>299,234,500</u>	<u>270,879,902</u>
Deferred Outflows		
Pension related	<u>47,077</u>	<u>23,687</u>
Liabilities		
Current liabilities	19,297,822	18,416,291
Noncurrent liabilities	<u>202,209,112</u>	<u>193,387,947</u>
Total Liabilities	<u>221,506,934</u>	<u>211,804,238</u>
Deferred Inflows		
Pension related	<u>21,738</u>	<u>35,969</u>
Net Position		
Net investment in capital assets	73,405	90,103
Unrestricted	<u>77,679,500</u>	<u>58,973,279</u>
Total Net Position	<u><u>\$ 77,752,905</u></u>	<u><u>\$ 59,063,382</u></u>

The Trust Fund's net position continued to grow in FY 2017, for the fifth year in a row. The net position increased from \$59,063,382 in FY 2016 to \$77,752,905 in FY 2017, an increase of \$18,689,523 or 32% over the prior fiscal year. This increase is primarily due to an increase in investment performance.

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**CHANGE IN NET POSITION**

Higher Education Tuition Trust Fund Change in Net Position

	2017	2016
Operating Revenues		
Tuition contributions and other revenues	\$ 17,932,464	\$ 19,369,156
Operating Expenses		
Operating expenses before depreciation	23,356,058	25,095,348
Depreciation	16,698	17,031
Total Operating Expenses	23,372,756	25,112,379
Operating Income (Loss)	(5,440,292)	(5,743,223)
Nonoperating revenues (expenses) and interest income	23,502,640	9,265,904
Contribution - State of Nevada College Savings Trust	627,175	2,437,322
Change in Net Position	18,689,523	5,960,003
Net Position, July 1	59,063,382	53,103,379
Net Position, June 30	\$ 77,752,905	\$ 59,063,382

Tuition contributions and revenues in FY 2017 decreased to \$17,932,464. The 7% decrease is mainly attributable to a decrease in the total number of contracts sold in FY 2017. Operating expenses for the Plan primarily consist of future tuition benefits, which are calculated to be \$9,979,664 on an accrued basis. Total operating expenses decreased by roughly 6.9% from \$25,112,379 in FY 2016 to \$23,372,756 in FY 2017. This is mainly due to the decrease in tuition benefits expense and overall lower refund total in FY 2017.

The operating income (loss) above reflects the difference between contributions from new and existing participants on a cash basis versus benefit payments to educational institutions, which fulfills the purpose of the Plan, and other sundry costs. In addition in FY 2017, the change in the actuarial accruals had a positive impact on the net position. This is shown in the increase in the operating income (loss) from a negative \$5,743,223 in FY 2016 to a negative \$5,440,292 in FY 2017. The Plan had an increase of 32% in its net position, from \$59,063,382 in FY 2016 to \$77,752,905 in FY 2017.

## **CAPITAL ASSET ADMINISTRATION**

The Trust Fund's investment in capital assets as of June 30, 2017, amounts to \$73,405 (net of accumulated depreciation), which consists of computer equipment. Information about the Trust Fund's capital assets can be found in Note 4 to the Trust Fund's financial statements.

## **ECONOMIC FACTORS AND CURRENTLY KNOWN FACTS**

Aside from account owners' purchases of contracts, the primary source of revenue for the Plan is investment income. The target investment allocation includes domestic public equities of 50%, domestic fixed income securities of 30%, and domestic covered calls of 20%. The Plan continues to invest in an equity portfolio with passively managed large, mid, and small cap U.S. equity mutual funds at Vanguard, a fixed income portfolio with Chicago Equity Partners and a passively managed covered calls mutual fund with Glenmede. The rate of return on a market value basis was 9.99% while the rate of return on the actuarial value of assets for year ended June 30, 2017 was 5.40%.

Based on a general inflation rate of 1.75% and revised 5-year capital market expectations for those asset classes, the Board-approved the assumed rate of return of the Plan's investments is 5.00% based on analyses from its investment consultant. This assumed rate was used by the Board's actuary in computing the Plan's funded status of 132.7%. The Plan's investments are intended to provide broad exposure to the US equities and investment-grade fixed income markets. Therefore, projected returns are subject to actual market activity and volatility in the markets.

In addition to investment returns, in July 2012, July 2014, and again in March 2015, the Board approved a financial plan that included an annual transfer of \$1.82 million to the Trust Fund from the College Savings Endowment Fund. This represented a supplemental source of funding to the Plan. However, the Board did not approve this transfer for Fiscal Year 2016 or beyond due to the current funded status of 132.7%, which is above the 120% target funded ratio. The College Savings Endowment Fund also transfers funds to the Trust Fund to cover administrative costs of the State Treasurer's Office to administer and manage the Plan.

## **REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of the Trust Fund's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the State of Nevada Treasurer's Office, Nevada Prepaid Tuition Program, 555 E. Washington Ave., Suite 4600, Las Vegas, NV 89101.



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Statement of Net Position  
Year Ended June 30, 2017  
(with comparative amounts for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 4,719,718	\$ 3,282,711
Investment income receivable	292,535	273,762
Due from State of Nevada	18,729	53,919
Tuition contributions receivable, current portion	9,645,335	9,701,679
Investments	<u>250,921,015</u>	<u>223,871,703</u>
Total current assets	<u>265,597,332</u>	<u>237,183,774</u>
Noncurrent assets		
Capital assets, net	73,405	90,103
Other noncurrent assets		
Tuition contributions receivable	<u>33,563,763</u>	<u>33,606,025</u>
Total noncurrent assets	<u>33,637,168</u>	<u>33,696,128</u>
Total assets	<u>299,234,500</u>	<u>270,879,902</u>
Deferred outflows		
Pension related	<u>47,077</u>	<u>23,687</u>
Total assets and deferred outflows	<u>299,281,577</u>	<u>270,903,589</u>
Liabilities		
Current liabilities		
Accounts payable	73,747	210,815
Accrued salaries and benefits	29,075	34,145
Due to State of Nevada	33,540	28,959
Due to other governments	617	220,031
Tuition benefits payable, current portion	<u>19,160,843</u>	<u>17,922,341</u>
Total current liabilities	<u>19,297,822</u>	<u>18,416,291</u>
Noncurrent liabilities		
Tuition benefits payable	201,938,378	193,197,216
Net pension liability	<u>270,734</u>	<u>190,731</u>
Total noncurrent liabilities	<u>202,209,112</u>	<u>193,387,947</u>
Total liabilities	<u>221,506,934</u>	<u>211,804,238</u>
Deferred inflows		
Pension related	<u>21,738</u>	<u>35,969</u>
Total liabilities and deferred inflows	<u>221,528,672</u>	<u>211,840,207</u>
Net Position		
Net investment in capital assets	73,405	90,103
Unrestricted	<u>77,679,500</u>	<u>58,973,279</u>
Total net position	<u>\$ 77,752,905</u>	<u>\$ 59,063,382</u>

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Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2017  
(with comparative amounts for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Charges for sales and services	\$ 120,600	\$ 125,798
Tuition contributions	<u>17,811,864</u>	<u>19,243,358</u>
Total operating revenues	<u>17,932,464</u>	<u>19,369,156</u>
Operating Expenses		
Personnel costs	252,233	202,050
Contract and other administrative services	575,772	599,953
Tuition benefits expense	20,415,615	21,867,700
Refunds	2,112,438	2,425,645
Depreciation	<u>16,698</u>	<u>17,031</u>
Total operating expenses	<u>23,372,756</u>	<u>25,112,379</u>
Operating Loss	<u>(5,440,292)</u>	<u>(5,743,223)</u>
Nonoperating Revenues		
Interest, dividends and other investment income	3,947,410	3,734,935
Net increase in fair value of investments	19,555,230	5,530,969
Contribution from the State of Nevada General Fund - College Savings Endowment Account	<u>627,175</u>	<u>2,437,322</u>
Total nonoperating revenues	<u>24,129,815</u>	<u>11,703,226</u>
Change in Net Position	18,689,523	5,960,003
Net Position, Beginning of Year	<u>59,063,382</u>	<u>53,103,379</u>
Net Position, End of Year	<u><u>\$ 77,752,905</u></u>	<u><u>\$ 59,063,382</u></u>

State of Nevada  
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Statement of Cash Flows  
Year Ended June 30, 2017  
(with comparative amounts for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Operating Activities		
Receipts for sales and services	\$ 120,600	\$ 125,798
Tuition contributions received	17,910,470	16,718,808
Payments to suppliers for good and services	(892,483)	(359,872)
Payments to employees	(214,921)	(199,907)
Payments for tuition benefits	(10,435,951)	(10,139,549)
Payments of refunds	<u>(2,112,438)</u>	<u>(2,425,645)</u>
Net Cash from Operating Activities	<u>4,375,277</u>	<u>3,719,633</u>
Noncapital Financing Activities		
Contribution from the State of Nevada General Fund - College Savings Endowment Account	<u>627,175</u>	<u>2,437,322</u>
Investing Activities		
Proceeds from sales or maturities of investments	74,024,914	45,797,918
Purchase of investments	(81,518,996)	(53,981,764)
Interest, dividends and other investment income received	<u>3,928,637</u>	<u>3,735,515</u>
Net Cash used for Investing Activities	<u>(3,565,445)</u>	<u>(4,448,331)</u>
Net Change in Cash and Cash Equivalents	1,437,007	1,708,624
Cash and Cash Equivalents, Beginning of Year	<u>3,282,711</u>	<u>1,574,087</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,719,718</u></u>	<u><u>\$ 3,282,711</u></u>

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Statement of Cash Flows  
Year Ended June 30, 2017  
(with comparative amounts for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Reconciliation of operating loss to net cash from operating activities		
Operating loss	\$ (5,440,292)	\$ (5,743,223)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation	16,698	17,031
Changes in		
Due from State of Nevada	35,190	(42,026)
Tuition contributions receivable	98,606	(2,524,550)
Accounts payable and accrued liabilities	(142,138)	95,319
Due to State of Nevada	4,581	(29,554)
Due to other governments	(219,414)	216,599
Net pension liability	80,003	20,460
PERS deferred outflows	(23,390)	(5,802)
PERS deferred inflows	(14,231)	(12,772)
Tuition benefits payable	9,979,664	11,728,151
Net Cash from Operating Activities	<u>\$ 4,375,277</u>	<u>\$ 3,719,633</u>
Noncash Investing Activities		
Net increase in fair value of investments	<u>\$ 19,555,230</u>	<u>\$ 5,530,969</u>

## **Note 1 - Summary of Significant Accounting Policies**

The financial statements of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

### **Reporting Entity and Purpose**

The Trust Fund operates under Nevada Revised Statutes (NRS) 353B, Prepayment of Tuition at Institutions of Higher Learning, which was adopted by the Nevada Legislature in 1997. The Trust Fund is administered by the Office of the State Treasurer under the direction of a six member Board, with five voting members and one ex-officio nonvoting Treasurer designee (the Board).

The purpose of the Trust Fund's program is to provide a simple and convenient way for Nevada families to save for a college education through the advance payment of tuition. A purchaser enters into a contract for the future payment of tuition for a specified beneficiary. When the beneficiary enrolls in college, the program will pay the contract benefits. The beneficiary has six years after the projected college entrance date to utilize the benefits of the contract. Exceptions are granted for military or religious service. The contract benefits are based on in-state rates for Nevada public colleges, but can be used towards costs at any accredited, nonprofit, private or out-of-state college.

The Trust Fund completed its nineteenth enrollment period on April 30, 2017 with 916 new enrollments. The Trust Fund also had 346 cancellations and 368 contracts exhausting benefits for a total active enrollment of 12,340 at June 30, 2017.

### **Measurement Focus and Basis of Accounting**

The Trust Fund is an enterprise fund (proprietary fund type) of the State of Nevada and thus is included in the State of Nevada's Comprehensive Annual Financial Report. The accompanying financial statements present only the Trust Fund and are not intended to present fairly the financial position of the State of Nevada, the changes in its financial position or its cash flows in conformity with GAAP.

Activities of enterprise funds resemble activities of business enterprises; the purpose is to obtain and use economic resources to meet operating objectives. The financial statements for the Trust Fund are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized at the time they are earned and expenses are recognized when the related liabilities are incurred.

A proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from exchange transactions such as providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses. The generally accepted accounting principles applicable are those similar to business in the private sector.

### **Cash Equivalents**

Cash equivalents include short-term highly liquid investments (with maturities of three months or less when purchased) that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes of value. Such amounts include the Trust Fund's cash and investments pooled with the State Treasurer, and money market mutual funds.

### **Custodian and Transfer Agent**

BNY Mellon is the custodian and transfer agent for certain Trust Fund investments.

### **Investment Valuation and Income Recognition**

Investments are reported at fair value as determined by quoted market prices. Fair value is the price that would be required to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The investments are marked to market daily.

Security transactions are accounted for on the trade date (date order to buy or sell is executed). Interest income is determined on an accrual basis with discounts earned and premiums paid being amortized. Dividends are recorded on the ex-dividend date.

### **Tuition Contributions Receivable**

Tuition contributions receivable in the Trust Fund represents the actuarially determined present value of future installment payments anticipated from contract holders.

### **Capital Assets**

Capital assets are recorded at cost and consist of assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are depreciated on a straight-line basis over estimated useful lives of four to ten years. The cost of repairs and maintenance that do not materially extend the life of an asset are not capitalized.

### **Tuition Benefits Payable**

The Trust Fund records tuition benefits payable at the actuarial present value of its future tuition obligation, which is adjusted for the effects of projected tuition and fee increases and termination of contracts.

### **Equity Classifications**

In the financial statements, equity is classified as net position and displayed in three components:

1. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets after adding back the unspent portion of these borrowings.

2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors (including bond covenants), grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – Net position that does not meet the definition of “restricted” or “net investment in capital assets”.

#### **Note 2 - Compliance with Nevada Revised Statutes and Administrative Code**

The Trust Fund conformed to all significant statutory constraints on its financial administration during the year.

#### **Note 3 - Cash and Investments**

The State Treasurer serves as the administrator to the Trust Fund. The Trust Fund’s assets are managed in accordance with the Trust Fund’s investment objectives and policies, as provided in Section 353B.160.1 of NRS. Authorized investments are as follows:

- A bond, note, debenture or other valid obligation that is issued by the Treasury of the United States, or other security that is issued by an agency or instrumentality of the United States or that is fully guaranteed by the United States in the Federal Farm Credit Bank, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association;
- A mortgage-backed security that is issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association;
- “AAA” rated collateralized mortgage obligations that are issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association;
- A bond, note, certificate or other general obligation of the State of Nevada, or of a county, city, general improvement district or school district of the State of Nevada;
- “A” or better rated corporate bonds of a corporation created by or existing under the laws of the United States or of a state, district or territory of the United States. The total amount invested in such bonds must not exceed 50% of the book value of the total fixed income investments;
- “A-1”, “P-1”, “F-1” or better rated commercial paper;
- “AAA” rated commercial mortgage-backed securities;
- “AAA” rated asset-backed securities financing credit cards, auto, manufactured housing, or student loans; “A” rated money-market mutual funds that meet the criteria set forth in statute. The total dollar amount invested in such mutual funds must not exceed 20% of the total dollar amount of the Trust Fund that is invested;

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- A covered call or put option on securities that are traded on one or more of the regulated exchanges in the United States;
- A pooled or commingled real estate fund or a real estate security that is managed by a corporate trustee or by an investment advisory firm that is registered with the Securities and Exchange Commission. The total book value of this type of investment must not at any time be greater than 5% of the total book value of all investments of the Trust Fund;
- Common or preferred stock of corporations that have a total market value of not less than \$50,000,000. The maximum investment in stock is no greater than 60% of the book value of the total investments of the Trust Fund. Except for investments made pursuant to the final authorized investment below, the total amount invested in a single corporation is not greater than 3% of the total assets of the Trust Fund and not greater than 5% of the outstanding stock of a single corporation; and
- Mutual funds or common trust funds that consist of any combination of the investments listed above.

The Trust Fund categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Trust Fund does not have any investments that are measured using Level 3 inputs.

	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments				
Money market mutual funds	\$ 206,612	\$ 206,612	\$ -	\$ -
Mutual funds				
Index funds	135,518,090	135,518,090	-	-
Covered calls	47,916,509	47,916,509	-	-
State of Nevada external investment pool	4,513,106	-	4,513,106	-
U.S. Treasury notes	38,097,447	38,097,447	-	-
U.S. agencies	25,010,767	25,010,767	-	-
Corporate notes	4,378,202	4,378,202	-	-
	<u>\$ 255,640,733</u>	<u>\$ 251,127,627</u>	<u>\$ 4,513,106</u>	<u>\$ -</u>

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued at fair value based on the observable market prices of the underlying assets held by the pool or fund less liabilities.



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### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Trust Fund's investment policies address interest rate risk by providing for an asset allocation plan that gives appropriate consideration to an average investment horizon of 3 to 18 years, while taking into consideration current and near-term liquidity needs.

As of June 30, 2017, the Trust Fund had the following investments and maturities (including money market mutual funds representing cash equivalents) that are subject to interest rate risk:

	Fair Value	Maturities, in Years			
		Less Than 1	1-5	6-10	Greater Than 10
Investments					
Corporate notes	\$ 4,378,202	\$ 810,300	\$ 3,208,495	\$ -	\$ 359,407
U.S. agencies	25,010,767	887,321	1,150,096	938,295	22,035,055
U.S. Treasury notes	38,097,447	-	19,315,198	11,976,376	6,805,873
Cash equivalents					
Money market mutual funds	206,612	206,612	-	-	-
	<u>\$ 67,693,028</u>	<u>\$ 1,904,233</u>	<u>\$23,673,789</u>	<u>\$12,914,671</u>	<u>\$29,200,335</u>

### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Trust Fund. The Trust Fund's investments (including money market mutual funds representing cash and cash equivalents) as of June 30, 2017, were rated by Standard and Poor's and/or an equivalent national rating organization, and the ratings are presented below using the Standard & Poor's rating scale (at fair value):

	Fair Value	Credit Quality Ratings			
		AAA	AA	A	BBB
Investments					
Corporate notes	\$ 4,378,202	\$ 98,535	\$ 1,546,715	\$ 2,732,952	\$ -
U.S. agencies	25,010,767	-	25,010,767	-	-
Cash equivalents					
Money market mutual funds	206,612	206,612	-	-	-
	<u>\$ 29,595,581</u>	<u>\$ 305,147</u>	<u>\$26,557,482</u>	<u>\$ 2,732,952</u>	<u>\$ -</u>

The ratings presented above may have differed if an equivalent national rating organization was utilized.

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At June 30, 2017, the following investments exceeded 5% of the Trust Fund's total investments:

	Fair Value	Percentage
Federal Home Loan Mortgage Corp - Asset Backed Mortgage Security	\$ 15,421,820	6.15%

### Other Risk

The Trust Fund invests in various equity mutual funds, including at June 30, 2017, when equity mutual funds comprised approximately 73.10% of total investments. Equity mutual funds are exposed to other risks such as market risks. Due to the level of risk associated with equity mutual funds, it is at least reasonably possible that changes in the values of equity mutual funds will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

### Pooled Cash and Investments

Of the \$4,719,718 cash and cash equivalents at June 30, 2017, \$4,513,106 represents the Trust Fund's investment in the State of Nevada's external investment pool.

The Trust Fund is an internal participant in the external investment pool maintained by the Treasurer of the State of Nevada. The external investment pool is not registered with the SEC as an investment company. The State of Nevada has not provided or obtained any legally binding guarantees during the period to support the value of the shares.

The Trust Fund receives a prorated share of the earnings from its participation in the investment pool based on daily cash balances. Due to the nature of the investment pool, it is not possible to separately identify any specific investment as being that of the Trust Fund. Instead, the Trust Fund owns a proportionate share of each investment, based on the Trust Fund's participation percentage in the investment pool.

Custodial Credit Risk – The State Treasurer minimizes its custodial credit risk by legislation establishing a program to monitor a collateral pool for public deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered. The NRS direct the Office of the State Treasurer to deposit funds into any state or national bank, credit union or savings and loan association covered by federal depository insurance. For those deposits over and above the federal depository insurance maximum balance, sufficient collateral must be held by the financial institution to protect the State of Nevada against loss. The pooled collateral for deposits program maintains a 102% pledged collateral for all public deposits.

Interest Rate Risk – The State minimizes interest rate risk by maintaining an effective duration of less than 1.5 years and holding at least 25% of the portfolio's total market value in securities with a maturity of 12 months or less. However, the benchmark used by the State Treasurer to determine whether competitive market yields are being achieved is the 90 day U.S. Treasury Bill's average over the previous three month period. (Rolling 90 day T-Bill).

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As of June 30, 2017, the Trust Fund's investments held in the external investment pool are categorized as follows:

	Percentage Based on Fair Value	Maturities, in Years			
		< 1	1-5	6-10	> 10
Investments					
U.S. Treasury securities	22.01%	2.28%	13.54%	6.19%	0.00%
Negotiable certificates of deposit	21.02%	21.02%	0.00%	0.00%	0.00%
U.S. agencies	26.67%	23.37%	3.01%	0.28%	0.00%
Repurchase agreements	4.23%	4.23%	0.00%	0.00%	0.00%
Corporate bonds and notes	7.73%	1.71%	6.02%	0.00%	0.00%
Commercial paper	15.66%	15.66%	0.00%	0.00%	0.00%
Municipal bonds	0.10%	0.10%	0.00%	0.00%	0.00%
Other short-term investments	2.36%	2.36%	0.00%	0.00%	0.00%
Other investments	0.22%	0.00%	0.22%	0.00%	0.00%
	<u>100.00%</u>				

**Credit Risk** – The State Treasurer's investment policy addresses credit risks. A summary of the policies is presented as follows:

- Commercial paper, Negotiable Certificates of Deposit, and Banker's Acceptances are rated by a nationally recognized rating service as "A-1," "P-1" or its equivalent, or better,
- Notes, bonds and other unconditional obligations issued by corporations in the U.S. and municipal bonds (effective September 2011) are rated by a nationally recognized rating service as "A" or its equivalent, or better,
- Money market mutual funds are SEC registered 2(A)7 and rated by a nationally recognized rating service as "AAA" or its equivalent,
- Collateralized mortgage obligations and asset-backed securities are rated by a nationally recognized rating service as "AAA" or its equivalent,
- Repurchase agreements with banks or registered broker-dealers provided the agreement is collateralized by 102% with U.S. Treasuries or U.S. government agency securities on a delivery basis.

The State's investments held in the external investment pool as of June 30, 2017 were rated by Standard and Poor's and/or an equivalent national rating organization and categorized as follows:

	Credit Quality Ratings				
	AAA	AA	A	BBB	Unrated
Investments					
Negotiable certificates of deposit	0.00%	0.00%	38.99%	0.00%	61.01%
U.S. agencies	0.00%	100.00%	0.00%	0.00%	0.00%
Repurchase agreements	0.00%	0.00%	0.00%	0.00%	100.00%
Corporate bonds and notes	3.65%	23.64%	61.81%	10.90%	0.00%
Commercial paper	0.00%	0.00%	73.36%	0.00%	26.64%
Municipal bonds	0.00%	100.00%	0.00%	0.00%	0.00%
Other short-term investments	1.21%	0.00%	0.00%	0.00%	98.79%
Other investments	0.00%	70.74%	29.26%	0.00%	0.00%

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Higher Education Tuition Trust Fund  
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Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government’s investment in a single issuer. The NRS 355.140, 355.060, and the State Treasurer’s investment policy limit the investing in any one issuer to 5% of the total par value of the portfolio, with the exception of repurchase agreements, time CDs, US Treasuries, US Guaranteed securities, US Agency securities and municipal bonds. At June 30, 2017, the Trust Fund’s proportionate share of the investment in a single issuer in the pool did not exceed 5% of the Trust Fund’s total investments.

Fair Value of Investments – The State uses the market approach to determine the fair value of its investments. The State categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The following table summarizes the fair value measurements as of June 30, 2017:

	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments				
U.S. Treasury securities	22.01%	12.77%	9.25%	0.00%
Negotiable certificates of deposit	21.02%	0.00%	21.02%	0.00%
U.S. agencies	26.67%	0.00%	26.67%	0.00%
Repurchase agreements	4.23%	0.00%	4.23%	0.00%
Corporate bonds and notes	7.73%	0.00%	7.73%	0.00%
Commercial paper	15.66%	0.00%	15.66%	0.00%
Municipal bonds	0.10%	0.00%	0.10%	0.00%
Other short-term investments	2.36%	2.36%	0.00%	0.00%
Other investments	0.22%	0.00%	0.22%	0.00%
	<u>100.00%</u>			

Securities Lending – NRS 355.155 authorizes the State Treasurer to lend securities from the investment portfolio of the State if collateral received from the borrower is at least 102% of the fair value of the underlying securities and the value of the securities borrowed is determined on a daily basis. There were no securities on loan at June 30, 2017.

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**Note 4 - Capital Assets**

The following schedule summarizes the changes in capital assets for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital Assets				
Computer equipment	\$ 173,374	\$ -	\$ -	\$ 173,374
Less accumulated depreciation	(83,271)	(16,698)	-	(99,969)
Capital Assets, Net	<u>\$ 90,103</u>	<u>\$ (16,698)</u>	<u>\$ -</u>	<u>\$ 73,405</u>

**Note 5 - Noncurrent Liabilities**

**Tuition Benefits Payable**

Included in noncurrent liabilities is the Trust Fund's tuition benefits obligation based upon the actuarial present value (APV) of the future tuition obligations and administrative expenses. This amount reflects the present value of estimated tuition benefits and administrative expenses that will be paid in future years. The present value calculation includes the effects of projected tuition and fee increases and termination of contracts.

APV of the Future Tuition Obligation	\$ 221,099,221
Net Position Available	298,852,126
Net Position as a Percentage of Tuition Benefits Obligation	135.17%

The following assumptions were used in the actuarial valuation:

- Investment Rates: The investment yield assumption is 5.00% per year, which is the same assumption used in the June 30, 2016 actuarial report.
- Tuition Growth Assumptions:

Fiscal Year Ended	Universities	Community Colleges
2018-19	4.00%	4.00%
2019-20 and later	4.75%	4.00%

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Changes in the Trust Fund's noncurrent liabilities:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Due Within One Year
Tuition benefits payable	\$211,119,557	\$ 13,904,067	\$ (3,924,403)	\$221,099,221	\$ 19,160,843

**Note 6 - Tuition Contributions and Tuition Benefits Expense**

The tuition contributions of \$17,811,864 and the tuition benefits expense of \$20,415,615 on the Statement of Revenues, Expenses and Changes in Net Position represent the annual accrual of contributions of \$(98,606) and benefit expenses of \$9,979,664 for the year ended June 30, 2017, as determined by the actuarial valuation and adjusted by the actual participant contributions of \$17,910,470 and tuition payments of \$10,435,951 for the fiscal year.

**Note 7 - Pension Plan and Other Post-Employment Benefits**

Employees of the Trust Fund are employees of the State of Nevada and the Nevada Legislature created various plans to provide benefits to qualified employees of the State.

Pension Plan – The employees participate in a cost-sharing, multiple-employer, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada (PERS). PERS provides retirement benefits, disability benefits, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. As the State of Nevada, not the Trust Fund, has overall responsibility for determining contributions to PERS, information relating to PERS is available in the State of Nevada's *Comprehensive Annual Financial Report* for the year ended June 30, 2017.

Other Post-Employment Benefits (OPEB) – The employees participate in a cost-sharing, multiple-employer, defined benefit postemployment plan administered by the Public Employees' Benefits Program of the State of Nevada (PEBP). PEBP provides group health and life insurance benefits to plan members, both active and retired, and their dependents. As the State of Nevada, not the Trust Fund, has overall responsibility for determining contributions to PEBP, information relating to PEBP is available in the State of Nevada's *Comprehensive Annual Financial Report* for the year ended June 30, 2017.

**Note 8 - Risk Management**

As with all governmental entities, the Trust Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. Such losses, if any, are accounted for in the State of Nevada's various insurance funds. The Trust Fund is responsible for premium charges payable to the State of Nevada for coverage in the self-funded programs. There have been no material settlements related to the Trust Fund in any of the past three years.



**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Board of Trustees  
Higher Education Tuition Trust Fund  
Carson City, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund), an enterprise fund of the State of Nevada, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Trust Fund's basic financial statements and have issued our report thereon dated February 8, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Trust Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Trust Fund's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Reno, Nevada  
February 8, 2018



THE BOARD OF TRUSTEES OF THE  
COLLEGE SAVINGS PLANS OF NEVADA

**Agenda Item 4**  
**February 22, 2018**

**Item: 2017 Fiscal Year Annual Report of the Nevada Higher Education Prepaid Tuition Trust Fund**

**Recommendation:**

**That the Board review and approve the 2017 Fiscal Year Annual Report of the Nevada Higher Education Prepaid Tuition Trust Fund, per NRS 353B.170.**

Fiscal: None.

**Summary:**

Under NRS 353B.170 the Board shall:

1. Prepare an annual report setting forth in appropriate detail an accounting of the Trust Fund and a description of the financial condition of the Trust Fund at the close of each fiscal year, including, without limitation, a statement of projected receipts, disbursements and operating costs of the Trust Fund.
2. Submit the report prepared pursuant to subsection 1 on or before March 31 of each year:
  - a) In odd-numbered years, to the Governor, the Senate Standing Committee on Finance and the Assembly Standing Committee on Ways and Means.
  - b) In even-numbered years, to the Governor and the Interim Finance Committee.

Attached, therefore, is the annual report of the Nevada Higher Education Prepaid Tuition Trust Fund as of June 30, 2017, prepared by State Treasurer staff. Sheila Salehian, Deputy Treasurer for the Prepaid Tuition Program, will be present to answer any questions.

# NEVADA **PREPAID**TUITION

Tomorrow's In-State Tuition - Today's Prices

## Annual Report - Fiscal Year 2017



**State of Nevada**  
**Office of the State Treasurer**  
**Dan Schwartz**



**Dan Schwartz**  
*State Treasurer*



**STATE OF NEVADA  
OFFICE OF THE STATE TREASURER  
NEVADA PREPAID TUITION PROGRAM**

January 25, 2018

The Honorable Brian Sandoval  
Governor of the State of Nevada  
Capitol Building  
Carson City, NV 89701

Dear Governor Sandoval:

In accordance with Nevada Revised Statute 353B.170 and on behalf of the Board of Trustees of the College Savings Plans of Nevada, I respectfully submit the Nevada Prepaid Tuition Program (NPT) Annual Report for Fiscal Year 2017.

I encourage you to review the entire document. It presents a detailed analysis of the nineteenth annual year of enrollment and its financial underpinning. The enrollment period began on November 1, 2016 and closed on April 30, 2017, and had 924 new enrollees, bringing the total number of children enrolled in the Program to 20,267. At the end of Fiscal Year 2017, investments in the program totaled more than \$255.9 million. NPT continues to be self-supporting, requiring no contribution from the State's General Fund. As of June 30, 2017, the funded ratio of the plan was 132.7% based on the actuarial value of assets. Nevada's program funded ratio remains one of the highest in the nation!

During this past year the program adopted legislative changes enhancing the benefits of the program including; a 10 year payment plan option to be offered during next year's open enrollment period; the ability to use leftover credits at eligible graduate schools, and to allow beneficiary changes after program usage within program guidelines outlined in the Program Description and Master Agreement. We will continue to integrate Nevada Prepaid Tuition and other college savings plans into the State's overall education objectives. Communicating to Nevada residents that a post high school plan for education at a 4 year institution, 2 year community college, or trade school— is essential to personal economic success, will also continue to be a focus in outreach efforts.

In closing, I am committed to improving the opportunities afforded to our youth as well as expanding the number of students who benefit from our Prepaid Tuition Program. Your ongoing support of this worthwhile program is appreciated.

Sincerely,

A handwritten signature in blue ink, appearing to read "Dan Schwartz".

Dan Schwartz  
State Treasurer

**555 E. Washington Avenue  
Suite 4600  
Las Vegas, Nevada 89101  
NVPrepaid.gov**

**NEVADA  
PREPAID TUITION**

**(888) 477-2667 Toll Free  
(702) 486-2025 Telephone  
(702) 486-3246 Fax  
[PrepaidTuition@NevadaTreasurer.gov](mailto:PrepaidTuition@NevadaTreasurer.gov)**

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## **EXECUTIVE SUMMARY**

The purpose of the Nevada Prepaid Tuition Program (Program) is to provide a convenient and affordable way for Nevada families to save for college through a system that allows purchasers to lock in the cost of in state higher education credit hours today, for future use. The Nevada Prepaid Tuition Program allows parents, grandparents, extended family and friends to purchase a contract for a fixed amount of in-state undergraduate credit hours for a child to use when they graduate from high school. The Program offers five tuition plans and three payment options. A purchaser enters into a contract by choosing a plan and a payment option for a specified beneficiary that meets their personal needs and budget. When the beneficiary enrolls in college, the Program will pay the contract benefits on their behalf directly to the higher education institution. The contract benefits are based on in-state rates at Nevada public colleges, but can be used toward credit hour costs at any public or private institution of higher education, either in-state or out-of-state that accepts the free application for federal student aid (FAFSA).

The Program operates under Nevada Revised Statutes (NRS) Chapter 353B, which was adopted by the Nevada Legislature in 1997. The Program is administered by the Office of the State Treasurer under the direction of the Board of Trustees of the College Savings Plans of Nevada (Board). The Board consists of the State Treasurer or his/her designee who serves as an ex officio nonvoting member and five voting members:

- \* Director of the Office of Finance or his/her designee
- \* Chancellor of the Nevada System of Higher Education (NSHE) or his/her designee
- \* Three members appointed by the Governor

In accordance with NRS 353B, the Board is required to contract with a certified actuary and a certified public accounting firm to perform an annual actuarial valuation and financial audit, respectively. For FY 2017, the Board was contracted with Gabriel Roeder Smith & Company to conduct the actuarial valuation study and with Eide Bailly LLP to conduct the annual audit of the accounts and records of the Program and the Board.

The Program also contracts and regularly meets with professional investment manager(s) and consultants to invest assets of the plan. The Board contracted with Chicago Equity Partners to manage the fixed income portfolio, and invests in an institutional mutual fund with Glenmede for covered calls, and three institutional mutual funds with Vanguard for domestic equity. Pension Consulting Alliance (PCA) performed investment oversight and reporting throughout Fiscal Year 2017. Investments were made in accordance with the Program's Investment Policy approved by the Board and posted on the Nevada Prepaid Tuition website.

### **FINANCIAL STABILITY**

The Nevada Prepaid Tuition Program is not supported by the full faith and credit of the State of Nevada, nor is it guaranteed by the State's General Fund. The Board continuously evaluates and takes necessary measures to maintain the financial stability of the Program. To that end, in Fiscal Year 2017, the Board:

- ◆ Contracted with investment firms (Chicago Equity Partners, Glenmede, and Vanguard) to provide professional investment services.
- ◆ Contracted with an investment consultant (PCA) to monitor investments and provide consultation and

reporting to the Board.

- ◆ Contracted with a marketing firm, Amplify Relations, to enhance and grow its marketing and outreach efforts in order to increase customer awareness and participation.
- ◆ Established funding guidelines with the objective of maintaining assets in excess of the liability based on the funding target (120%).

Those measures helped to make Fiscal Year 2017 another successful one, resulting in:

- ◆ A funded status of 132.7%.
- ◆ A favorable rate of return of 5.4% on the Actuarial Value of Assets, exceeding the assumed return of 5.00% (market value basis was 9.99%).
- ◆ An increase of 10.4% in the Program's total assets.
- ◆ A considerable increase (31.6%) in the Program's net position.
- ◆ An increase of 924 new enrollees into the program.

## **ENROLLMENT**

The Fiscal Year 2017 enrollment period ran from November 1, 2016 to April 30, 2017.

- ◆ There were 924 new enrollments.
- ◆ The number of participants that chose the 4-year University Plan in the FY 2017 open enrollment period were 59.20% which continues to be the most popular plan choice.
- ◆ The lump sum payment option grew from 37.22% in FY 16 to 39.18% in FY 17, and accounts for almost 40% of all contract payment plans purchased this fiscal year.
- ◆ The number of newborns enrolled grew slightly in FY 17, and remain the largest percentage (17.86%) of new enrollees in a single age group.

## **OBJECTIVES**

The financial objectives of the Board remain unchanged from previous fiscal years and incorporate the following:

- ◆ Require the fair value of the Program's investments and assets to be greater than or equal to the actuarial value of all obligations, including future tuition benefits and all future administrative expenses and liabilities associated with operating the Program.
- ◆ Establish an appropriate investment portfolio of assets to accumulate an amount sufficient to pay future tuition benefits and administrative expenses associated with all prepaid contracts.
- ◆ Establish contract plans and payment options that offer value and affordability for Nevada families.

## **CONTRACT PRICING**

Like the previous fiscal years, prices for the 2017 enrollment period were established based on four key factors:

- ◆ Future tuition increase assumptions and published rates at the Nevada System of Higher Education (NSHE) institutions by the Nevada Board of Regents.
- ◆ Assumed rate of return on investments.

- ◆ Methodology of allocating current and future administrative expenses of the Program.
- ◆ Historical utilization of credit hours by participants in the program.

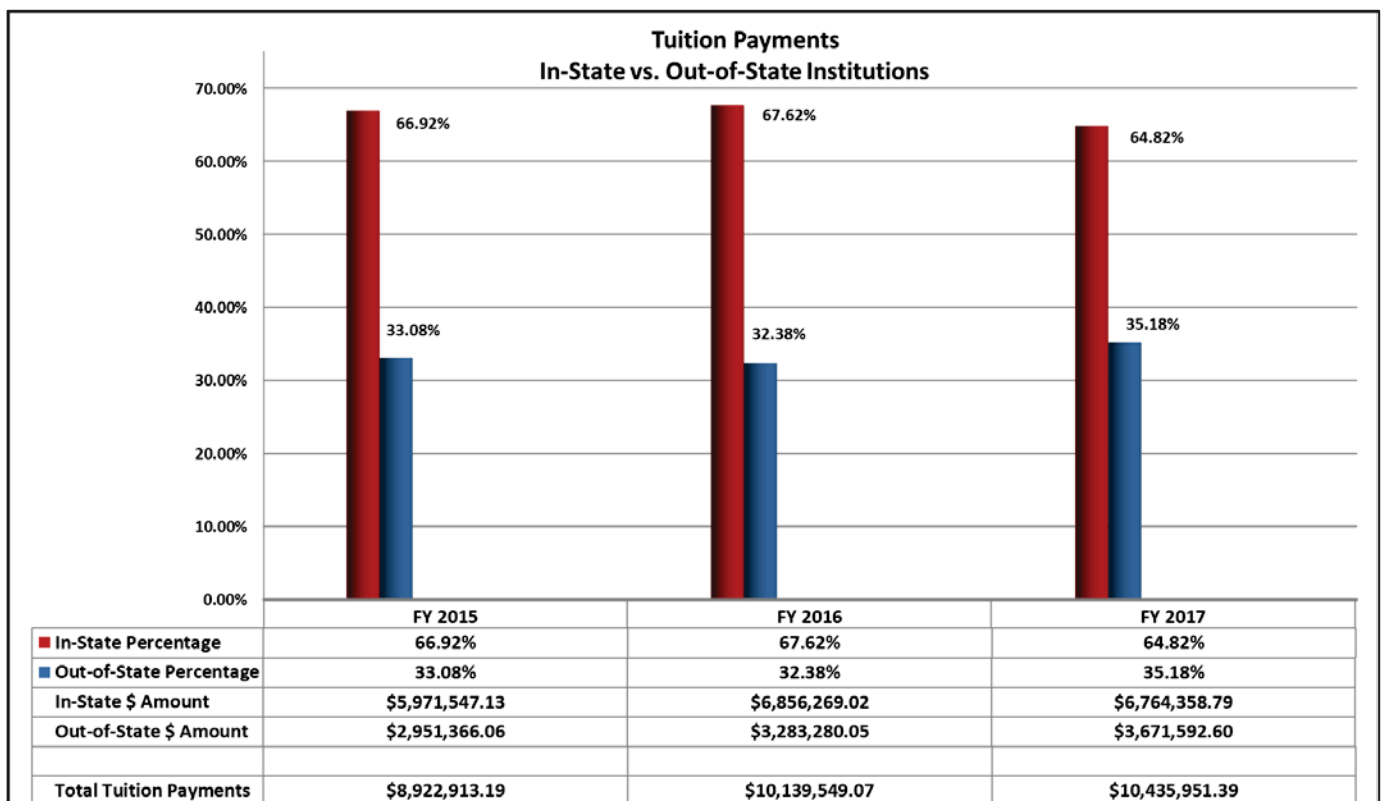
Based on the above factors, in addition to the newly adopted funding guidelines and current funded status of the Program, the Board was able to adopt pricing for new contracts in FY 17 with only a negligible increase given the favorable funded status.

## **BENEFIT USAGE**

The Program's benefits can be used at any eligible educational institution nationwide upon the expected matriculation year of the beneficiary. The number of students using their benefits in the Nevada Prepaid Tuition Program continues to grow each year as a larger number of earlier enrollees have now graduated high school.

- ◆ Roughly 3,063 students used their tuition benefits in FY 2017, an increase of 3.4% from the previous year.
- ◆ As of June 30, 2017, 2,772 students have utilized all of their prepaid tuition credit hours attending college.
- ◆ The Program paid \$10,435,951 in tuition benefits in FY 2017, an increase of \$296,402 or 2.9% over the prior fiscal year.
- ◆ In FY 2017, the Program paid roughly \$6.76 million to the Nevada System of Higher Education Institutions. This was 64.82% of total tuition benefits paid, which was a decrease of 2.8% from the prior fiscal year.

The chart below reflects tuition payments for the last three fiscal years with a breakdown of in-state vs. out-of-state payments.



## **PROGRAM ENHANCEMENTS:**

In Fiscal Year 2017, several legislative enhancements to the Program were passed that will add both value and flexibility to current and future participants. These include:

### ❖ Changes to NAC 353B

- Implementation of a 10 year payment option to give families another alternative to the current lump sum, 5 year, or extended monthly payment options. This will allow participants to pay for a shorter period of time on younger enrollees, in turn saving families additional interest paid over the life of the contract.
- Authorization to change the qualified beneficiary on a contract after tuition benefits have been paid for the initial beneficiary. In the past, you could not transfer contracts once benefits had been paid. This 'transfer after use' option will give families further flexibility to maximize the contract's tuition benefits by allowing other qualified family members (for example, siblings) to use the benefits rather than cancelling their contracts if one child does not finish college.

### ❖ Changes to NRS 353B

- Assembly Bill 475 passed in the 2017 legislative session will allow unused credits from student's prepaid tuition contracts to be applied towards graduate level coursework, paid at the undergraduate rate. This too will give families further flexibility to maximize the value of their contracts as more and more students are taking college courses in high school and graduating from college with credits remaining on their Prepaid Tuition contracts.

### ❖ Future objectives and strategies to enhance the Nevada Prepaid Tuition program include the following:

- Ongoing evaluation of the factors and assumptions used to set contract prices to ensure the program remains affordable.
- Ongoing evaluation of the position and assumptions used for establishing the asset allocation of the Trust Fund portfolio to ensure its long-term financial viability.
- Continual evaluation of the overall Program to determine ways to provide enhancements and additional servicing options adding value.
- Expansion of education and outreach to better educate Nevada's families about the program and its many benefits.





## SUMMARY OF ACTUARIAL VALUATION REPORT

The Board is required by NRS 353B.190 to contract with an independent certified actuary to perform an annual actuarial valuation of the Higher Education Tuition Trust Fund. The Board contracted with Gabriel Roeder Smith & Company (GRS) to perform the valuation for Fiscal Year 2017. The Actuarial Valuation Report prepared by GRS for Fiscal Year 2017 shows continued improvement in the financial position of the Higher Education Tuition Trust Fund and the Prepaid Tuition Program.

The substantial improvements seen during Fiscal Year 2017 include:

- ◆ The actuarial value of assets grew by 7.8%, an increase of \$18,155,728 from the prior fiscal year.
- ◆ The stabilization reserve (surplus) grew by \$8,077,458, or 12.5% from the prior fiscal year. This surplus acts as a risk reserve to mitigate future experience losses. The increase was primarily due to the interest on the surplus at assumed return (5.0%) and other contract experiences, such as refunds, conversions, and students using their contract benefits faster than assumed which has a positive impact as tuition continues to increase.
- ◆ The funded ratio, which represents the Program's ability to meet its current and future obligations for all contracts, rose again this fiscal year from 130.5% in FY 16 to 132.7% in FY 17. The income on the surplus was the largest single item resulting in gains to the Program and increasing its funded status this fiscal year.

RECONCILIATION OF PROGRAM ASSETS		
	FY 2017	FY 2016
<b>Beginning Market Value of Assets</b>	\$227,434,791	\$211,990,199
<b>Additions</b>		
Admin Fees and transfer from Endowment account	\$747,775	\$2,577,691
Contract Payments	\$17,910,470	\$16,718,808
Investment Income	\$23,164,829	\$9,488,974
<b>Total Additions</b>	\$41,823,074	\$28,785,473
<b>Deductions</b>		
Tuition Payments	\$10,435,951	\$10,139,549
Refunds	\$2,112,438	\$2,425,646
Admin and Investment Expenses	\$794,693	\$775,686
<b>Total Deductions</b>	\$13,343,082	\$13,340,881
Net Increases	\$28,479,992	\$15,444,592
<b>Ending Market Value of Assets</b>	\$255,914,783	\$227,434,791

SUMMARY OF VALUATION RESULTS		
	FY 2017	FY 2016
<b>Assets</b>		
Actuarial Value of Assets	\$250,294,806	\$232,139,078
Present Value of Future Contract Payments	\$43,209,098	\$43,307,704
<b>Total Actuarial Value of Fund Assets</b>	\$293,503,904	\$275,446,782
<b>Liabilities</b>		
Actuarial Present Value of Future Tuition Payments, Refunds, Fees, and Admin Expenses	\$221,099,221	\$211,119,557
<b>Surplus</b>	\$72,404,683	\$64,327,225
<b>Funded Ratio</b>	132.7%	130.5%

As a result of the Board's keen oversight of its investments and contract pricing, the Program has been able to maintain its surplus and high funded ratio, in contrast to a number of other states' prepaid tuition plans. This is of critical importance, since the Program is not supported or backed by the State's general fund.

The full actuarial valuation report is contained in Appendix A.

## SUMMARY OF INDEPENDENT AUDITOR'S REPORT

NRS 353B.180 requires the Board to contract with an independent certified public accounting firm to perform an annual audit of accounts and records of the State Treasurer and the Board. The Board contracted with the independent auditing firm Eide Bailly LLP, which performed the audit on the Higher Education Tuition Trust Fund for Fiscal Year 2017, which ended on June 30, 2017.

The purpose of the report is to describe the scope of testing of internal control and compliance, and the results of that testing. For Fiscal Year 2017, the Trust Fund once again received a favorable opinion with no deficiencies in internal controls of material weakness to be found or reported. Points of interest were:

- ◆ The Trust Fund continued to be classified as an enterprise fund of the State of Nevada and was included in the State of Nevada's *Comprehensive Annual Financial Report*.
- ◆ Total assets held were \$299,234,500, an increase of \$28,354,598 or 10.4% from the previous fiscal year.
- ◆ The Trust Fund for the second year saw a small decrease in total operating expenses. A decrease of \$1,739,623(6.9%) from the prior fiscal year brought the total operating expenses to \$23,372,756 in FY 17.
- ◆ There was a slight decrease in total operating revenue from the prior fiscal year (\$1,436,692 or 7.42%).
- ◆ The overall net position for FY 17 grew by \$18,689,523 (31.6%).

### Higher Education Tuition Trust Fund Net Position

		2017	2016
Assets			
Current and other assets		\$ 299,161,095	\$ 270,789,799
Net capital assets		73,405	90,103
Total Assets		<u>299,234,500</u>	<u>270,879,902</u>
Deferred Inflows	Pension Related	<u>47,077</u>	<u>23,687</u>
Liabilities			
Current liabilities		19,297,822	18,416,291
Noncurrent liabilities		202,209,112	193,387,947
Total Liabilities		<u>221,506,394</u>	<u>211,804,238</u>
Deferred Outflows	Pension Related	<u>21,738</u>	<u>35,969</u>
Net Position			
	Net investment in capital assets	73,405	90,103
	Unrestricted	<u>77,679,500</u>	<u>58,973,279</u>
Total Net Position		<u>\$ 77,752,905</u>	<u>\$ 59,063,382</u>

The financial statements of the Trust Fund were prepared in conformance with U.S. Generally Accepted Accounting Principles (GAAP) as applied to government agencies and standards accepted by the Governmental Accounting Standards Board (GASB).

The financial statements and full report is contained in Appendix B.

## SUMMARY OF INVESTMENT REPORTS

The Program contracts and regularly meets with professional investment manager(s) and consultants to invest assets of the plan. The Board contracted with Chicago Equity Partners to manage the fixed income portfolio, and invests in institutional mutual funds with Glenmede for covered calls, and three U.S. equity mutual funds with Vanguard. The Board contracted with Pension Consultant Alliance (PCA) as its investment consultant. Included in this annual report is the performance review from PCA as of June 30, 2017.

In Fiscal Year 2017, the Board maintained its investment policy and asset allocation from the previous fiscal year. The portfolio's asset allocation is comprised of 30% fixed income, 20% covered calls, and 50% equities. The equities portion of the portfolio is further allocated to three separate funds: Large Cap, Mid Cap, and Small Cap.

Fund Market Values of Investments						
Asset Class	Target Allocation		Actual Allocation		Fiscal Year 2017	Fiscal Year 2016
	FY 17	FY 16	FY 17	FY 16		
Large Cap	39%	39%	42.2%	39.5%	\$106,118,000	\$88,745,000
Mid Cap	7%	7%	7.7%	7.2%	\$19,350,000	\$16,096,000
Small Cap	4%	4%	4.0%	3.6%	\$10,043,000	\$8,074,000
Covered Calls	20%	20%	19.1%	19.4%	\$47,917,000	\$43,455,000
Fixed Income	30%	30%	27%	30.3%	\$67,985,000	\$68,121,000
Total	100%		100%		\$251,414,000	\$224,492,000

- ◆ The market value of assets grew to \$251,414,000 in Fiscal Year 2017, which was an increase of \$26,922,000, or 11.9% from the prior fiscal year.
- ◆ For the fiscal year ending June 30, 2017, the Program's portfolio rate of return on a Market Value basis was 10.6%.
- ◆ The Program's three-year investment return was 6.7%, which was just slightly below its target benchmark of 6.8%.

The Report from Pension Consultant Alliance is contained in appendix C.

## SUMMARY OF ENROLLMENT STATISTICS

Statistics are collected from the enrollment forms submitted by purchasers who enrolled children in the Program. This information is provided by purchasers on a strictly voluntary basis. The information has been collected and presented for Fiscal Year 2017 and in comparison to the last three fiscal years. Below are highlights of the information reported during the Fiscal Year 2017 open enrollment.

- ◆ The number of purchasers choosing a four year university plan in FY 17 grew slightly, and continues to be the most popular, with 59.20% of purchasers choosing this plan option. The two-year university plan followed at 14.83%. For the fourth year in a row, the lump sum payment option grew slightly, at 39.18% of the participant's payment plan choice. The five-year and extended monthly installment payment options made up the other 60.82% of contracts purchased. Among new enrollees choosing a monthly payment option, 13.10% chose to make a down payment, lowering their monthly payments for the contract they purchased.
- ◆ Despite a small decline in the number of Clark County residents purchasing contracts, Clark remains the largest purchaser population (46.10%). Washoe County continues to follow with 37.88% and Carson City remains third highest county with 4.23% of the contracts purchased.
- ◆ Newborn enrollments grew slightly and still remain the single highest percentage of contracts (17.86%) sold, which gives families the longest time to pay for and benefit from the program. Beneficiaries in third grade and kindergarten followed at 7.79% and 7.25%, respectively.
- ◆ Slightly over 56% of reported beneficiaries were Caucasian, followed by Asians (15.37%), Hispanics (11.90%), African-Americans (3.35%), and Native Americans (1.73%).
- ◆ Parents are the highest percentage of purchasers of contracts (83.55%) in Fiscal Year 2017, followed by grandparents with 12.12% of the contracts sold.
- ◆ Participants reporting that they have a bachelor's degree are the largest percentage (35.28%) of contract purchaser's, followed by those holding a master's degree (18.18%).
- ◆ Purchasers with annual household incomes under \$50,000 represented 8.11% of the contracts sold. Purchasers with annual household incomes ranging from \$50,000 to \$79,000 represented 12.99%, and those with an income level of \$80,000 or more represented slightly over half (58.23%) of all contracts purchased.
- ◆ Slightly more than a 1/3 of Purchasers (37.23%) indicated that friends/relatives were the primary source of information about the Prepaid Tuition program, followed by school flyer/banner at 17.75%, and Radio/TV at 12.44%

The complete collection of tables and charts are contained in Appendix D.

## OUTREACH AND EDUCATION

The Nevada State Treasurer's Office continues to offer a broad range of unique college savings plan options to help Nevadans prepare and pay for future higher education expenses. Office staff works with public and private schools throughout the state, as well as with various professional groups and nonprofit partners, to sponsor community events providing 'face to face' contact with college savings information and education to Nevada families.

For the fifth year, the Nevada Prepaid Tuition Program continued with an exciting promotion in the 2017 enrollment period that awarded two participants with a Nevada Prepaid Tuition account of one full year of tuition at the university level! In March 2017, one northern Nevada winner was recognized on a news segment on "Kolo 8 News Now", and one southern Nevada winner was recognized on "KVVU Fox 5 More Access."

Staff was persistent in its outreach efforts in Fiscal Year 2017 by attending roughly 210 events throughout Nevada and continues to communicate with Nevada families through numerous online media sources, including online banner advertising, Facebook ads, online search engine marketing, and other digital mediums. With their passionate efforts on educating families about the importance of saving for college, the potential for continued growth in the Nevada Prepaid Tuition Program is strong. Over 20,000 families have enrolled their children into the program since it opened in 1998. In FY 17, the Program once again contracted with Amplify Relations to assist with its marketing and outreach awareness efforts. Sage, the college savings mascot, is focused on getting kids excited about going to college and highlighting all of the saving options the State Treasurer's office offers. All of the programs offered are administered by the Treasurer's Office, with fiduciary oversight by the College Savings Board of Nevada, and work together to help families fully prepare for the exorbitant cost of higher education.



The Siamundo family of Northern Nevada is awarded one year of free tuition by Treasurer Dan Schwartz



Deputy Treasurer, Sheila Salehian, presents one year of free tuition to the Fornetti family as the 2017 Southern Nevada contest winners

# **APPENDIX A**

## **ACTUARIAL VALUATION REPORT**

# **APPENDIX B**

## **INDEPENDENT AUDITOR'S REPORT**

# **APPENDIX C**

## **PENSION CONSULTANT ALLIANCE PERFORMANCE REVIEW**



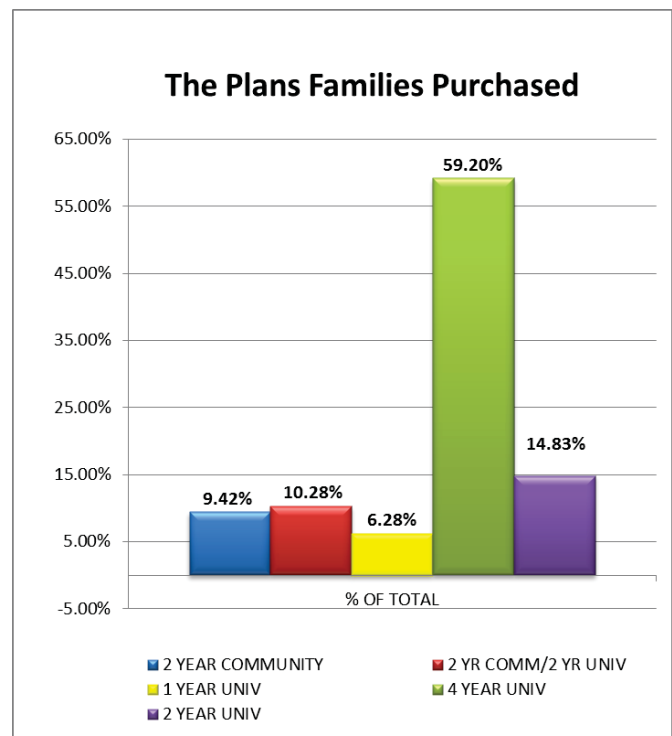
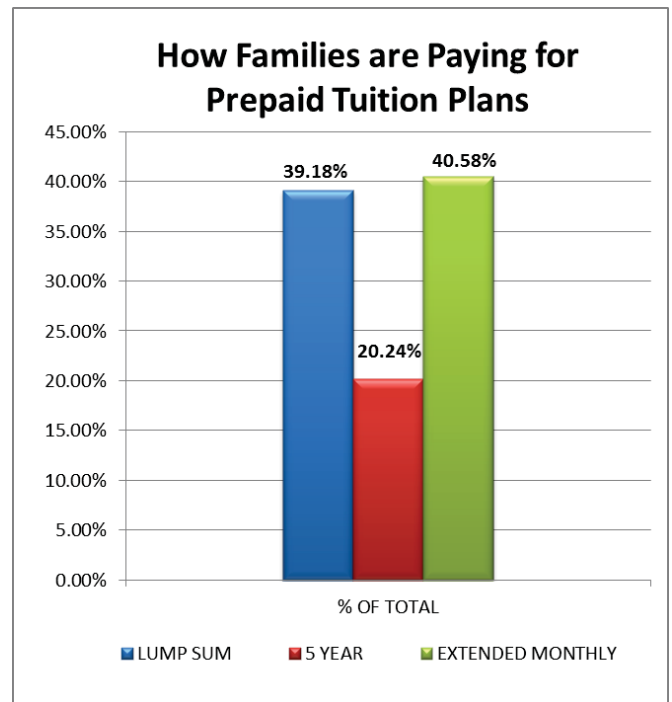
# **APPENDIX D**

## **ENROLLMENT STATISTICAL CHARTS**

# NEW ENROLLMENTS FISCAL YEAR 2017

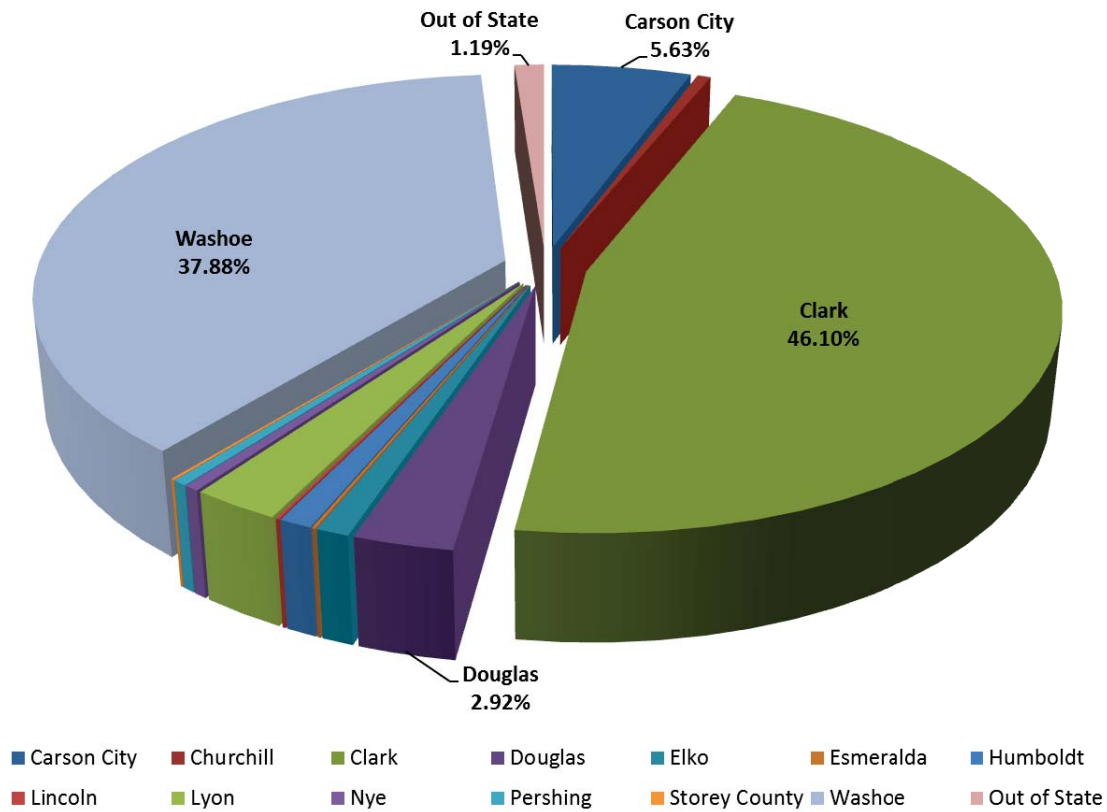
PLAN		TOTAL	% OF TOTAL
<b>2 YEAR COMMUNITY</b>			
LUMP SUM	31		
5 YEAR	16		
EXTENDED	40		
		87	9.42%
<b>2 YR COMM/2 YR UNIV</b>			
LUMP SUM	18		
5 YEAR	21		
EXTENDED	56		
		95	10.28%
<b>1 YEAR UNIV</b>			
LUMP SUM	27		
5 YEAR	15		
EXTENDED	16		
		58	6.28%
<b>4 YEAR UNIV</b>			
LUMP SUM	244		
5 YEAR	116		
EXTENDED	187		
		547	59.20%
<b>2 YEAR UNIV</b>			
LUMP SUM	42		
5 YEAR	19		
EXTENDED	76		
		137	14.83%
<b>TOTAL ENROLLMENT FORMS</b>	924		100.00%

PAYMENT OPTION	TOTAL	% OF TOTAL
LUMP SUM	362	39.18%
5 YEAR	187	20.24%
EXTENDED MONTHLY	375	40.58%
<b>TOTAL ENROLLMENT</b>	924	100.00%

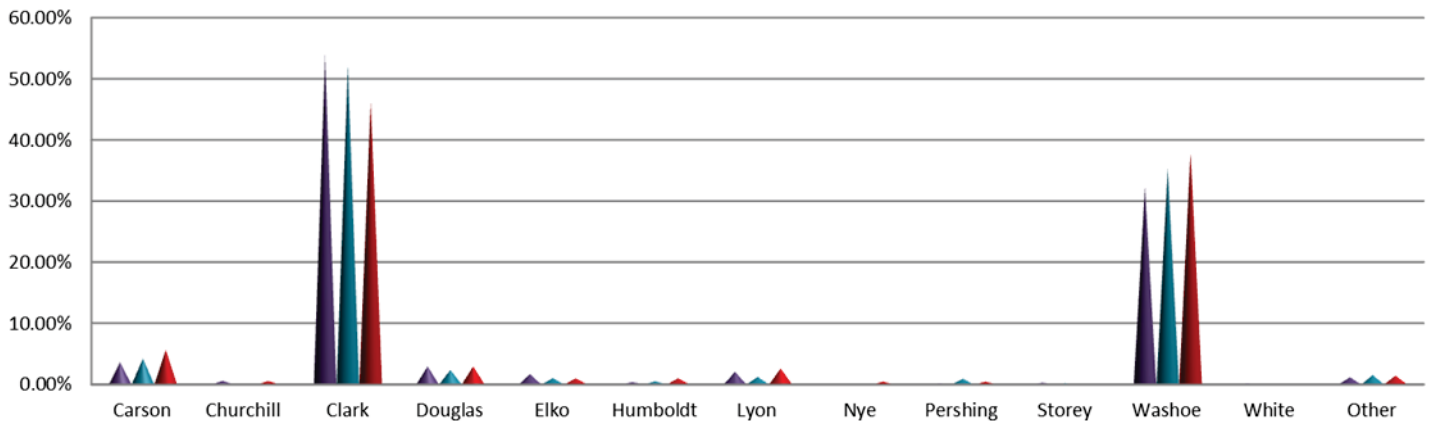


# CONTRACTS BY COUNTY

## Fiscal Year 2017 Enrollments

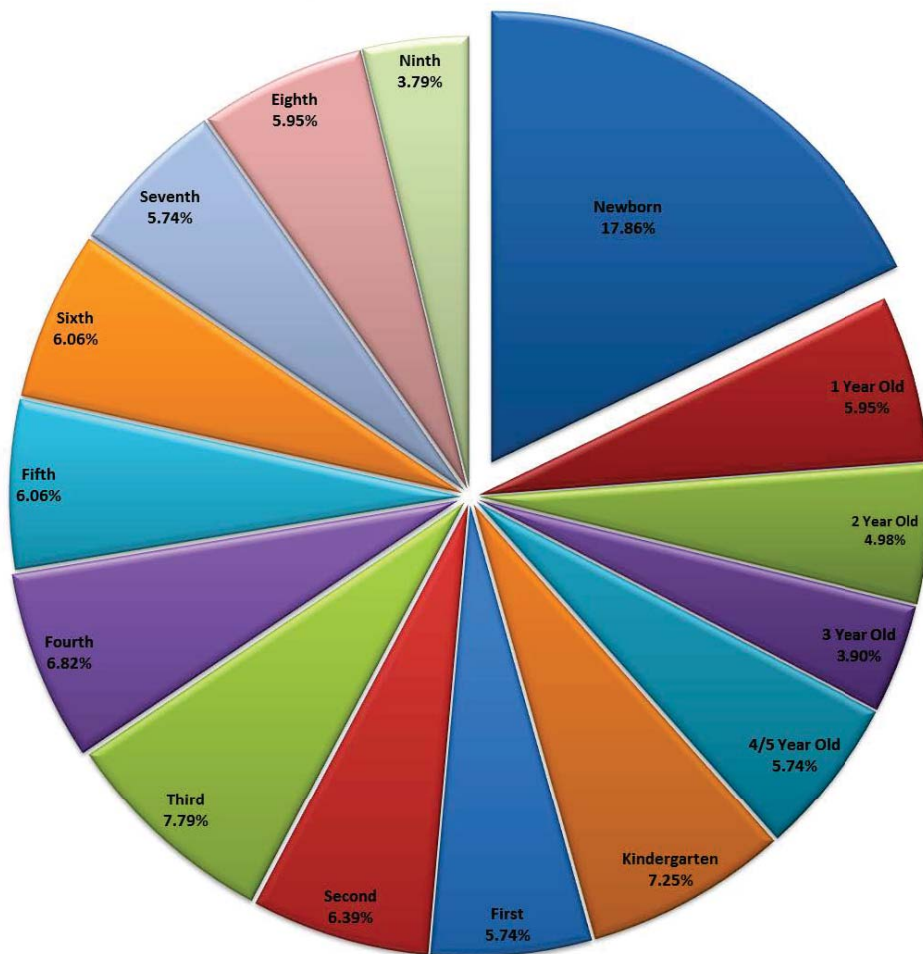


## Last Three Fiscal Years Comparison

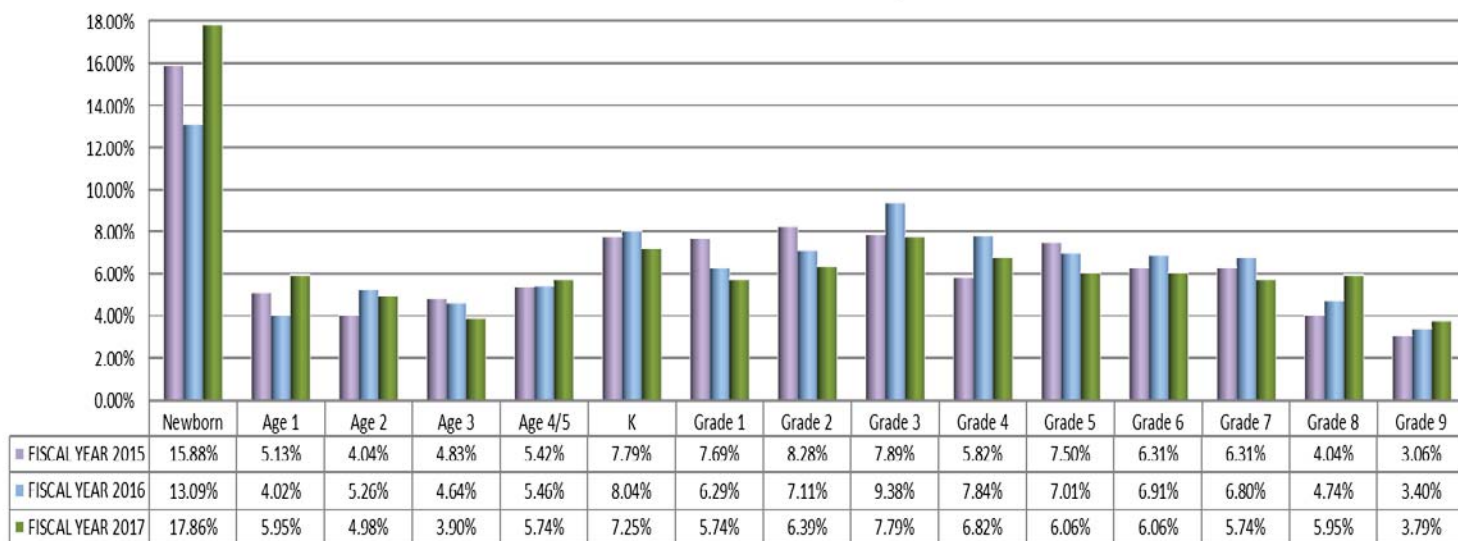


# BENEFICIARIES AGE/GRADE

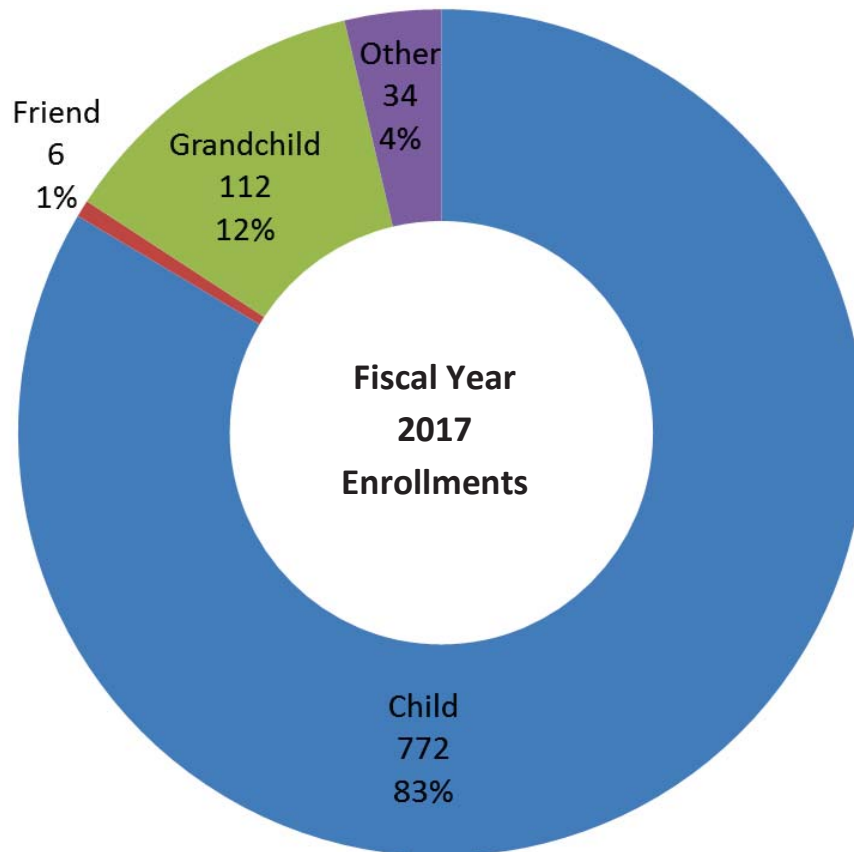
Fiscal Year 2017 Enrollments



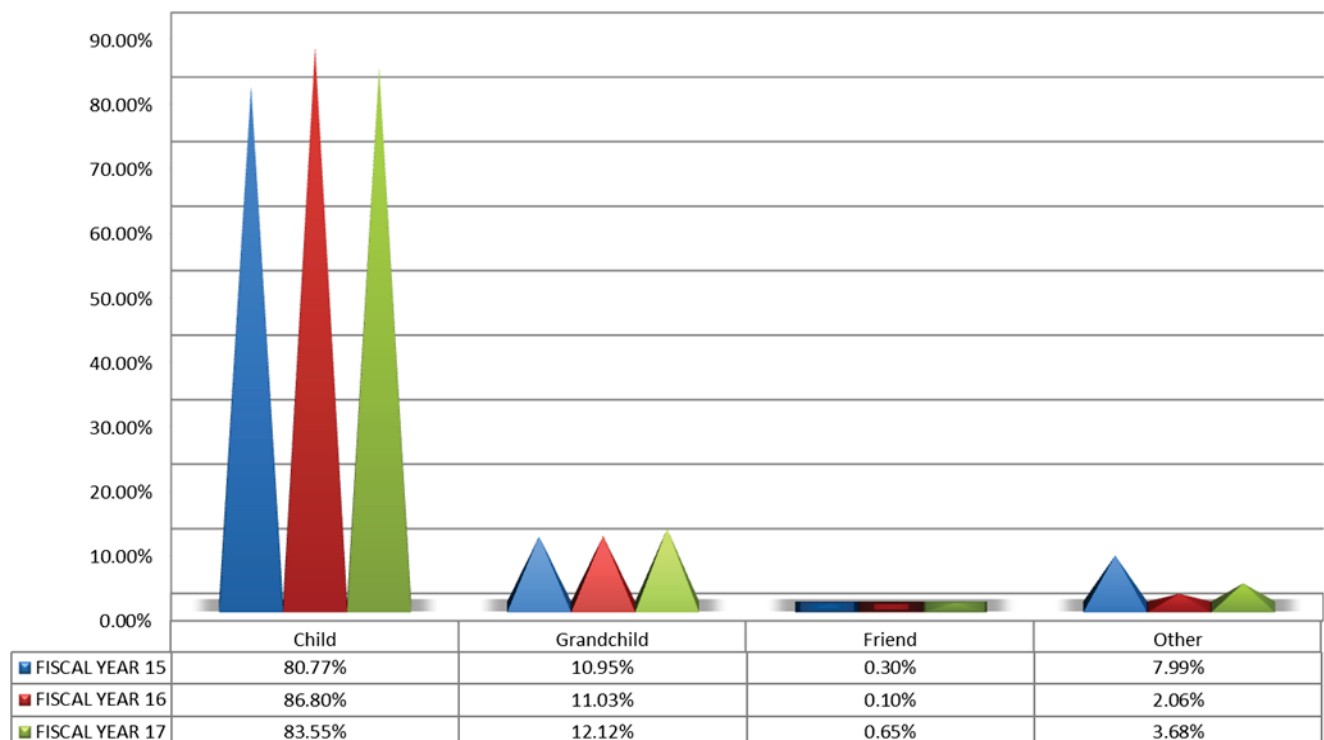
Last Three Fiscal Years Comparison



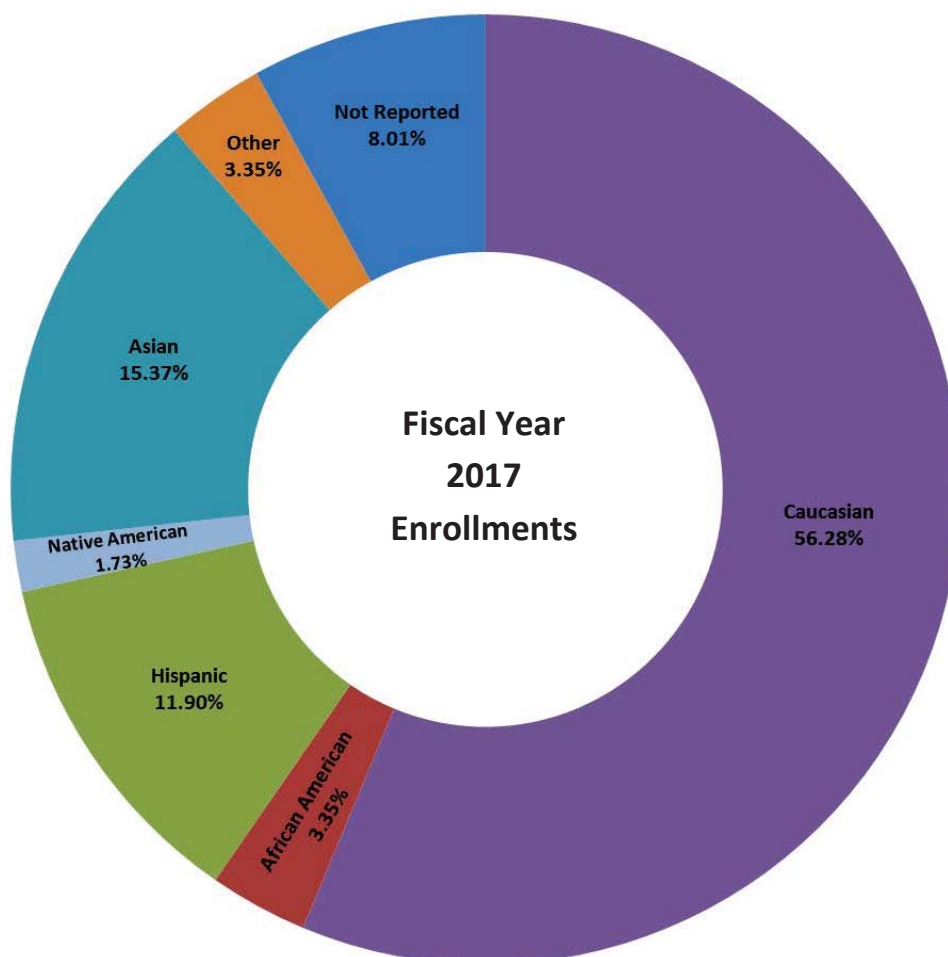
# BENEFICIARY'S RELATIONSHIP TO PURCHASER



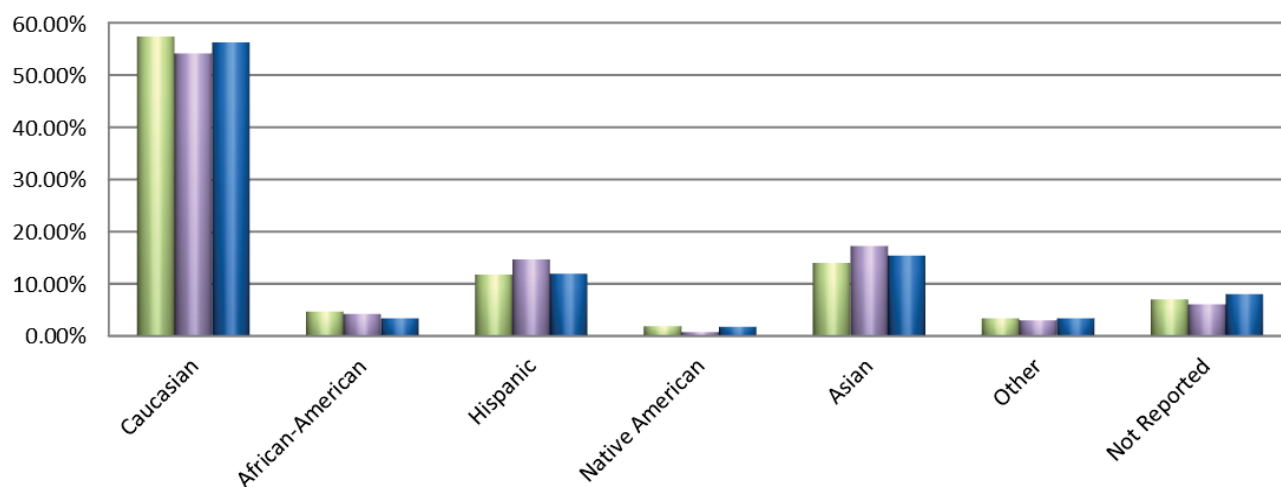
**Last Three Fiscal Years Comparison**



# RACE OF BENEFICIARY



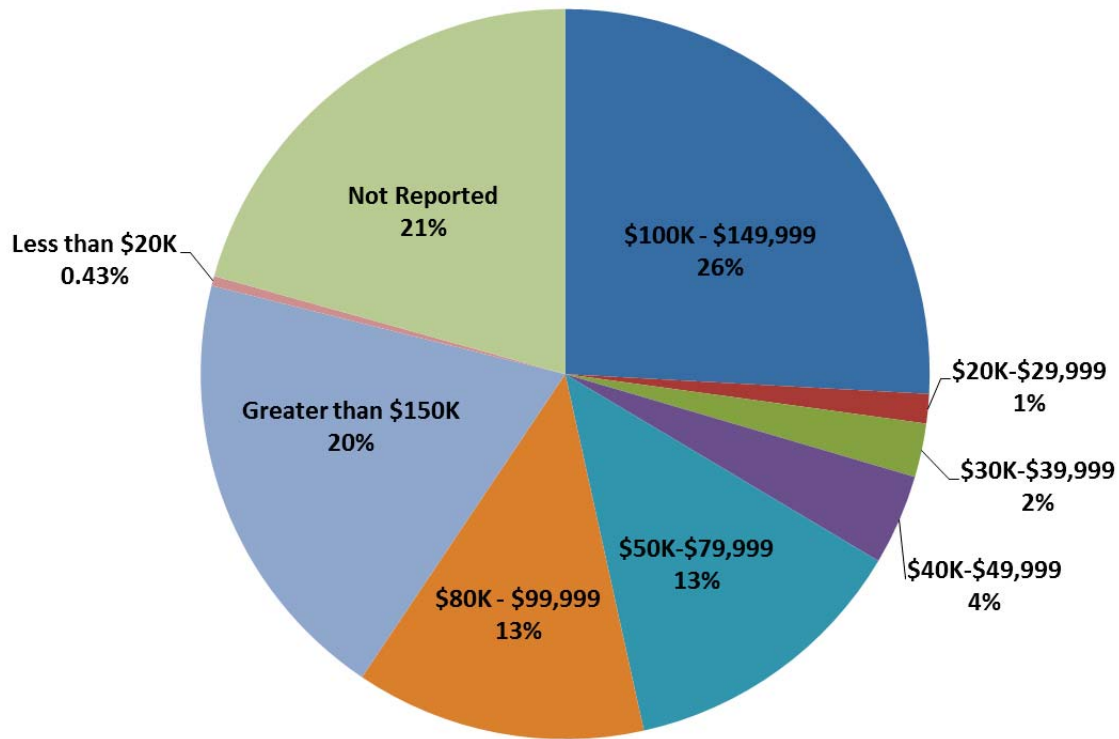
## Last Three Fiscal Years Comparison



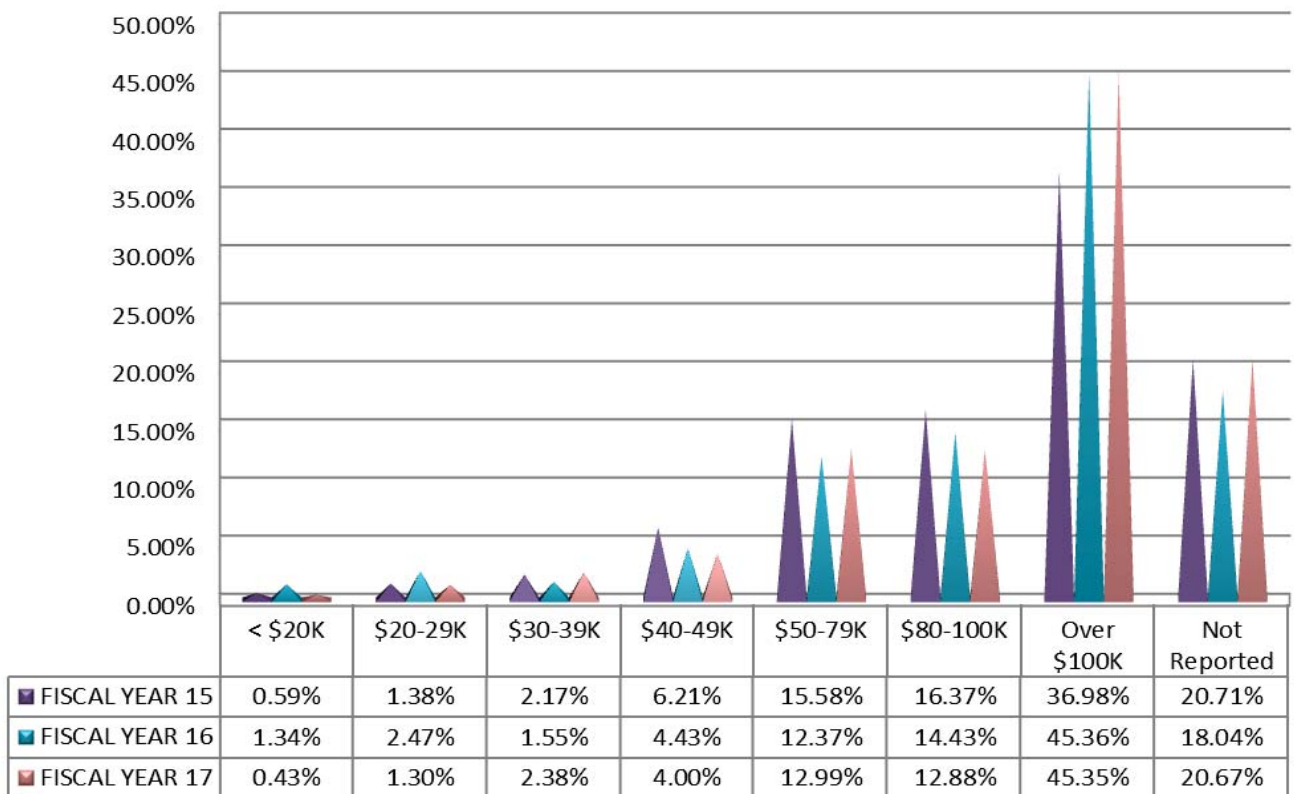
	Caucasian	African-American	Hispanic	Native American	Asian	Other	Not Reported
FISCAL YEAR 15	57.40%	4.64%	11.74%	1.87%	14.00%	3.35%	7.00%
FISCAL YEAR 16	54.12%	4.23%	14.64%	0.72%	17.22%	2.99%	6.08%
FISCAL YEAR 17	56.28%	3.35%	11.90%	1.73%	15.37%	3.35%	8.01%

# PURCHASER'S INCOME LEVEL

Fiscal Year 2017 Enrollments

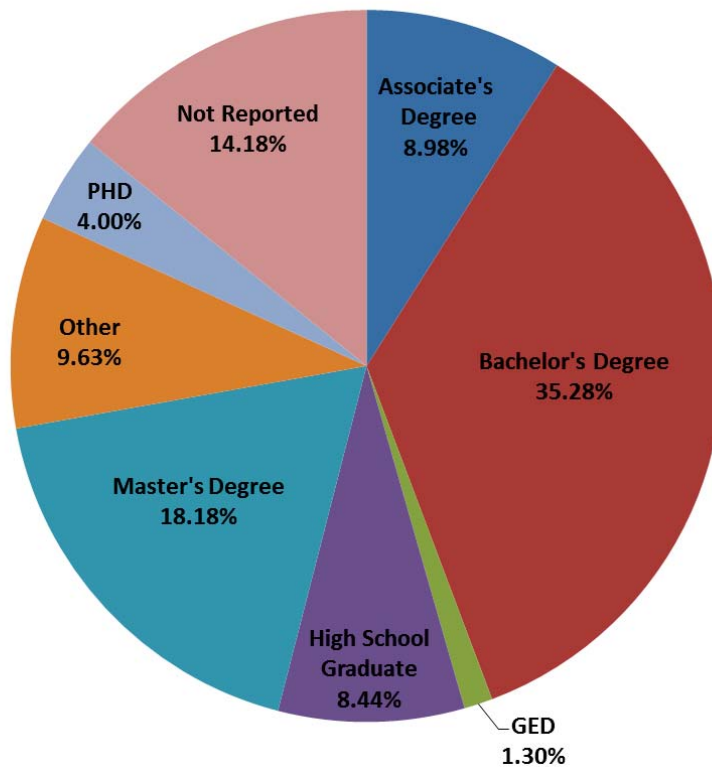


Last Three Fiscal Years Comparison

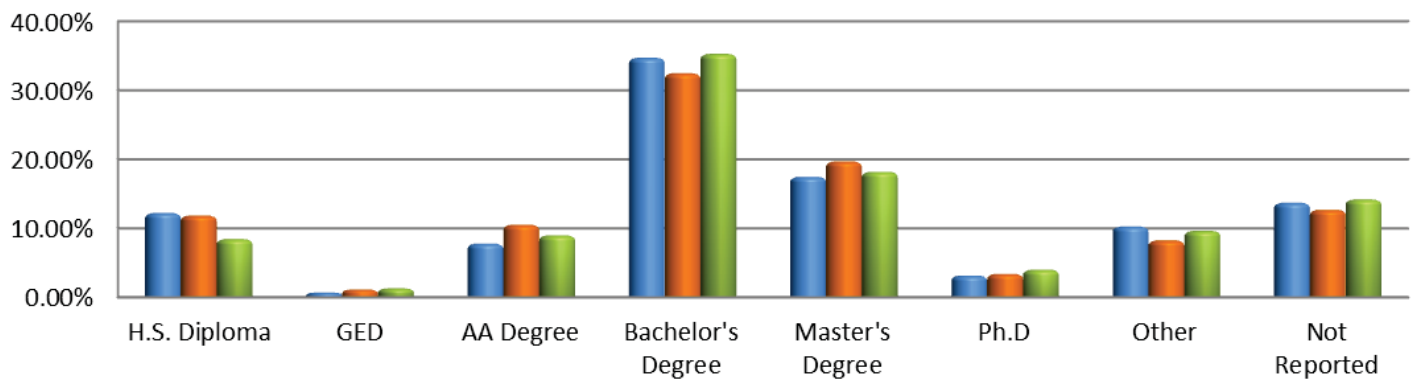


# PURCHASER'S EDUCATION LEVEL

## Fiscal Year 2017 Enrollment



## Last Three Fiscal Years Comparison

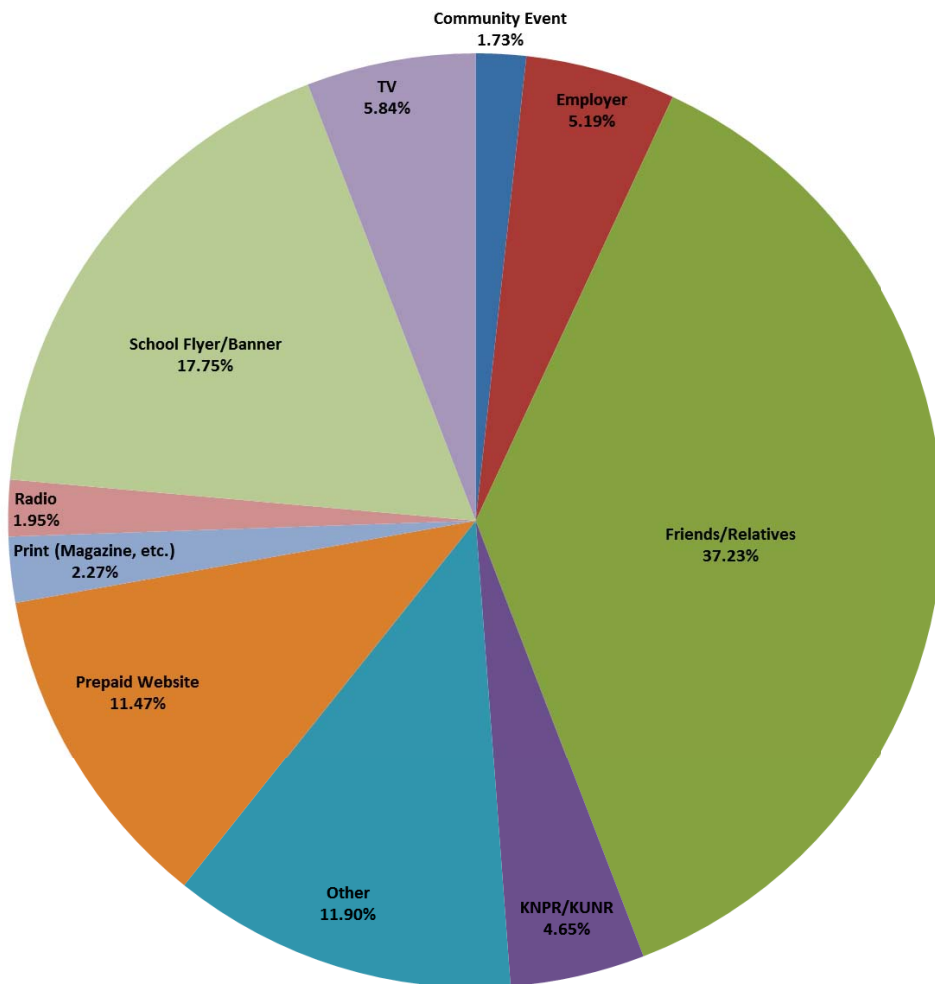


	H.S. Diploma	GED	AA Degree	Bachelor's Degree	Master's Degree	Ph.D	Other	Not Reported
FISCAL YEAR 15	12.23%	0.69%	7.79%	34.71%	17.46%	3.16%	10.26%	13.71%
FISCAL YEAR 16	11.86%	1.13%	10.52%	32.47%	19.69%	3.40%	8.25%	12.68%
FISCAL YEAR 17	8.44%	1.30%	8.98%	35.28%	18.18%	4.00%	9.63%	14.18%

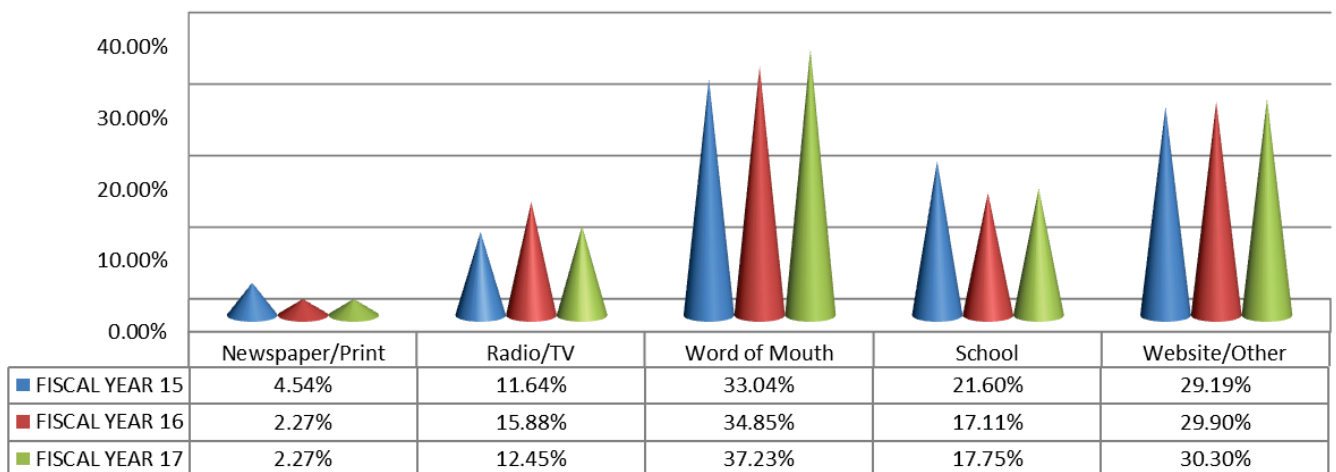


# REFERRAL SOURCE

**Fiscal Year 2017 Enrollment**



**Last Three Fiscal Years Comparison**



THE BOARD OF TRUSTEES OF THE  
COLLEGE SAVINGS PLANS OF NEVADA

**Agenda Item 5**  
**February 22, 2018**

**Item: Amendments to Nevada Administrative Code 353B**

**Recommendation**

**Board review and approval of amendments to Nevada Administrative Code 353B for codification of federal law changes to Internal Revenue Code 529 regarding participant self-reporting requirements for distributions.**

Fiscal Impact: None

**Background:**

During the December 2017 meeting, staff presented the Board with amendments to NRS 353B which were required as a result of the passage of Assembly Bill 475 in the 2017 Legislative Session which codified the Nevada College Kick Start Program into statute.

**Summary:**

Staff, in conjunction with outside counsel, Jamie Canup noticed that Federal law changes to Internal Revenue Code 529 which occurred as part of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) had not been incorporated in the Nevada Administrative Code. Therefore, staff worked with Mr. Canup to amend the statutes to reflect current federal statutes.

Due to this, staff has updated the tentative draft timeline for completion of the process.

1. Friday, February 16: Posted the second workshop hearing notice.

2. Tuesday, February 26: Hold a second public workshop.
3. Wednesday, March 7: Send the draft regulations and all other necessary documents to Legislative Counsel Bureau (LCB).
4. Thursday, March 8: Post the hearing notice.
5. Tuesday, April 18: Hold the public hearing (assuming LCB comments have been received).
6. Wait for Legislative Commission meeting to be held.

Staff will present this item and answer any questions.

ADOPTED REGULATION OF THE OFFICE OF THE  
NEVADA COLLEGE SAVINGS BOARD

LCB FILE No. R\_\_ -17

Effective \_\_, 2018

Authority: §§1.5 - 2, AB475 (2017).

A REGULATION relating to implementation of 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, including providing for enrollment into the program; providing procedures concerning accessing the account; providing guidelines to claim the account within certain time limits; and providing other matters properly relating thereto.

**Sec. 1.** Chapter 353B of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 17, inclusive, of this regulation.

**Sec. 2.** The provisions of sections 3 to 17, inclusive, may be cited as the Nevada College Savings Kick Start Program Regulations.

**Sec. 3.**

1. The purposes of sections 4 to 17 inclusive, are:
  - (a) To implement the intent of the legislature outlined in AB 475 (2017) to provide guidelines for enrollment in the program, including opting in or out of the program;
  - (b) To provide certain guidelines regarding parents and guardians ability to access the account and claim the funds;
  - (c) To provide guidelines regarding appropriate usage of the account at the time of distribution);
2. For the accomplishment of these purposes, the provisions of sections 4 to 18, inclusive, must be broadly and liberally construed.

**Sec. 4.** As used in sections 5 to 17, inclusive, of this regulation, unless the context otherwise requires, the words and terms defined in sections 5 to 18, inclusive, have the meanings ascribed to them in those sections.

**Sec. 5** “Claimed Account” means an account that has been acknowledged by the parent or guardian as ascribed by the State Treasurer’s Office.

**Sec. 6** “Cohort” means Nevada College Kick Start student school year group.

**Sec. 7** “Count Day” means Kindergarteners enrolled in a public school on or before the third Friday in September of the new school year.

**Sec. 8 “Expired Account” means:**

1. Account that has not been claimed by the parent or guardian prior to August 1<sup>st</sup> following the student’s Fourth Grade year; or
2. Not using the Claimed Account funds by the student’s 25<sup>th</sup> birthday.

**Sec. 9 “Late Start” means any Kindergartener that enrolls after the initial Count Day submission in September who are still eligible to participate in the Program. Late Start data is collected in June at the conclusion of the kindergarten year.**

**Sec. 10 “Opt-In” means that a parent or guardian can request to be added to the program:**

1. The Student attended Kindergarten at a Nevada Public school during Kindergarten, and
2. If the parent or guardian requested their information be treated as confidential

**Sec. 11 “Opt-out” means that a parent or guardian chooses not to participate in the program.**

**Sec. 12 “Qualified Scholarships” means that the Nevada College Kick Start accounts are intended to qualify as qualified scholarships under Section 117 of the Internal Revenue Code of 1986, as amended (the “Code”) and, as such, can only be used for qualified tuition and related expenses as defined in Section 117 (b)(2) of the Code.**

**Sec. 13**

1. The Board shall set a per pupil contribution rate for the designated beneficiaries.
  - a. The Board shall review the contribution rate every two years consistent with the biennium budget process and consider whether the rate should be changed.
  - b. Rate change considerations must include changes in Nevada tuition rates, cost of living, and inflation.
2. The Board shall own the Account and shall direct the funds in an appropriate investment option for a kindergartener assuming the funds in the account will begin distribution following graduation from high school.
3. Designated beneficiaries are students for which the State Treasurer’s Office has created an account.

**Sec. 14**

1. Eligible designated beneficiaries must be Nevada residents and attend kindergarten in a public school in this State.
2. Students are automatically enrolled on Count Day when they enter Kindergarten in a public school in this State.
3. Late Start Students are enrolled automatically at the end of the school year.
4. If a parent or guardian had previously requested that their student’s directory information be treated as confidential by the school, they must complete an Opt-In form obtained from the State Treasurer’s Office for an account to be created.

## **Sec. 15**

1. To establish accounts, schools will transfer to the State Treasurer's Office files containing the current school year enrollment:
  - a. By the end of October for students attending on Count Day, and
  - b. By the end of the school year for kindergarten new enrollments after Count Day.
2. All Account funding and transactions will be directed by the Board.
3. All Accounts received the initial contribution of \$50 which is funded with program manager fees received from the College Savings Plans of Nevada program partners.
  - a. Separate records and accounting will be maintained for each account established under a plan.
  - b. Reports and account balances are accessible online to each designated beneficiary.
4. Within 90 days after an account is established the Treasurer's Office, or its designee, will provide each participant a letter notifying them of the account. The letter will contain:
  - a. Student's name,
  - b. Kick Start ID number, and
  - c. How to claim account funds.

## **Sec. 16**

1. To claim an account, the parent or guardian of the student must claim the account by August 1<sup>st</sup> following the completion of the student's fourth grade year in the designated online portal which is outlined in the initial letter notification. The parent or guardian will need to input the following information into the designated portal.
  - a. Program ID number
  - b. Student's Date of Birth
  - c. Zip Code
  - d. Parents or Guardian email address
2. The State Treasurer's Office, or its designee, will send a letter of expiration to the mailing address on the account during the month of April of the student's fourth grade school year. This will serve as the final notification to parents or guardians prior to account expiration.

Letters will be sent to the mailing address which was provided by the school when the account was established.
3. Accounts may be voluntarily closed by:
  - a. Completing a State Treasurer's office, or its designee, Opt-Out form; or
  - b. Allowing the Account to expire by not claiming it by August 1<sup>st</sup> following the student's completion of his or her fourth grade year; or
  - c. Claiming the Account but not distributing the funds for a qualified educational expense by the designated beneficiary's 25<sup>th</sup> birthday.
4. Account shall not be transferred or sold to other individuals.
5. All funds from Accounts not claimed or distributed by the designated beneficiary's 25<sup>th</sup> birthday will return to the Endowment Account.

## Sec. 17

1. A designated beneficiary may request a distribution from the Account by submitting a Treasurer's Office Disbursement Request to the Treasurer's Office, or its designee, after the student has graduated from high school and is attending a qualifying education institution.
2. A distribution must be for a qualified educational expense and will be paid directly to the qualified educational institution.

**Sec. 18** Amend the following sections to comply with current federal law (Internal Revenue Code Section 529)

### **NAC 353B.615 Opening of account; selection of investment option; reassignment of accounts under age-based investment option. (NRS 353B.310)**

1. To open an account, an applicant must submit to the Plan Investment Manager a completed application and:

(a) An initial contribution; or

(b) A designation of an alternative method of funding approved by the Plan Investment Manager.

~~2. The acceptance by the Plan Investment Manager for processing of an application and an initial contribution or the designation of an alternate method of funding does not constitute the agreement of the Plan Investment Manager to open an account.~~

~~32.~~ An applicant must select an investment option in which all contributions to the account will be invested. After an account has been opened, the account owner may not change the investment option for the account, except as permitted by 26 U.S.C. § 529 and any regulations, rulings, announcements or other guidance issued pursuant thereto.

~~43.~~ Under the age-based investment option, reassignment of accounts to different "Years-to-College" portfolios will, with regard to those accounts in which the age of the designated beneficiary makes such reassignment appropriate, occur in accordance with the investment policies of the Program.

(Added to NAC by St. Treasurer by R185-01, eff. 4-5-2002; A by R041-03, 10-29-2003; R054-09, 10-27-2009)

### **NAC 353B.655 Limitation on contributions; maximum aggregate balance for designated beneficiary; return of excess contributions. (NRS 353B.310)**

1. A contribution to an account established for a designated beneficiary will not be accepted to the extent the contribution would cause the total account balance of all accounts in all Plans under the Program for the same designated beneficiary to exceed the amount necessary to provide for the qualified higher education expenses of the designated beneficiary.

2. The Board will establish the maximum aggregate balance for the accounts of a designated beneficiary and will, from time to time, revise the maximum aggregate balance as it determines necessary.

3. If any contribution would cause the total account balance of all accounts in all Plans under the Program for the same a designated beneficiary to exceed the maximum aggregate balance for the accounts of a designated beneficiary established by the Board, the excess money will be rejected and returned to the contributors in order of receipt.

4. The balance in all accounts for that designated beneficiary under the Nevada Higher Education Prepaid Tuition Program will be included in calculating whether the maximum aggregate balance has been exceeded.

(Added to NAC by St. Treasurer by R185-01, eff. 4-5-2002; A by R041-03, 10-29-2003)

**NAC 353B.665 Distributions: Procedure; classification; restriction. (NRS 353B.310)**

1. An account owner may request a distribution of money from the account by submitting to the Plan Investment Manager not less than 3 business days before the date of the requested distribution a completed distribution request form and such other information as required by the Board or a Plan Investment Manager. The Plan Investment Manager will begin processing properly completed distribution request forms upon receipt. A designated beneficiary may not withdraw money from an account.

~~2. A distribution from an account will be classified as a:~~

~~—(a) Nonqualified withdrawal;~~

~~—(b) Qualified withdrawal;~~

~~—(c) Qualified withdrawal because of the death or disability of, or a scholarship awarded to, a beneficiary; or~~

~~—(d) Rollover distribution.~~

~~3. A distribution may only be arranged by the account owner and only in accordance with NAC 353B.665 to 353B.695, inclusive.~~

(Added to NAC by St. Treasurer by R185-01, eff. 4-5-2002; A by R054-09, 10-27-2009)

~~**NAC 353B.670 Distributions: Required notification. (NRS 353B.310) When a Plan Investment Manager makes a distribution of money from an account pursuant to NAC 353B.665 to 353B.695, inclusive, the Plan Investment Manager shall notify the account owner:**~~

~~—1. Of the portion of the distribution that is attributable to investment gains in the account;~~

~~—2. That a distribution from an account for any reason other than a qualified withdrawal, a qualified withdrawal because of the death or disability of, or a scholarship awarded to, a beneficiary, or a rollover distribution may be subject to federal tax on the portion of the distribution attributable to investment gains in the account; and~~

~~—3. That it is the responsibility of the account owner to determine his or her liability for federal tax, if any, on the distribution.~~

~~—(Added to NAC by St. Treasurer by R185-01, eff. 4-5-2002; A by R041-03, 10-29-2003; R054-09, 10-27-2009)~~

~~**NAC 353B.675 Qualified withdrawals. (NRS 353B.310)**~~

~~—1. A qualified withdrawal is a withdrawal of money from an account to pay for the qualified higher education expenses of the designated beneficiary, or because of death, disability or scholarship, as permitted by 26 U.S.C. § 529 or any regulations, rulings, announcements or other guidance issued pursuant thereto. An account owner may request a qualified withdrawal by submitting to the Plan Investment Manager a completed distribution request form.~~

~~—2. When requesting a qualified withdrawal, the account owner, and the designated beneficiary if required by the Plan Investment Manager, must sign the distribution request form and provide such additional information as may be requested by the Plan Investment Manager.~~

~~—(Added to NAC by St. Treasurer by R185-01, eff. 4-5-2002; A by R054-09, 10-27-2009)~~



**NAC 353B.680 Refund of all or part of qualified distribution. (NRS 353B.310)** A refund from a higher education institution of all or part of a ~~qualified~~-distribution that is used to pay for qualified higher education expenses of a designated beneficiary must contributed to be paid by the higher education institution to the Plan Investment Manager for credit to the appropriate accounts for that designated beneficiary within 60 days after the date of the refund and cannot exceed the refunded amount.

(Added to NAC by St. Treasurer by R185-01, eff. 4-5-2002; A by R054-09, 10-27-2009)

**NAC 353B.690 Rollover distributions to account in qualified tuition program of another state or to another account in Program; return of excess money. (NRS 353B.310)**

1. Except as otherwise provided in subsection 2, if a qualified tuition program of another state allows rollover contributions or an ABLE program allows rollover contributions, an account owner may authorize a direct rollover distribution from an account in the Program to an account in the qualified tuition program of the other state or to an ABLE program for the same designated beneficiary or for a different designated beneficiary who is a member of the family of the designated beneficiary of the account in the Program out of which the rollover distribution is being made.

2. A rollover distribution pursuant to subsection 1 for the same designated beneficiary will be permitted only once in any 12-month period or as otherwise permitted by 26 U.S.C. § 529 and any regulations, rulings, announcements or other guidance issued pursuant thereto.

3. An account owner may authorize a direct rollover distribution from an account in the Program to another account in the Program so long as the designated beneficiary of the other account is a member of the family of the designated beneficiary of the account out of which the rollover distribution is being made. If the rollover distribution that is deposited in an account causes the total account balance of all accounts for a designated beneficiary to exceed the maximum aggregate balance for the accounts of a designated beneficiary established by the Board pursuant to NAC 353B.655, the excess money will be rejected and returned.

4. When authorizing a rollover distribution, the account owner must complete the forms and make such disclosures of financial information as required by the Plan Investment Manager and the Board.

(Added to NAC by St. Treasurer by R185-01, eff. 4-5-2002; A by R041-03, 10-29-2003; R054-09, 10-27-2009)

# THE BOARD OF TRUSTEES OF THE COLLEGE SAVINGS PLANS OF NEVADA

## **Agenda Item 6 February 22, 2018**

**Item: Discussion regarding AB475 concerns regarding College Kick Start funding in future biennium budget years.**

Fiscal Impact: None

### Background:

During the December 2017 meeting, the Board directed staff to work with the Attorney General's Office regarding fiduciary concerns related to statutory changes required in Assembly Bill 475 (AB 475) which was passed by the 2017 Legislative Session and signed into law by Governor Sandoval. The Board noted concerns with liability surrounding its ability to fulfill its fiduciary duties to the 529 Endowment Fund (revenue received from the program manager fees) and the college savings plans it oversees in light of AB475. AB475 codified the Nevada College Kick Start program (CKS) into statute. CKS is a scholarship program in which the Endowment account funds every public school kindergartener in the State \$50 in a 529 account (~\$1.8M per year in current biennium).

The Board is concerned that the Legislature now has the authority through the biennium budget process to require the Board to fund CKS or dictate an amount even if the Board believes funding the accounts would run counter to its fiduciary duties to the 529 Savings plans and the Prepaid Tuition Plan. For example, the Board beginning in 2009 funded the Prepaid Tuition Trust fund with monies from the Endowment fund to ensure it remained solvent. The Prepaid Tuition trust fund fell below 100% funded status as the result of the Great Recession and as fiduciaries the Board deemed it important to use a

portion of the Endowment fund monies to ensure contracts would be honored. With the passage of AB475, the Board has a few questions as it relates to its fiduciary liability:

- The CKS pilot was established in 2013 and the education and outreach conducted for the first 4 kindergarten cohorts didn't contain any disclosures regarding the need for families to claim the accounts, as no action or 'claiming' was required. AB475 requires the Board to 'reclaim' monies back to the Endowment fund if monies are not claimed by the parent or legal guardian by the time the child enters 5th grade. Does the Board and the Legislature have the right to reclaim monies from these prior year cohorts which were in existence prior to passage of AB475?
- If the Legislature chooses to increase the College Savings budget through the biennium budget process beyond that which was agreed to by the Board and the Treasurer, does this absolve these parties of their fiduciary liability and transfer it to the Legislature?

Wayne Howle with the Attorney General's Office will present this item to the Board.

**THE BOARD OF TRUSTEES OF THE  
COLLEGE SAVINGS PLANS OF NEVADA**

**Agenda Item 7  
February 22, 2018**

**Item: Board review and approval of 2 additional financial literacy programs in Fiscal Year 2018.**

**Recommendation:**

**As of June 2017, AB475 authorized and added to statute the continued expenditure of endowment funds for financial literacy education. The Board's biennium budget allocates \$175K annually to be used to further the financial literacy of Nevada residents. This agenda item is seeking Board review and approval for two recommended financial literacy programs which will be developed and rolled out in fiscal year 2018. These programs will be evaluated and summary reports provided to the Board in fiscal year 2019. Depending on the success, these particular programs may or may not be recommended to be continued next fiscal year.**

**Fiscal:**

\$29,000 expenditure in Fiscal Year 2018 out of \$29,000 (remaining budget)

**Summary:** Staff is recommending review and approval of the 2 items outlined below:

- Financial Literacy & College Savings for Families who have children with disabilities or special health needs (\$10,450). The goal of this program is to increase access for families with children who have disabilities with financial literacy materials, resources, and support services in addition to providing information and access to college saving resources, leading to 529 enrollments, and increasing the number of claimed Kick Start accounts.
  - Survey families on financial literacy and college savings questions which align with post training survey

questions to measure financial literacy knowledge gains as a result of taking online financial literacy and college savings training.

- Serve 125 families chosen from survey with online training consisting of financial planning, banking and lending options, college savings, budgeting, and debt reduction.
- Course will be transferred to the Innov8Progress LMS platform, which will incorporate customized branding specifically for the State Treasurer's Office with College Savings Program resources and contact information. The training course will have interactive learning opportunities for each of the substantive topic areas as well as quizzes and assessments

Financial Literacy Website & College Savings Curriculum in Support of SB249 requirements and May Summits. (\$18,550 with ~\$1,500 in additional in ongoing annual maintenance for the site starting in fiscal year 2019.)

- Teachers will be teaching Financial Literacy to kids in grades 3-12, many for the first time as a result of SB249.
- This website will be a resource for teachers and students to find valuable lesson information, including age appropriate curriculum on the college savings programs and scholarships administered by the Treasurer's Office as required by SB249.
- The website will contain valuable links to important college planning websites for parents, students and teachers as they help their students prepare for higher education. (FAFSA, scholarships, grants, etc.)
- This website will contain links to other government agencies that offer financial literacy curriculum such as mymoney.gov and FDIC.gov.

NOTE: These two initiatives bring the total to 8 financial literacy initiatives that Staff is working on this fiscal year. All of these initiatives raise awareness of the 529 College Savings Programs, Scholarships (CKS/GGMS) as well as encourage participants to open college savings accounts and apply for matching grants (Silver State(SSMG)/USAA Distinguished Valor) if they are eligible.

The SSMG has continued to grow in applications as noted in the 5 year trending below while the funding has stayed the same (\$100,000). The SSMG program has always operated on a 'first come, first served' application process; therefore in future years the program may reach applicant/funding capacity. If future year amounts are slightly over \$100,000, such as in 2016, the Board may have the funds to cover the total either in requesting additional funds from Ascensus (solution in 2016) or due to the amounts that were balanced forward in previous years in which the amount was under \$100,000.

However, if applicant's funding capacity is significantly more than the budget, the Board would have the following choices:

- a) Inform applicants that the grant money for this year has reached capacity and to encourage an earlier application the following year.
- b) Place applicants on an internal 'wait list' till the Board approves additional funding and staff receives approval through a work program presented to the Legislative Interim Finance Committee.
- d) Monitor the number of applicants and close the application period early with a notice to applicants to apply next year.

During the biennium budget building process, the Board can also consider an enhancement unit to the budget to permanently fund amounts over \$100,000. We can discuss this further at the June meeting.

## Silver State Matching Grant (SSMG)

<b>Funding FY</b>	<b>Calendar Year</b>	<b>Total Match Funding</b>	<b>Y/Y Increase</b>
2014	2013	\$67,283.37	118.00%
2015	2014	\$98,024.06	45.6%
2016	2015	\$106,971.02	9.1%
2017	2016	\$84,026.54	(21.4%)
2018	2017	\$96,443.78	14.7%

Sheila Salehian, Deputy Treasurer, will be available to summarize these programs and answer questions.

# ***Financial Literacy & College Savings for Families of Children with Individualized Education Programs (IEPs) or 504 Plans***

***An Online Learning Management System Approach to Connecting  
Families of Children with IEPs or 504 Plans in Nevada to  
Generational Financial Stability through Financial Literacy and  
College Savings Resources in Collaboration with the State of Nevada  
Office of the Treasurer***

***January 2018***



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## Executive Summary

We are proposing an online training course for families of children with disabilities or special health needs in Nevada, which we have defined as families of children with Individualized Education Programs (IEPs) or 504 Plans for the consideration of the College Savings Board and the State of Nevada Office of the Treasurer for funding totaling \$10,450. This funding covers our project that aims to survey as many of the estimated 29,181 families of children with IEPs or 504 Plans in Nevada as possible and identify an initial cohort of 125 individuals to the online training course. Our proposal has initial pre- and post-testing included along with initial analysis and reporting. The target population of this financial literacy training are families of children with IEPs or 504 Plans and specific emphasis on those who would be eligible for Silver State Match Funding. If we achieve a reach of 2,334 completed surveys and 125 online training course participants our proposed project budget would include a cost of \$41 per training participant and approximately 94-cents per completed survey, excluding the reporting portion of our proposed budget. The reporting portion of the budget will cover both the completed survey respondents and training participants at a cost of just over \$1 per person served through this proposed project. Additionally, we will include information about the Kick Start Program in both the survey and the online training course. In consideration of our request for funding through the College Savings Board and the State of Nevada Office of the Treasurer, we would also note we plan to obtain continuation funding through national foundations and grant-makers, such as FINRA.

## Organization Overview

**Organization Name:** Applied Research and Policy Institute

**Address:** P.O. Box 34294, Attn: Cyndy Gustafson, ARPI, Reno, NV 89533

**Telephone:** 702-241-8033

**Website Address:** [www.policyapplied.org](http://www.policyapplied.org)

**Director:** Cyndy Ortiz Gustafson, MA

**Email:** [info@policyapplied.org](mailto:info@policyapplied.org)

**EIN:** 81-2538158

## Organization Background

**Our vision at the Applied Research and Policy Institute is to be a national leader in systems change research, data and policy initiative modeling and evaluation.**

**Our Mission at ARPI is to advance data driven public policy research, innovation and applied analysis with a focus on state and local systems change.**

The Applied Research and Policy Institute (ARPI) is a 501 (c)(3) research and policy institute and is an off-campus affiliate to the University of Nevada, Reno, and a partner of the UNLV School of Public Policy and Leadership. ARPI is focused on driving innovation in public systems. We anchor our work on data, research and analysis, prioritizing models that show a high return on investment of public dollars. We conduct research, data analysis, evaluation, policy initiative planning and management and offers consulting to states and local government as well as nonprofit organizations working to advance data driven outcomes in their communities. Our focus on all of our programs and projects is to create replicable models at the national level, evaluate impact and measure outcomes, inspire data-derived adaptability, and maximize cost effectiveness.

## Organization Partners

### Strategic Progress LLC

For more than 15 years, Strategic Progress, LLC, and Ms. Ortiz Gustafson, CEO, has been providing research and model development, program development, policy development and evaluation services to the nonprofit community, the private sector and state and local government. Strategic Progress has contracted with county government, workforce boards, state departments ranging from the Department of Employment Training and Rehabilitation to the Nevada System of Higher Education, from the Governor's Office of Economic Development to Health and Human Services, to name a few. Ms. Ortiz Gustafson is an experienced strategist and project manager with a long history of successful projects with the State of Nevada and the private sector, including large research projects, program development projects, and evaluation projects conducted with her team of highly-qualified analysts and strategists. Additionally, Strategic Progress, LLC currently holds two (2) Master Service Agreements (MSAs) with the state of Nevada. Ms. Gustafson will serve as the project manager and administrator for this proposal pursuant to her role as Director of ARPI.

### Innovative Research and Analysis LLC

Justin S. Gardner, PhD is the founder and CEO of Innovative Research and Analysis LLC and earned his PhD in Public Affairs at the University of Nevada, Las Vegas. After nearly a decade of public sector service at the Federal and state level, he founded Innovative Research and Analysis in 2015 and is a principal partner with Strategic Progress LLC. Dr. Gardner is a methodologist by trade with extensive experience in program management and process development. His approach to systems projects focuses on model efficiency, framework development, program evaluation, and technical deliverables such as automation and sustainable systems design. He has conducted studies and provided services for clients that include: program and project management; database development and primary data collection; primary data

collection instrument development, survey administration, and facilitation; research and data analytics; professional report writing, academic publications, and grant writing; policy and program evaluation; process development; and program design. Dr. Gardner will serve as the Principal Investigator for the proposal and conduct all activities included in this proposal as a Research Associate of ARPI.

## Innov8Progress

Innov8Progress is a collaborative effort of Nevada small-businesses to bring online learning opportunities to social innovation projects and programs with a specific emphasis on informing, facilitating and measuring social change. We've partnered with Thought Industries, a nationally recognized business Learning Management System (LMS) platform.

Headquartered in Boston, Massachusetts, Thought Industries is one of the world's fastest-growing online learning companies, and is helping everyone from small businesses to Fortune 500's change how they build, deploy and grow profitable and scalable online learning businesses. Today, more than 100 customers and brands are using the Thought Industries' Learning Business Platform to transform the way they reach, teach, and engage audiences (Thought Industries Homepage).<sup>1</sup>

Innov8Progress seeks to bring the power of Thought Industries to public and nonprofit clients to support transformational and measurable change to our most at-risk and underserved communities. Innov8Progress will serve as the online LMS platform that will house the developed course pursuant to this proposal and will be managed by Strategic Progress, LLC and Innovative Research and Analysis, LLC.

## Overview of Community Need

If you have a disability in the U.S., you're twice as likely to be poor as someone without a disability. You're also far more likely to be unemployed. And that gap has widened in the 25 years since the landmark Americans with Disabilities Act was enacted. Although disabilities affect children of all income groups, poor children are far more likely to suffer from chronic physical, mental, and emotional conditions that limit their activities, learning, and healthy development.

The costs imposed by these disabilities are especially difficult to measure. Parents pay for specialized care, but they also absorb indirect costs in the form of forgone earnings. Additionally, families our research team has spoken to have expressed the critical need for community support, including specialized financial education and programming, community connections and supports that strengthen their ability to care for their children and be financially stable and secure.

<sup>1</sup> <https://www.thoughtindustries.com/>

### Need for financial education and community support:<sup>2</sup>

- Sixteen percent of low-income families (families earning less than 200 percent of poverty) have a child with a disability; 9 percent have a child with a severe disability. This is nearly 50 percent higher than the rate among higher-income families. The percentage is particularly high among welfare families—20 percent of these families have a child with a disability, including 13 percent where a child has a severe disability.<sup>3</sup>
- In more than one-third (36 percent) of single-mother, low-income families (families earning less than 200 percent of poverty), the child, the mother, or both have a disability. Nearly half (46 percent) of single- mother families who are receiving welfare include a child and/or mother with a disability.<sup>4</sup>
- Families of children with special needs have additional stress and strain as family units that many families have. Providing community support is essential to the health and financial stability of these families. Knowing what services families need and want is essential to supporting and stabilizing these families (input from local parents).<sup>5</sup>

### Need for Post-Secondary Investments for families of children with disabilities or special health needs:

Considering the percentages of families of children with disabilities or special health needs facing financial insecurity or currently reliant on welfare funding, there is a monetary gap to higher education, post-secondary training, and more competitive employment among this population of Nevadans. Add to this most at-risk population, all other families of children with disabilities or special health needs and the immense financial cost of care for their children and even for a middle-class Nevada family there are monetary gap to higher education, post-secondary training, and more competitive employment. Finally, consider the goals and stated targets for students with Individualized Education Programs (IEPs) or 504 Plans, who would be considered to have disabilities or special health needs as outlined below and the potential impact of increased financial literacy to include College Savings Program information and resources. ARPI hopes to help bridge some of the monetary gaps to higher education, post-secondary training, and more competitive employment through online training that includes access to Kick Start

<sup>2</sup> Children's Defense Fund. (n.d.). *Children with Disabilities and Other Special Health Needs: Opportunities to Participated in Quality Programs Must Be Expanded*. Retrieved from Children Defense Fund website: <http://www.childrendefense.org/library/data/children-disabilities-special-needs-opportunities-participate-quality-programs-expanded.pdf>

<sup>3</sup> Lee, S., Sills, M., and Oh, G. (June 20, 2002). *Disabilities among Children and Mothers in Low-Income Families* (Research in Brief, IWPR Publication #D449). Washington, DC: Institute for Women's Policy Research. The study analyzed data from the Survey of Income and Program Participation collected in 1997.

<sup>4</sup> Ibid

<sup>5</sup> Personal communications with Nevada parents of children with disabilities or special health needs.

Program, Silver State Matching Fund, and other available College Savings Programs specifically tailored for this targeted population of Nevadans.

- Nevada has set numerous statewide targets for students with Individualized Education Programs (IEPs) to include (Guinn Center Pathways to Nowhere, 2017):<sup>6</sup>
  - Twenty-seven (27) percent of students with IEPs enroll in institutions of higher education within a year of leaving high school.
  - Fifty-six (56) percent of students with IEPs secure employment within a year of graduating high school.
  - Seventy-two (72) percent of students with IEPs enroll in higher education, secure employment, or enroll in post-secondary training program within a year of graduating high school.
- 2011 data reported by the Department of Education:<sup>7</sup>
  - Eighteen (18) percent enrolled in institutions of higher education
  - Fifty (50) percent competitively employed
  - Sixty-seven (67) percent enrolled in higher education, competitively employed, or enrolled in post-secondary training.
- 2012 data reported by Guinn Center:<sup>8</sup>
  - Twenty-four (24) percent enrolled in institutions of higher education
  - Fifty-four (54) percent competitively employed
  - Sixty-six (66) percent enrolled in higher education, competitively employed, or enrolled in post-secondary training.

Even considering statewide eligibility for Nevada 529 programs without specific emphasis on families of children with IEPs or 504 Plans, such as the Silver State Matching Grant fund, that are designed to increase access to college savings accounts for families based on income eligibility requirements, there are immense, data derived needs among Nevada families. Speaking to previously discussed poverty and public assistance needs (Need for financial education and community support section) from a statewide perspective without specific regard for families of children with disabilities or special health needs, 27.4% of Nevadans under the age of 18 are living in households with some form of public assistance in the past

<sup>6</sup> Guinn Center for Public Priorities. (2017, January). *Pathways to Nowhere: Post-Secondary Transitions for Students with Disabilities in Nevada*. Retrieved from Guinn Center website: <https://guinncenter.org/>, p. 21.

<sup>7</sup> U.S. Department of Education. (n.d.). *Data Display: Nevada, Identification of Children with Disabilities*. Retrieved from <https://www2.ed.gov/fund/data/report/idea/partbspap/2013/nv-acc-stateprofile-11-12.pdf>, p. 9.

<sup>8</sup> Guinn Center for Public Priorities. (2017, January). *Pathways to Nowhere: Post-Secondary Transitions for Students with Disabilities in Nevada*. Retrieved from Guinn Center website: <https://guinncenter.org/>, p. 22.

12 months.<sup>9</sup> Additionally, an estimated 21.3% of Nevada children or youth (under 18 years of age) live in households with annual income below the poverty level in the past 12 months.<sup>10</sup> Considering the median income in Nevada is \$55,184 holistically, \$74,305 for married-couple families, \$38,747 for male householder (no wife present) families, and \$27,689 for female householder (no husband present) families<sup>11</sup> and the Silver State Matching Grant income eligibility of less than \$75,000<sup>12</sup> adjusted gross income (AGI) annually, there is a high likelihood of eligibility for college savings support for a majority of Nevada families. In fact, American Community Survey 2016 population estimates indicates nearly 60% of Nevada families have household income of less than \$75,000 and therefore would qualify for Silver State Matching Grant funds without AGI calculations. Another 14.7% of Nevada families make between \$75,000 and \$99,999 annually and may qualify for Silver State Matching Grant funds with AGI calculations.

Specifically related to the target population of this proposal, Nevadans under the age of 18 who may either have or qualify for an IEP or 504 Plan, the 2016 American Community Survey reported an 29,181 children and youth under the age of 18 with a disability or special health need, which is approximately 4.4% of the statewide population.<sup>13</sup> Based on income data discussed among Nevada families, there are an estimated 17,421 families of children expected to have an IEP or 504 Plan who could qualify for Silver State Matching Grant funds without considering those Nevada families that make between \$75,000 and \$99,999 annually under AGI calculation requirements. Furthermore, as discussed in the “Need for financial education and community support” section, there are higher rates of children with disabilities or special health needs among families living below the poverty line or in single-parent, female householder families, which only increases potential eligibility for the Silver State Matching Fund.

Looking at the Silver State Matching Grant program there were 1,387 Silver State Match accounts funded with a total of \$387,194.96 of match grant funding distributed across the 5-year time period, 2012 to 2016, with an annual funding match of \$77,438.89 annually.<sup>14</sup> Applying American Community survey income data along with historical application and funding data from 2012 to 2016, we anticipate at least 75 of the 125 families in the initial cohort to be eligible for Silver State Matching funds (based on annual

<sup>9</sup> U.S. Census Bureau. (2016). *American FactFinder 2012-2016 American Community Survey 5-year Estimates: Children Characteristics*. (Accessed 10 January 2018). Retrieved from [https://factfinder.census.gov/faces/nav/jsf/pages/community\\_facts.xhtml](https://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml)

<sup>10</sup> Ibid

<sup>11</sup> Ibid

<sup>12</sup> Nevada College Savings Program website, <http://nv529.org/>

<sup>13</sup> U.S. Census Bureau. (2016). *American FactFinder 2012-2016 American Community Survey 5-year Estimates: Children Characteristics*. (Accessed 10 January 2018). Retrieved from [https://factfinder.census.gov/faces/nav/jsf/pages/community\\_facts.xhtml](https://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml)

<sup>14</sup> Ascensus College Savings Report. (30 June 2017). Nevada Distinguished Valor and Silver State Match Grant Update.

income of less than \$75,000). Considering Silver State eligibility, an anticipated enrollment rate of 60% of the 125 served families, and historical application and funding data (87.4% funding rate for Silver State Matching Grant<sup>15</sup>) from 2012 to 2016, we estimate this training course will lead to an additional 39 Silver State Matching Grant accounts. Based in an estimated annual matching contribution per Silver State account of \$279.16, we anticipate increasing the contributions by \$10,887.24 for the Silver State Matching Grant, which equates to an estimated annual average increase of 14.1% to the Silver State Matching Grant funding.

## Program Overview

Working with existing partners of Strategic Progress, LLC and Innovative Research and Analysis, LLC a pre-survey would be designed to identify families of children with IEPs or 504 Plans in Nevada. Our selection of both the IEP and 504 Plan for inclusion in this study is based on the subtle, yet imperative differences between these programs. While an IEP is designed to support a child with a documented disability with specialized instruction and related services, a 504 Plan provides a child with a disability accommodations and access to the learning environment that ensure their academic success.<sup>16</sup> The University of Washington Disabilities, Opportunities, Internetworking, and Technology (DO-IT) Center further explains IEP process is more involved and includes more procedural requirements than the 504 Plan, but both are designed to be updated annually to maximize student learning and academic success potential.<sup>17</sup> Additionally, the pre-survey would also include financial literacy and college savings questions in addition to other related questions to include demographics, IEP and 504 Plan data, and a financial well-being scale from the Consumer Financial Protection Bureau (CFPB). Some of the pre-survey questions will be developed to align with post-training survey questions to measure changes as a result of the online financial literacy and college savings training materials. The post-training survey will also ask about college savings program registration, which we will verify in collaboration with the State of Nevada Office of the Treasurer College Savings Program.

To increase the reach of the pre-survey and assess the continuation funding needs based on data-derived findings of interest in the training program, the pre-survey will be made available via direct email to existing contact lists of current partners as well as well as online accessible links on various partner websites. Initial eligibility questions will be incorporated to ensure respondents either currently have dependents with disabilities or special health needs. Pursuant to this initial program proposal, we anticipate

<sup>15</sup> Ibid

<sup>16</sup> University of Washington Disabilities, Opportunities, Internetworking, and Technology (DO-IT) Center. (2017). *What is the difference between and IEP and 504 Plan?* (Accessed 20 January 2018). Retrieved from <https://www.washington.edu/doit/what-difference-between-iep-and-504-plan>

<sup>17</sup> Ibid



serving 125 families of children with IEPs or 504 Plans without additional funding needs for the online LMS license and user fees. As previously mentioned, the results of the pre-survey will support continuation funding efforts to expand the reach of this training course for additional families of children with IEPs or 504 Plans.

Training course curriculum will be developed to increase awareness of financial resources in terms of financial planning, banking and lending options, college savings, budgeting, and debt reduction. Specific college savings content will be incorporated into training to course to include available 529 plans, Silver State Match Funding, and Kick Start program information as well as the opportunity to claim Kick Start account(s). The Nevada College Kick Start Program, which provides a \$50.00 deposit for all public-school Kindergarten students<sup>18</sup> has resulted in 137,437 deposits since 2013 with 18,777 accounts claimed as of the end of the 2016<sup>19</sup>. From our initial conversations with the State of Nevada Office of the Treasurer, deposited funds that are not claimed by the beginning of 4<sup>th</sup> grade will expire from eligibility. As part of our collaboration with the State of Nevada Office of the Treasurer, we would include a link to the Nevada College Kick Start Program website in the pre-survey for all survey participants to access. We could also include a question that would allow, based on respondent request, direct contact from the State of Nevada Office of the Treasurer about the Nevada College Kick Start Program to increase the programmatic information and access beyond the reach of the 125 members of the initial training cohort.

Specifically related to Kick Start program dissemination through the pre-survey and online training course, we fully expect to be able to measure and report outputs and outcomes of information availability and access to program resources for both survey respondents and training participants. Based on American Community Survey data from 2016, approximately 38.7% of families with children have at least one child between the ages of 5 and 10<sup>20</sup>, which aligns with the Kick Start program eligibility for claiming the \$50.00 contribution after Kindergarten and before 4<sup>th</sup> grade.<sup>21</sup> Our target population, families of children with IEPs or 504 Plans, accounts for 4.4% or approximately 29,181 of Nevadans under 18 years of age.<sup>22</sup> The impact of multi-child families is difficult to estimate at this time, which complicates anticipated project reach. However, deploying available data we estimate a target Kick Start eligible population of around 11,293

<sup>18</sup> Nevada Kick Start Program website, <http://collegekickstart.nv.gov/>

<sup>19</sup> Ascensus College Savings Report. (30 June 2017). Nevada Distinguished Valor and Silver State Match Grant Update.

<sup>20</sup> U.S. Census Bureau. (2016). *American FactFinder 2012-2016 American Community Survey 5-year Estimates: Children Characteristics*. (Accessed 10 January 2018). Retrieved from [https://factfinder.census.gov/faces/nav/jsf/pages/community\\_facts.xhtml](https://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml)

<sup>21</sup> Nevada Kick Start Program website, <http://collegekickstart.nv.gov/>

<sup>22</sup> U.S. Census Bureau. (2016). *American FactFinder 2012-2016 American Community Survey 5-year Estimates: Children Characteristics*. (Accessed 10 January 2018). Retrieved from [https://factfinder.census.gov/faces/nav/jsf/pages/community\\_facts.xhtml](https://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml)

children. Applying the current Kick Start program accounts claimed, 13.66%, we estimate approximately 9,750 potentially unclaimed Kick Start program accounts among families of children with IEPs or 504 Plans.

Course content will be developed into the Innov8Progress LMS platform, which will incorporate customized branding specifically for the State of Nevada Office of the Treasurer with College Savings Program resources and contact information. The online training course would also include further information and resources with an interactive discussion board with program coordinators to encourage participants to claim available Kick Start Program funds for their child(ren). Additionally, the training course will have interactive learning opportunities for each of the substantive topic areas as well as quizzes and assessments. The Innov8Progress LMS incorporates multi-media content and learner interactions to connect participants with one another, state program contacts, course instructor(s), and subject matter experts. The quizzes and assessments will offer another layer of analysis capacity in addition to the pre- and post-survey analysis to measure participant outcomes based on course performance.

## Program Budget

The proposed budget for this project is developed as a single course; however, with additional funded courses the LMS license cost would be modified. Additionally, this budget is designed to support the program until the end of Calendar Year (CY) 2018 with an initial analysis and report of outcomes conducted prior to the end of the State Fiscal Year (SFY) 2018 on June 30, 2018. Our goal is to combine this proposal with the Financial Literacy & College Savings for Military and Veteran Families proposal, already funded by the College Savings Board in December 2017, for continuation grant funding with the Financial Industry Regulatory Authority (FINRA). This initial proposal and program budget are designed to serve approximately 125 families of children with IEPs or 504 Plans in Nevada.

Activity	Rate/Cost	Hours/Type	Activity Total
<b>Curriculum Development</b>	\$125.00/hour	10	\$1,250.00
<b>Creation of Online Training Instance to house training with beta testing</b>	\$125.00/hour	15	\$1,875.00
<b>Learning Management System License and 125 Users*</b>	\$2,000.00	Flat Fee	\$2,000.00
<b>Pre- and Post-Survey Development, Administration, and Analysis</b>	\$125.00/hour	15	\$1,875.00
<b>Outcome analysis and reporting</b>	\$125.00/hour	20	\$2,500.00
<i>Subtotal</i>			<b>\$9,500.00</b>
<i>Project Administration</i>	10%	Percent Fee	\$950.00
<b>Total Program Cost</b>			<b>\$10,450.00</b>
<b>* Annual License and User Account Costs subject to change based on number of users</b>			

## Program Outcomes

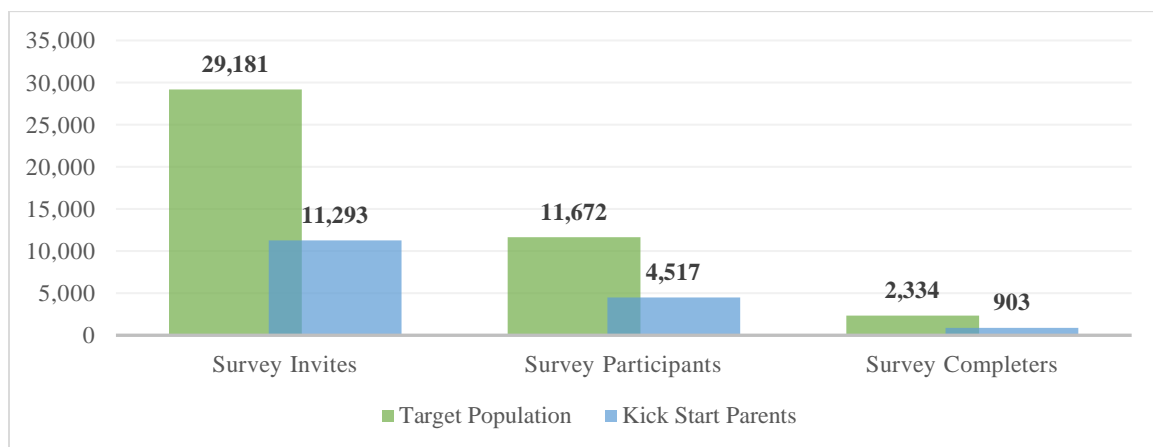
Initial program funding will result in an online course offering to approximately 125 families of children with IEPs or 504 Plans. Additionally, the pre-survey designed to identify course participants will result in a larger list of potential course participants for future iterations of the training course. Considering the reported numbers as part of the Overview of Community Need Section, there is an opportunity to serve tens of thousands of families of children with IEPs or 504 Plans in Nevada. The pre-survey will help us identify how many of surveyed families have college savings plans for their dependent children with IEPs or 504 Plans and their relative levels of financial stability. The goal of this course and larger program is to increase access for families of children with IEPs or 504 Plans to financial literacy materials, resources, and support services in addition to providing information and access to college saving resources, program enrollment, and contacts at the State of Nevada Office of the Treasurer.

The initial selection of the 125 course participants will be based on pre-survey responses with specific selection criteria based on having no current college savings accounts for their dependent child(ren). Upon completion of the course, participants will be directed to resources based on their pre-survey responses, course performance, and in-course activities. Every participant will be provided access to the College Savings registration system with printable instructions for registration, account set-up, and initial account maintenance. We will work directly with representatives from the State of Nevada Office of the Treasure to facilitate the registration and enrollment into available college savings program(s). Additionally, we will conduct program evaluation and assessments using the previously described post-survey, which will measure changes in perceived financial preparedness and confidence; financial well-being (CFPB Scale); participation in college savings program(s); financial habits to include spending, debt, banking, and budgeting; and overall course satisfaction.

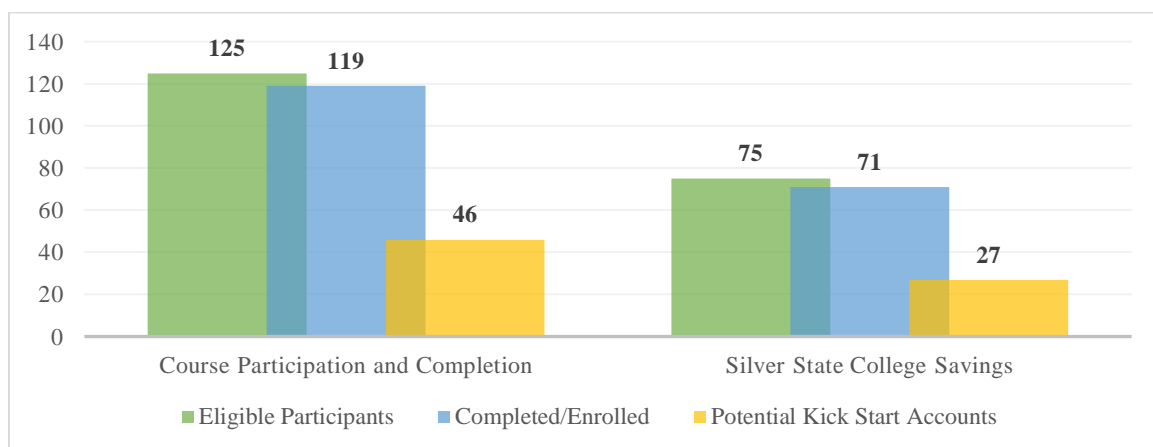
We anticipate conducting a post-survey within the LMS platform (very brief, 5-question survey about the course and anticipated actions following the training), 90-days following the completion of the course (full post-survey), 180-days following the completion of the course (modified post-survey based on 90-day survey); and 360-days following the completion of the course (modified post-survey based on 180-day survey). Additionally, we have the capacity to measure outcomes beyond one-year post course completion with intermittent follow-up with course completers at 3- or 5-year intervals. These on-going surveys will create a longitudinal-type dataset of course completers on an annual cohort basis. Connecting the course outcomes, pre- and post-survey data, and college savings enrollment data from the State of Nevada Office of the Treasurer will provide a robust long-term program evaluation platform by which we will be able to study long-term outcomes across financial literacy, preparedness, confidence, stability and well-being for not families and parents, but also their dependent children following course completion.

As previously discussed, we anticipate serving 125 families of children with IEPs or 504 Plans in the initial cohort with estimated increase 39 funded Silver State Matching Grant accounts. The graphs on the next page summarize the anticipated program reach in terms of target population, survey dissemination, survey completion, course participation, and college savings program action(s). As discussed throughout this proposal, this initial budget request is to implement a pilot online training course. Our goal is to increase program reach and sustain long-term funding using additional grant program such as FINRA with an expectation to serve between 200 to 300 families of children with IEPs or 504 Plans per year, depending upon future funding awards and availability of annual matching funds for the Silver State Match Funding.

***Survey Target Population, Estimated Participation and Completion, & Potential Kick Start Eligibility<sup>23</sup>***



***Course Participation & College Savings Program Enrollment Potential<sup>24</sup>***



<sup>23</sup> Survey participation based on 40% rate of invites, Survey completions based on 20% rate of invites, and Potential Kick Start eligibility based on American Community Survey data from 2016 (38.7% of families have at least one child age 5 to 10) and Kick Start eligibility from Kindergarten to 4<sup>th</sup> grade and current enrollment rates (13.66%).

<sup>24</sup> Course Completion estimated at 95%, Potential Kick Start Accounts estimated based on American Community Survey data from 2015 (38.7% of families have at least one child age 5 to 10) and Kick Start eligibility from Kindergarten to 4<sup>th</sup> grade and current enrollment rates (13.66%).

## Evaluation Methods

From a methodological perspective, we will deploy a series of analyses dependent upon data from pre-survey, post-survey, college savings program data, course activities, and course performance. Currently, we anticipate utilizing available program evaluation statistical procedures including descriptive and inferential statistics. Descriptive analyses will be deployed to determine variable groupings and relationships as well as identify outlier response data as consistent with numerous statistical analysis procedure, which could include Cross-tabulations and Chi Square analysis. From an inferential statistics perspective, we currently plan to select procedures from Multivariate Analysis of Variance (MANOVA), Analysis of Variance (ANOVA), or simple regression models. The selected methodological approach will, as previously stipulated depend on available data and statistical procedures. Published report(s) will incorporate a methodology section to summarize deployed approach and discuss modeling decisions and analytical techniques utilized.

## Long Term Outcomes

At varying intervals following the completion of the course, we expect to see measurable change in financial literacy related self-perceptions and behaviors. Additionally, we anticipate the access and knowledge of college savings programs will increase registration and enrollment of military and veteran families with dependent children. One of the measurements of interest revolves around impacts of behaviors, decisions, and self-perceptions following the completion of the course. We hope to measure differences in course completers based on the series of post-survey responses as compared not only to pre-survey responses, but also within and between cohorts. While the course itself is not expected to have long-term impacts, we plan to measure the relative impact of certain changes in behaviors, decisions, and self-perceptions over time to determine the most influential program components and impactful outcome variables that lead to increased financial literacy, stability, and well-being. Additionally, we will model the impact of college savings program participation as a function of these other outcome analyses to determine the statistical correlation between the training; financial decisions, behaviors, and self-perceptions; and financial literacy, stability, and well-being. We also hope to be able to show through Kick Start accounts claimed and College Savings accounts opened the potential for long-term outcomes for Nevada youth with disabilities or special health needs; such as, higher enrollment in institutions of higher education or post-secondary training; increases in awarded degrees and certificates; and improved employment opportunities and employability.



APPLIED RESEARCH  
&  
POLICY INSTITUTE

**Outline of Grant Request: Nevada Office of the Treasurer, College Savings Program Board  
Submitted by the Applied Research and Policy Institute  
January 10, 2017**

**Proposed grant amount:** \$18,550 in FY-2018 with \$1,500 annual website maintenance beginning in FY-2019

**Grantee:** Applied Research and Policy Institute

**Purpose:** To research financial literacy resources, design financial literacy curriculum, develop online content, and administer a website for various users to include educators, parents, and high school graduates with specific emphasis on college savings programs and content.

**Target population and income levels:** Nevada educators, parents and families, and high school graduates

**Target market area:** Nevada, including Clark and Washoe Counties

**Meeting a Critical Need:**

One of the most common findings when discussing available programs and services in Nevada is a lack of one-stop shop information and resource centers. After discussions and collaboration with the State of Nevada Office of the Treasurer about available College Savings Programs in Nevada, this issue is also present in financial literacy. Nevada is uniquely positioned to increase and expand services and resources to Nevadans across the State because of recent legislation to create the Nevada Task Force on Financial Security (SB 118, 2017), required financial literacy and economics instruction in public schools (SB 249, 2017), and partnerships with Prosperity Now that will train and mentor Financial Coaches to assist Nevadans with financial stability related issues. ARPI Director, Cyndy Ortiz Gustafson, has a seat on the Nevada Task Force on Financial Security and ARPI; Strategic Progress, LLC; and Innovative Research and Analysis, LLC are connected with Opportunity Alliance (leading Prosperity Now partnership), Financial Guidance Center, and the Federal Reserve Bank of San Francisco. Additionally, ARPI works with both UNLV and UNR to provide applied research and project work to undergraduate and graduate students through research awards, paid externships, and for-credit internships.

As we continue to seek opportunities to deploy data to connect Nevadans to resources that increase the financial literacy, expand access to higher education, empower higher paying employability, and improving quality of life, ARPI proposes a project to develop financial literacy curriculum and develop and house a website for online access to created resources and nonprofit

links that will be needed by Parents and Students such as to the Free Application for Federal Aid. (FAFSA). In particular, among other financial literacy requirements, as part of SB249, teachers must educate students on the various 529 college savings programs and scholarships offered through the State Treasurer's Office. This website will contain content on 529 plans that can be utilized to satisfy the teaching requirements related to these programs with specific emphasis on Nevada's Programs and the financial benefits related to saving early and often in Nevada's 529 state plans. Visual aids such as saving vs. borrowing to fund higher education examples, evaluating career choices with respect to earned income potential, and additional resource links to fund higher education (national scholarship websites) will all be included. In addition, some of the subjects required at younger grades, such as 'method of savings' in Grade 4 will offer practical information and lessons related to the Nevada College Kick Start Program to continue to raise awareness about the program and need for families to 'claim' their child's account.

Our vision for this project is to connect the work that the Nevada Department of Education published, the "Nevada Academic Content Standards for Social Studies – Financial Literacy" as directed by SB249, and the Office of the Nevada State Treasurer to determine curriculum needs with respect to 529 Programs, Grants and Scholarships the Treasurer's Office offers, and identify critical resources to publish online at the ARPI Financial Literacy and College Savings Center. Our plan for this project is to utilize students (either paid externship or for-credit internship) to develop curriculum based on existing standards from the Nevada Department of Education, provide easy access to various nonprofit and government agency websites with financial literacy lesson materials such as [mymoney.gov](http://mymoney.gov), and [fdic.gov](http://fdic.gov), "Money Smart for Young People" that offer free resources for teachers on core curriculum needed to effectively teach financial literacy. Upon publishing the content to the ARPI website, we would propose an annual maintenance contract (about 10% of project cost), which will include tracking page clicks and access data, verifying accuracy of published links, and ensuring content is accessible for Nevadans. This website would support the SB249 Financial Literacy Summit vision driven by the State Treasurer's Office in support of teachers and administrators who will be teaching financial literacy (many for the first time) in their teaching careers as required by SB249 passed in 2017.

# ***Proposed Timeline for the Online ARPI Financial Literacy & College Savings Center Project***

## **March 2018**

- Work with Nevada Office of the Treasurer to determine target audiences for the ARPI Financial Literacy and College Savings Center
  - Teachers
  - Parents
  - Students (High School graduates for GGMS, Younger Students with Saving Options, CKS, etc.)
- Assess possible partners for inclusion in a resource center of the website
- Begin to collect College Savings Program data, financial literacy resources, and free curriculum resources.
  - Money Smart for Young People
  - Mymoney.gov
  - FDIC.gov
  - CFPB Financial Literacy
  - Prosperity Now and Opportunity Alliance Financial Coaches Institute
  - Nevada Department of Education standards
  - FAFSA
  - 529 Programs (Tax advantages, Nevada Benefits, Different Types, etc.)
  - Grants and Scholarships (CKS, GGMS, Silver State, Distinguished Valor, State Opportunity Grants, etc.)
  - Nevada College Kick Start Program Overview/History/Research CSA's

## **April 2018**

- Continue work related to financial literacy sources, free curriculum resources, partner agencies and organizations in Nevada and collection of relevant links
  - This should result by end of April in a sort of an Annotated Bibliography of resources.
- Begin to connect and align resources and information gathered to target audience style presentations.
- Work with UNLV to hire interns or create either a short semester or summer course to develop curriculum based on gathered information and resources. Focus on curriculum development will be the 529 Programs and Scholarships/Grants Administered by the State Treasurer's Office.
- Begin conceptual development of the website design to include targeted curriculum audiences by grade level grouping and resource guides, partner agency website links, and visitation tracking parameters to include potential pop-up survey.

## **May 2018**

- SB-249 Financial Literacy Summits will occur in both Northern and Southern Nevada, which will be the ground work for curriculum development and further identify resources utilized



# ***Proposed Timeline for the Online ARPI Financial Literacy & College Savings Center Project***

and supported by Nevada teachers and administrators across the state with focus noted above.

- Utilize UNLV students to begin outlining curriculum based on Nevada Department of Education standards with respect to programs administered by the State Treasurer's Office and inclusive of relevant programs, resources, services, and content in Annotated Bibliography.
- First draft of curriculum for identified target audiences to include audience specific resources, partner agency links, and related content.

## **June 2018**

- Collaboration with the State Treasurer's Office to review draft curriculum and conceptual website design.
- Second drafts of curriculum with comments and feedback incorporated from first draft reviews.
- Begin website development in private mode
- Finalize curriculum and get approval for transfer to website
- Begin uploading curriculum, testing links, embedding tracking parameters and pop-up surveys.
- Beta-test the website with the State Treasurer's Office staff and selected teachers, parents, or others that we may be able to identify through partners or other related projects.
- Final edits to beta-website
- Go live for website
- Schedule presentation to College Savings Board for September 20<sup>th</sup>, 2018 to share final website, activity, etc. based on end of July implementation.
- Beginning of maintenance project phase (August 1<sup>st</sup>)

# THE BOARD OF TRUSTEES OF THE COLLEGE SAVINGS PLANS OF NEVADA

## **Agenda Item 8 February 22, 2018**

**Item: Provide information regarding the changes to the Internal Revenue Code 529 plans (IRC 529) which were the result of the passage of the Federal Tax Act.**

Fiscal Impact: None

### Background:

The Federal Tax Act signed into law in December 2017 affects the 529 College Savings Plans (Internal Revenue Code 529 (IRC 529)). The federal legislation for 529 accounts now allows plans to distribute not more than \$10,000 in expenses for tuition incurred during the taxable year in connection with the enrollment or attendance of the designated beneficiary at a public, private or religious elementary or secondary school. This limitation applies on a per-student basis, rather than a per-account basis. Thus, under the provision, although an individual may be the designated beneficiary of multiple accounts, that individual may receive a maximum of \$10,000 in distributions free of tax implications, regardless of whether the funds are distributed from multiple accounts. The provision applies to distributions made after December 31, 2017.

Staff had discussions with both outside counsel and internal Attorney General Counsel regarding Nevada Revised Statutes and these recent federal changes to IRC 529. Counsel has concluded that Nevada Revised Statutes (NRS 353B.300 - .370) as currently written do allow for distributions from 529 accounts for expenses of not more than \$10,000 for tuition incurred during the taxable year in connection with enrollment or attendance of the designated beneficiary at a

public, private or religious elementary or secondary school. Furthermore, counsel has noted that the burden to ensure distributions on a per-student basis does not exceed \$10,000 in a taxable year is not the responsibility of the State 529 program(s) but rather the responsibility of the account owner.

Please note that the legislation as written does not affect the Nevada Prepaid Tuition Plan. The \$10,000 distribution for K-12 tuition only applies to IRC 529 subsection (b)(1)(A)(ii) but does NOT apply to IRC 529 subsection (b)(1)(A)(i)

Jamie Canup, outside counsel, will be available via teleconference to present this item and answer any questions.

**Staff Updates**  
**February 9, 2018**

**1. Nevada Prepaid Tuition (NPT) Program Open Enrollment:**

- The 2018 open enrollment period for the Prepaid Tuition Program is set to close on March 31, 2018.
- As of February 9th, there are **334** new enrollments for the Prepaid Tuition Program. This is up **2** enrollments from last year on this date.
- Since January, staff has attended multiple school events and Deputy Treasurer Shelia Salehian has appeared on numerous Las Vegas & Reno morning TV shows to help drive awareness and enrollments for the program.

**2. Nevada Prepaid Tuition Contest:**

As in previous years, the State Treasurer's Office conducted a contest during the first half of the open enrollment for Prepaid Tuition that will award two participants with a Nevada Prepaid Tuition account of one full year at the university level, valued at over \$6,300. The winners will be chosen and announced by early March.

**3. Nevada College Kick Start**

As of February 2, 2017, **21,732** CKS accounts have been claimed, and **1,221** CKS accounts have been linked to a Nevada 529 account. There are numerous efforts underway to work with Family Engagement offices to help spread the CKS information and need to 'claim the accounts' this year before 4<sup>th</sup> graders are at risk of losing them August 1.

**2/2/2018**

Claimed CKS Accounts			Linked SSGA Accounts			Participating in Other Nevada 529 Plans							
	Claimed Accounts	Total CKS Accounts per cohort	Existing	New	Total Linked	Nevada Prepaid Tuition Program	Vanguard 529 College Savings Plan	Putnam 529 for America	Wealthfront 529 College Savings Plan	USAA 529 College Savings Plan	Total other NV 529 Plans Identified	Total CKS Accounts who also have a NV 529 account	Other - another state's 529 plan
Cohort													
2013	5157	34,519	119	131	250	20	11	0	1	8	40	290	20
2014	4794	33,477	74	117	191	19	13	0	0	17	49	240	18
2015	5289	33,773	78	139	217	20	19	0	1	13	53	270	14
2016	5333	35,668	71	423	494	35	35	1	0	33	104	598	38
2017	1159	32,973	27	42	69	8	5	0	0	3	16	85	7
<b>Total</b>	<b>21,732</b>	<b>170,410</b>	<b>369</b>	<b>852</b>	<b>1221</b>	<b>102</b>	<b>83</b>	<b>1</b>	<b>2</b>	<b>74</b>	<b>262</b>	<b>1483</b>	<b>97</b>

4. **SSGA Upromise 529 Account Growth:**

156 SSGA Upromise 529 accounts were opened in January. 41 accounts were opened as a result of College Kick Start correspondence being sent to new participants encouraging them to open an SSGA Upromise 529 Account. Another 115 accounts were opened in January due to outreach efforts and this is a **40% increase** in accounts as compared to the same time period last year!

5. **Financial Literacy Efforts:**

Staff has been busy implementing several financial literacy initiatives that were approved at the last two college savings board meetings. Updates on these initiatives are as follows:

- **Junior Achievement Finance Park** – Once again, Nevada’s College Savings Plans is a sponsor of the Education kiosk during the Finance Park simulation that area middle and high schools have been visiting on select days since January. A State Treasurer’s Office staff member has been present for each day the park has been open. This staff member talks about the importance of saving for college and passes out important outreach materials. We have also been pre-testing the adult volunteers that accompany the students at the park. Post-testing will be administered through email as a follow-up. So far, 68 adult volunteers have taken the pre-test survey about college savings awareness. Also, over 800 students have been given a 2 question pre- and post-test survey regarding their knowledge that college graduates earn on average over \$1 Million more in their working lifetimes than those without a college degree, and a question regarding their awareness of the Governor Guinn Millennium Scholarship Program. More to come and survey results in the March meeting.
- **Nevada Women’s Money Conferences** – The State Treasurer’s Office has successfully partnered with the Nevada Women’s Money Conferences for several years. This year, our office is once again sponsoring the Las Vegas and Reno Conferences. The Mujeres Y Dinero conferences will run concurrent with the English language conferences on April 14<sup>th</sup> in Las Vegas and on April 28<sup>th</sup> in Reno. Registration will open next week and all registrants will be asked to take a pre-test survey and in that survey will be questions about Nevada college savings plans awareness. Post-test surveys will be administered as well.

- **Piggy Bank Program Nevada Expansion** – The Andson Foundation has been successfully implementing financial education classroom instruction and running the Piggy Bank Program in elementary schools in Las Vegas for several years. College Savings plays an integral part in this program by instilling the importance of saving for college and encouraging the students to devote a portion of their savings into their own \$529 account. The State Treasurer’s Office and Andson are partnering to bring this proven system to two rural elementary schools in Nevada. The two schools selected to participate are Pahrnagat Valley Elementary and Pioche Elementary, both in Lincoln County, NV. Video lessons of “Andson Money” are being filmed for use in the Spring with full ‘piggy banks’ rolled out this fall. In addition, staff will be attending parent information nights this spring to encourage families to open up college savings accounts.
- **School Savings Software Program** – This visionary platform allows students to make regular deposits into a savings account AND (in NEVADA ONLY) into their SSGA Upromise 529 Account while at school. This bank savings program has been successfully implemented in many states for several years and now it includes 529 accounts! Currently, staff from the State Treasurer’s Office has been working with School Savings to test the 529 college savings deposit functionality of the system and to identify the two pilot schools that will be involved in piloting this program in Nevada. Doral Charter School has expressed interest along with a few other traditional elementary schools.
- **Senate Bill 249 Educator Summits** – The State Treasurer’s Office has been taking the lead to pull resources together and collaborate on the planned Treasurer Office run summits to inform and train state social studies teachers on the new required instruction mandate to teach financial literacy principles (including college savings instruction) in grades 3-12. The dates are set for May 5<sup>th</sup> in Las Vegas and May 19<sup>th</sup> in Reno. Venues and agendas will be announced in the March CSB Meeting.
- **Financial Literacy & College Savings for Military an Veteran Families** – The State Treasurer’s Office is currently working with the Applied Research and Policy Institute to survey approximately 80,000 military and veterans families in Nevada to formalize an online financial literacy training course to a cohort of approximately 125 individuals. Information about the Nevada College Savings Plans will be an integral part of the survey and training course. The survey is currently being developed and reviewed and will be distributed before the end of February.