

# Nebraska State Treasury

## Annual Report to the Legislature 2008



State Treasurer Shane Osborn



January 18, 2008

Nebraska Legislators  
State Capitol Building  
Lincoln, NE 68509

**RE: 2008 Annual Report to the Legislature  
Introduction of NebraskaSpending.com website**

Dear State Senator:

Welcome back to the 2008 Legislative Session!

As State Treasurer, the elected Chief Financial Officer for the State of Nebraska, I believe in the importance of transparency in government. For the first time, the Nebraska Treasurer's Office is pleased to announce a central clearinghouse for state government receipts and disbursements through NebraskaSpending.com, a concise, user-friendly website dedicated to serving Nebraska Legislators and citizens.

Through interactive media such as clickable pie graphs and charts, understanding how Nebraska receives and spends dollars has never been easier. Further, all of our sources have been cited, so the website serves as an excellent start to accessing documents such as the state budget and the Comprehensive Annual Financial Report.

I hope you will visit NebraskaSpending.com and that it will continue to be a resource for you and your staff. In the weeks and months to come, we will add more information to the site, such as payables over \$500k, property tax information, and information on the Operating Investment Pool. If you have suggestions for revisions or additions, please do not hesitate to contact me.

Finally, pursuant to Neb. Rev. Stat. § 84-602(6), please accept the following report on the condition of the State Treasury and its operations for the preceding year. For your convenience, an executive summary is provided.

Sincerely,

Shane Osborn, Treasurer  
State of Nebraska

# 2008 Annual Report to the Legislature

## Executive Summary

The condition of the Nebraska State Treasury is strong. In fact during my first year in office, I am pleased to announce not only did the Treasurer's Office launch the first automated daily reconciliation of NIS to the state's bank accounts, but a number of other important benchmarks have been met and exceeded.

The following executive summary will cover highlights of accomplishments in each of the five divisions of the State Treasurer's Office.

## Treasury Management

In addition to serving on several boards such as the Nebraska Investment Council, the State Records Board, and the Convention Center Finance Board, the Nebraska State Treasurer heads five divisions within the State Treasury; as one of six state constitutional officers, the Treasury Management Division is the Treasurer's core constitutional function.

Treasury Management has nine full-time employees who receipt an average of \$35 million per day into state bank accounts and post receipts into NIS, the state's accounting system; they determine the amount of funds available for daily investment or needed for state payments; and they make all statutory transfers and payments to political subdivisions.

State Treasury staff processed 1,768,949 checks last year, giving Nebraska hundreds of thousands of dollars in additional interest payments because funds were made immediately available for investment upon processing.

Finally, Treasury Management receipted in approximately \$40 million in credit card receipts in FY 06-07 on behalf of state agencies.

This division is cash funded from interest on deposits.

### **The highlights for Treasury Management this year include:**

- For the first time, Treasury Management completed a current, manual daily reconciliation of all bank activity processed by the Treasurer's Office.
- Treasury Management negotiated and implemented a new state Automated Clearing House (ACH) Services contract that is reducing state expenses in this category by 41%. This reduction in state bank expenses will allow for more money to be invested daily with the Nebraska Investment Council.

- State Treasurer Osborn and DAS Director Carlos Castillo signed a joint mandate to increase the use of electronic check (ACH) payments to pay vendors. Each ACH payment represents a **cost savings of at least \$0.55 per payment issued in lieu of a State Treasury Warrant**, potentially saving taxpayers thousands of dollars per year.
- The Treasurer's Office in collaboration with the Office of the Chief Information Officer worked with state agencies to reach Payment Card Industry Data Security Standards Compliance (PCI DSS). By reaching credit card data security compliance early, the State Treasurer's Office **qualified for a \$10,000 incentive payment** from the Visa Credit Card Association.

A detailed report of the state's finances can be found in the FY2007 CAFR, which is located online at [www.das.state.ne.us/accounting/cafr/cafr2007.pdf](http://www.das.state.ne.us/accounting/cafr/cafr2007.pdf); and online at [www.NebraskaSpending.com](http://www.NebraskaSpending.com).

### **Unclaimed Property Division**

The Unclaimed Property Division has seven full-time employees who are committed to returning lost or forgotten property to its rightful owners. The division is cash funded from interest on unclaimed property accounts.

Upon taking office, Treasurer Osborn changed the focus of the division from processing claims to proactively returning funds to their rightful owners.

#### **The results speak for themselves:**

- While the average amount returned over the previous ten years was \$5.3 million, **Treasurer Osborn returned a record \$13.2 million in his first year** (over \$3.5 million more than the prior record and more money returned than the first twenty years of the program combined).
- Unclaimed Property utilized new resources and made locating property owners a priority, including: genealogy research specialists to locate surviving descendents of estates; skip tracers to locate owners of unclaimed property; and doubling the number of outreach events (booths at county fairs, festivals, etc.) to promote awareness.
- For his efforts, Treasurer Osborn was named Vice President of the National Association of Unclaimed Property Administrators (NAUPA), and will serve as President for the association next year.

## **The College Savings Plan Division**

The Nebraska College Savings Program is a qualified tuition program under Section 529 of the Internal Revenue Code: citizens inside and outside of Nebraska can contribute to an account for educational expenses – for state residents there is up to a \$5,000 state tax deduction per tax return, or \$2,500 if married filing separately. The money grows tax-free and is never taxed if used for educational purposes. The division is cash funded and has one full-time employee.

### **Highlights for 2007 include:**

- On November 1, 2007 – just over six years after the passage of the enabling legislation -- the value of the accounts in the Nebraska College Savings surpassed \$2 billion in total assets.
- In 2007, the College Savings Plan of Nebraska had account growth of 31%, with a 25% increase in total contributions over the same period last year.
- In 2007, the College Savings Plan of Nebraska again received extraordinary critical acclaim:
  - Kiplinger's Personal Finance rated the College Savings Plan of Nebraska as one of their top five Favorites in the nation (September 2007)
  - Morningstar rated the College Savings Plan of Nebraska One of the top three plans in the Nation (March 2007)
  - Joe Hurley's SavingForCollege.com rated the College Savings Plan of Nebraska (Direct and Advisor Plans) an elite five out of five graduation caps for Nebraska residents (September 2007)
- Legislative Bill 338, -- introduced in 2007 by Senator Tim Gay, supported by Treasurer Shane Osborn, and supported and signed by Governor Heineman -- increased the Nebraska State Income Tax Deduction for contributions to the plan by Account Owners from \$1,000 to \$5,000 (from \$500 to \$2,500 for married filing separately).

## **The Long-term Care Savings Plan Division**

The Nebraska Long-Term Care Savings Plan (LTCSP), created by LB 965 in 2006, offers a tax deduction -- up to \$1,000 (or \$2,000 for filing jointly) -- for Nebraska residents who open a LTCSP or investment accounts at participating financial institutions. The goal is to make Nebraskans better prepared for long-term care needs that are often associated with a period of disability or retirement.

In 2007, the plan was in its infancy. There is one part-time employee and the division is general funded.

**Highlights for this first year include:**

- In 2007, the LTCSP Division added 10 new financial institutions to the list of qualified providers, making the plan available statewide.
- The Treasurer's Office has implemented an aggressive marketing campaign to both Nebraskans and financial institutions in order to build public awareness: [www.thegoodlifelonger.com](http://www.thegoodlifelonger.com).
- One Year Account Statistics:
  - Number of total accounts: 142
  - Total dollars on deposit: \$194,807.12

**The State Child Support Disbursement Unit**

Through contract with the Department of Health and Human Services, the Treasurer's Child Support State Disbursement Unit ("SDU") receipts, identifies, and disburses **an average of \$1 million dollars per day** in child support payments for the State of Nebraska. The division is funded through a federal-state general fund (60%/40%) partnership. There are 31 full-time employees within the division.

**Among the highlights of 2007 are:**

- Since October, the SDU has converted over 18,000 custodial parents (approximately 95%) from receiving paper warrants to receiving payments electronically via direct deposit or the US Bank ReliaCard program, with savings of approximately \$.55 per warrantless payment.
- SDU focused on preventing bad debt incurred due to returned bank items (such as insufficient funds, account closed, or stop pays); as a result, the bad debt receivable account went from \$1,015,000.00 in December, 2006 to \$818,109.22 by November, 2007.
- The Treasurer's Office is tasked with reconciling the SDU accounting records to the state bank accounts and submitting these records to State Accounting for review. The SDU reconciliation has shown no variance between the bank records and the accounting records since the correcting entries were made in early January, 2007.
- The SDU created a public drop box to receive payments anytime during the day or night.

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## **Treasury Management Division**

Treasury Management is the Treasurer's core constitutional function. The State Treasurer is responsible for all state bank relationships, processing of state deposits, reconciling of incoming and outgoing ACH payments, the payment and processing of State Treasury warrants, reconciling receipts at banks against NIS on a monthly basis and the receipting in of all state agency funds and recording into the State Accounting System. The Treasurer's Office is also responsible for several state aid payment programs to various political subdivisions, numerous legislative funds transfers, and many month-end allocations to various entities.

In the first year in office, State Treasurer Osborn has accomplished numerous projects in the Treasury Management Division:

### **Banking Services**

- Negotiated and implemented a new state ACH (Automated Clearing House) Services contract that is reducing state expenses in this category by 41%. This reduction in state bank expenses will allow for more money to be invested daily with the Nebraska Investment Council.
- The State Treasurer negotiated an agreement to allow state agencies to receive ACH payments through a bank run web payment portal. State agencies can create a link from their website to this web payment portal. The first agency utilizing services under this agreement will be the Nebraska Department of Revenue.
- The Treasurer's Office expanded the use of the state-wide stored value card program. This stored value card program was a joint project between the Treasurer's Office and the Department of Health and Human Services. The card program allows government benefit payments and payroll to be loaded to a stored-value debit card for the fund recipient to use. The card is accepted worldwide. In spring 2007, the Nebraska Department of Labor began utilizing services under this contract when they started loading Unemployment Insurance benefits on the cards. This advancement is the fourth State of Nebraska program utilizing services under this contract.
- The State Treasurer's Office worked to expand the use of the Universal Payment Identification codes (UPIC). These codes are utilized when receiving ACH payments. The codes allow the receiving entity to mask their "original" bank instructions offering a more secure way to receive payments electronically. By expanding this program to more agencies receiving ACH payments, the Treasurer's Office has continued to protect the State Treasury bank accounts from potential fraudulent debits.
- The State Treasurer continued to consolidate bank accounts in order to maximize daily cash flows and allow for faster and more efficient reconciliation of daily banking activities.



### **Credit Card Data Security**

- The Treasurer's Office, in collaboration with the Office of the Chief Information Officer, worked with state agencies to reach Payment Card Industry Data Security Standards (PCI DSS) compliance. By reaching credit card data security compliance early, the State Treasurer's Office qualified for a \$10,000 incentive payment from the Visa Credit Card Association. The State Treasurer's Office received in approximately \$40 million in credit card receipts in FY 06-07 on behalf of state agencies.
  - The PCI DSS standards are broad, common sense measures that exist to protect customers who use credit cards from becoming victims of identity theft. These requirements apply to all banks, merchants, and service providers that store, process or transmit cardholder data.
- State Treasury staff worked with the Nebraska Child Support Payment Center division to outsource credit card processing to a vendor run website. By outsourcing this function, the Child Support Payment Center was able to reduce the liability of managing consumer credit card data. The PCI DSS compliant vendor run website was able to offer the same excellent service to non-custodial parents remitting their child support payments.

### **Check Processing**

- In FY 2006-2007, State Treasury staff processed a total of 1,768,949 checks. This is an approximate 4% reduction over the prior fiscal year. Although check processing remains a core function of the depository process handled by the State Treasurer's Office, the State Treasurer has made significant improvement in reducing the amount of checks being deposited by encouraging and promoting more electronic commerce options within state government. State Treasury staff continues to work on processing remaining checks under the most efficient methods available, which will enable the state to further reduce risk management concerns regarding state money in transit.
- State Treasury staff partnered with the Nebraska Lottery to implement a remote deposit capture machine. The machine will allow Nebraska Lottery staff to deposit checks electronically with a participating bank. This allowed Lottery staff to have a greater flexibility when making deposits, avoided the need for hiring a courier, and reduced money-in-transit concerns regarding state deposits.

### **Disaster Recovery Preparedness**

- The Treasurer's Office committed time and resources this year to prepare and implement a disaster recovery plan, which is fully operational for the Treasury Management Division. Staff created and set up a disaster recovery site. Testing of critical treasury operational functions was completed on a quarterly basis.

### Increasing Electronic Payments

- In November, 2007, State Treasurer Osborn and DAS Director Carlos Castillo signed a joint mandate to increase the use of electronic payments to pay vendors. The phased in mandates, beginning in coming months, will significantly reduce the cost and risk of paying vendors.
- Under the new ACH agreement signed by Treasurer Osborn, **an ACH payment represents a cost savings of at least \$0.55 per ACH payment issued in lieu of a state treasury warrant.** By requiring more vendors to be paid electronically, the State Treasurer will accomplish many things: reduce state treasury warrant clearing expenses at the bank; reduce the number of stop payments/forgeries claims processed in the State Accounting System; and allow for more money to be invested by the Nebraska Investment Council.

### Daily Reconciliation

- State Treasury staff continued to complete monthly reconciliations of the Nebraska Information System (NIS) to bank records. State Treasury staff continued to complete a current manual daily reconciliation of all bank activity processed through the Treasurer's Office.
- The Treasurer's Office launched an automated daily reconciliation system this year. This system was developed in cooperation with the NIS team, the Department of Administrative Services and IM Services. The system has been implemented, but is still undergoing further development in order to make the final version more efficient and automated as possible while still maintaining adequate internal controls.

### Program outreach opportunities

- In 2007, members of the Nebraska State Treasury staff were invited to speak at three conferences regarding government best practices in Treasury Management:

**April 2007:** 19<sup>th</sup> Annual Card Forum & Expo (Industry Issuers Conference) - Treasury staff spoke about the implementation and management of a government benefit stored-value card program

**September 2007:** Nebraska Association for Financial Professionals (NAFP) Treasury Management Conference - Treasury staff spoke about the development and implementation of the Electronic Cash letter process that allows State Treasury staff to transmit state deposits to two of the four state depository banks electronically in lieu of sending items by courier

**December 2007:** National Association of State Treasurers (NAST) Treasury Management Conference - Treasury staff spoke about the development and implementation of the Electronic Cash letter process that allows State Treasury

staff to transmit state deposits to two of the four state depository banks electronically in lieu of sending items by courier

**2008 Planned Projects**

- Complete a request for proposal (RFP) for the state-wide purchasing card program;
- Develop and implement a data security program for state agencies originating ACH payments;
- Continue development of the Daily Reconciliation System;
- Expand the use of the State Treasurer run program that collects eligible bad debt electronically for state agencies;
- Assist agencies in developing e-commerce solutions to collect more state funds electronically;
- Complete an RFP to hire one processor to clear State of Nebraska Treasury Warrants; and,
- Select a contractor for processing State credit card transactions based on an RFP issued in December 2007.

## Unclaimed Property Division

In his first year in the State Treasurer's Office, Shane Osborn has implemented a number of changes in the Unclaimed Property Division. Understanding that the money in the Unclaimed Property Fund belongs to the people of Nebraska, he refocused the division on returning property to its rightful owners. The results speak for themselves:

### Records Broken

In his first year in office, Treasurer Osborn beat previous records for the amount of property returned to owners. **While the average amount returned over the previous ten years was \$5.3 million, Treasurer Osborn returned \$13.2 million in his first year.**

1975: \$17,993.92  
1976: \$6,435.97  
1977: \$26,760.01  
1978: \$89,314.81  
1979: \$161,179.92  
1980: \$114,617.01  
1981: \$123,106.69  
1982: \$135,973.64  
1983: \$250,181.41  
1984: \$269,181.41  
1985: \$272,812.51  
1986: \$368,240.27  
1987: \$321,083.20  
1988: \$328,428.73  
1989: \$464,121.72  
1990: \$729,574.10  
1991: \$947,903.00  
1992: \$953,204.00  
1993: \$878,689.11  
1994: \$1,130,650.96  
1995: \$934,735.42  
1996: \$2,414,149.07  
1997: \$4,684,286.99  
1998: \$3,784,825.44  
1999: \$2,936,443.88  
2000: \$3,835,194.91  
2001: \$3,838,948.05  
2002: \$5,647,210.79  
2003: \$6,078,533.33  
2004: \$6,439,378.75  
2005: \$9,402,735.83  
2006: \$8,703,602.06  
2007: \$13,208,028.00

### **New Technology**

Treasurer Osborn made locating owners of unclaimed property a priority, and utilized new resources to return Nebraskans' money. His is the first Treasurer's office to utilize genealogy research specialists to locate surviving descendants of estates and retain skip tracers to locate the rightful owners of unclaimed property. The office also doubled the number of outreach events (booths at county fairs, festivals, etc.) to promote awareness about Unclaimed Property.

### **Improved Processes**

Treasurer Osborn has streamlined the claims process and made it easier for constituents to reclaim their money:

- Average stock sale claim processing time has been reduced from 6 weeks to 2 weeks;
- Average non-stock sale claim processing time has been reduced from 3 weeks to 2 weeks;
- High-dollar property turnover time has been reduced dramatically through implementation of a system to check all incoming reports for "easy targets";
- Safe deposit box inventory has been reduced by 33%, cutting required staff time by one-third; and,
- The overall claims process has been simplified.

### **Better Accountability**

The Treasurer's Office is in the process of reconciling the state's stock portfolio for the first time in recorded history. Upon taking office, Treasurer Osborn discovered that the state's account was out of balance by over 6 million shares of stock. A comprehensive program to track, record, and balance each share is underway and expected to be completed in late 2008.

To retain a balanced account, Treasurer Osborn initiated several changes:

- For the first time in several years, corporate actions are logged and applied in Wagers, the Unclaimed Property accounting system;
- For the first time in several years, "old" stock issues have been liquidated;
- For the first time on record, worthless or near-worthless shares have been removed from the account;
- A process has been established for registering all stocks and mutual funds with the State's retained broker;
- Electronic tracking of statements and sales has been turned on for the first time; and,
- Common sense practices have been applied towards decisions on converting options and convertible stock.

## **College Savings Program Division (Nebraska's 529 Savings Plan)**

### **Program Objectives**

The Nebraska College Savings Program became effective on January 1, 2001, and is a qualified tuition program under Section 529 of the Internal Revenue Code. The Program allows citizens inside and outside the State of Nebraska to contribute to an investment account for their child's / grandchild's education.

The earnings on the investment are tax deferred at both the state and federal level, and if the funds are used for a qualified education expense, they come out tax-free at the state and federal level. Nebraska taxpayers can receive up to a \$5,000 state tax deduction per tax return (\$2,500 if married filing separately) every year a contribution is made.

The Nebraska State Treasurer is the Trustee of the Nebraska Educational Savings Plan Trust which includes four plans, each serving as a distribution channel for Nebraska:

- The College Savings Plan of Nebraska (Advisor / Direct);
- The TD AMERITRADE 529 College Savings Plan (Advisor / Direct);
- The AIM College Savings Plan (Advisor Only); and,
- The State Farm College Savings Plan (State Farm Agent Only).

The State Treasurer has entered into a Program Management Agreement with Union Bank & Trust Company of Lincoln, Nebraska, for administrative and marketing services related to the program. The Nebraska Investment Council oversees the overall investment structure of the plans within the Trust.

### **Program Highlights**

Legislative Bill 338, introduced in 2007 by Senator Tim Gay and supported by Treasurer Shane Osborn, increased the Nebraska State Income Tax Deduction for contributions to the plan by Account Owners from \$1,000 to \$5,000 (from \$500 to \$2,500 for married filing separately). LB 338 was signed into law by Governor Heineman on May 29, 2007, and the changes are effective for tax years on or after January 1, 2007.

In 2007, Treasurer Osborn commissioned a rebranding of the College Savings Program logo to provide a fresh perspective for a new generation of students and parents. The new logo (below), used in advertising and program materials will help create a solid image of the Nebraska College Savings Program.



College Savings Plans continue to be a dominant vehicle for parents and grandparents to save for a loved one's college education. As of September 30, 2007, 529 plans in the United States boasted \$127.42 billion in assets and 10.21 million accounts. Nebraska has shared in the success of saving for college as assets in the four Nebraska Plans grew from \$1.648 to \$1.96 billion from January to September 2007.

Accounts in Nebraska's Plans grew from 142,417 to 152,682 from January to September 2007. At the end of the 3rd quarter for 2007, we had \$1.96 billion in assets and 152,682 accounts in all four plans.

As of September 30, 2007, there were 12,617 new accounts in all four plans for the 2007 calendar year, and the average account size was \$12,869. At the time of this report, data for the fourth quarter of 2007 is not yet available.

On November 1, 2007 State Treasurer Shane Osborn announced that the Nebraska College Savings Program reached a historic milestone by surpassing \$2 billion in total assets. This extraordinary achievement, along with the College Savings Plan of Nebraska earning national recognition for outstanding value and performance, is a testament to the high and consistent level of excellence from every single person involved with our program.

We are happy to report continued positive ratings for the College Savings Plan of Nebraska. Joe Hurley's 'SavingForCollege.com' rated the College Savings Plan of Nebraska (Direct and Advisor Plans) an elite 5 out of 5 graduation caps for Nebraska residents, and a 4 ½ cap rating for non-residents in their latest rankings (September 2007). Kiplinger's Personal Finance rated the College Savings Plan of Nebraska as one of their top five Favorites in the nation (September 2007) and Morningstar rated the College Savings Plan of Nebraska one of the top three plans in the Nation (March, 2007).

The sustaining growth and positive rankings can be attributed to the flexible and diverse investment options Nebraska's College Savings Plans continue to offer participants. We have been able to reach investors by traveling and promoting college savings to local communities and organizations.

We have taken advantage of promoting our plans at statewide events and by utilizing all media outlets (paid and earned). The investment flexibility and structure of the Nebraska College Savings Plans have made Nebraska an attractive state for outside customers as well. As the assets grow through each distribution channel, we will continue to work towards reducing costs, providing quality service and encouraging savings.

### **Investment Changes**

A minor investment change was made to the **College Savings Plan of Nebraska and TD AMERITRADE 529** College Savings Plans in early 2007.

On February 6, 2007, as part of its ongoing monitoring and due diligence with regard to the Plan, the Nebraska Investment Council approved certain changes to the asset

allocations of the Age-Based and Target Portfolios and the available Individual Fund Portfolios.

Effective April 17, 2007, the American Century Income & Growth 529 Portfolio was removed as an Individual Fund Portfolio. Account balances invested in the American Century Income & Growth 529 Portfolio were transferred to the American Century Equity Income 529 Portfolio. The American Century Income & Growth 529 Portfolio is no longer offered as an Individual Fund Portfolio in the College Savings Plan of Nebraska or the TD AMERITRADE 529 College Savings Plan.

Also effective on April 17, 2007, several modifications to the asset allocations were made to the Plan's Target Portfolios. The Age-Based Portfolios also invest in certain funds of the Target Portfolios and, as a result, certain funds of the asset allocations of the Age-Based Portfolios changed because of changes to the corresponding Target Portfolio.

**The AIM College Savings Plan and The State Farm College Savings Plan** underwent significant investment changes in 2007.

On November 20, 2006, the Nebraska Investment Council approved changes to the investment portfolios the AIM Plan offered and the underlying mutual funds in which those portfolios invested.

Effective March 26, 2007, the investment portfolios the plan offered were replaced with five Allocation Portfolios, five Enrollment-Based Portfolios and one Individual Fund Portfolio. Each new Allocation and Enrollment-Based Portfolio invests its assets in a single underlying AIM Allocation Fund. Other than the AIM Money Market Fund, each of the new underlying Allocation Funds is a "fund of funds" that invests all of its assets in other AIM mutual funds.

On November 20, 2006, the Nebraska Investment Council also approved changes to the investment portfolios the State Farm Plan offered and the underlying mutual funds in which those portfolios invested.

As with the AIM Plan, Effective March 26, 2007, the investment portfolios the State Farm Plan offered were replaced with three Allocation Portfolios and five Enrollment-Based Portfolios. Again, each new Allocation and Enrollment-Based Portfolio invests its assets in a single underlying AIM Allocation Fund.

To summarize the changes to the AIM Plan:

- The AIM Allocation Funds became the underlying investments for the five new Enrollment-Based Portfolios and the five new Static Portfolios;
- The previous individual funds were mapped into the AIM Allocation Funds. The Money Market Fund remains as the only individual fund option; and,
- The \$25 annual account fee is now waived for accounts with at least \$25,000 or accounts with an Automatic Investment Plan (AIP).



We would like to note that the State Farm College Savings Plan is slightly different than the AIM College Savings Plan in three ways in regard to the March 26, 2007 changes:

- Annual Maintenance -- for those accounts with either \$25,000 in assets or an established Automatic Investment Plan (AIP) in place, the \$25 annual fee drops to \$5. This is in addition to the complete \$25 waivers in place for those accounts with \$50,000 in assets or \$25,000 in assets with an AIP in place;
- Fixed-Allocation Portfolios -- (The State Farm College Savings Plan offers three Fixed-Allocation Portfolios and the AIM College Savings Plan offers five Fixed-Allocation Portfolios); and,
- The State Farm Plan offers Class A and B shares only (The AIM College Savings Plan offers Class A, B and C shares).

The AIM College Savings Plan and The State Farm College Savings Plan have benefited from the changes made in 2007, by offering a stable product with more positive performance. The goal of the State Treasurer and the Nebraska Investment Council is to provide investors with improved portfolio performance in the AIM College Savings Plan and the State Farm College Savings Plan balanced by reasonable portfolio expenses, including out-of-pocket costs such as annual fees and underlying expense ratios.

**The College Savings Plan Network (CSPN)**, an affiliate of the National Association of State Treasurers (NAST), works together with state programs on developing disclosure principles, which allow consumers to make objective comparisons of fees and expenses of each state's 529 College Savings Plan. All of the Nebraska sponsored plan handbooks are in compliance with the Disclosure Principles adopted. During the summer of 2006 and spring of 2007, new Enrollment Handbooks were issued for all four of Nebraska's Plans. Each year the State Treasurer, legal counsel and the plan managers revisit the plan disclosures and continue to update and improve our communication with the plan participants.

As required by **Nebraska State Statute 85-1811**, the plans were audited in accordance with auditing standards generally accepted in the United States of America by independent certified public accountants. All of the financial reports of the plans were presented in conformity with accounting principles generally accepted in the United States of America. The related audit reports for year end December 31, 2006 can be viewed at [www.treasurer.org](http://www.treasurer.org).

### **2008 AND THE FUTURE**

In 2008, the college savings division plans to expand our outreach efforts to increase the penetration rate in Nebraska. As of September 30, 2007, the college savings plan penetration rate was 8.9%. In the Nebraska 529 Program, there were 38,633 Nebraska Accounts with participants in every county except Loup County.

According to the Census, there are 433,241 children under the age of 18; therefore, we will continue to spread the college savings message across Nebraska in an effort to encourage more families to save for their children and grandchildren's higher education costs.

As the Plan continues to grow in assets, Treasurer Osborn is committed to working with Union Bank on reviewing the fee structure. We believe lower fees will help encourage more Nebraskans to participate in the Plan, and Treasurer Osborn is working on a proposal to discuss the fee issue with Union Bank.

As contract renewal dates approach, Treasurer Osborn is dedicated to lowering fees. It is our goal to continue offering a quality plan while keeping costs low. We will continue to enhance the Plan and provide value for our participants investing dollars. We believe offering investors good investment choices, with an attractive cost structure and a flexible plan design, will benefit more Nebraska kids whose dream is to attend college.

## **Long-term Care Savings Plan Division**

The Nebraska Long-Term Care Savings Plan (LTCSP), created by LB 965 in 2006, offers a tax deduction for Nebraska residents who open a LTCSP or related investment accounts at participating financial institutions.

Participants may deduct up to \$1,000 (\$2,000 filing jointly) from their federal adjusted gross income for Nebraska state income tax purposes by depositing an equal amount into a designated LTCSP account. In order to qualify for Nebraska income tax deductions in 2007, an individual must make a deposit to a participating financial institution by the end of the calendar year.

In 2007, the plan was in its infancy. In this first full year of the Long-Term Care Savings Plan, Treasurer Osborn has implemented an aggressive marketing campaign to both Nebraskans and Nebraska financial institutions (see [www.thegoodlifelonger.com](http://www.thegoodlifelonger.com)), added ten new financial institutions to the list of qualified providers, and made the plan available statewide.

### **One Year Account Statistics:**

Number of Accounts: 142  
Total Dollars on deposit: \$194,807.12

### **New Institutions for 2007**

- American National Bank, Omaha
- Cornhusker Bank, Lincoln
- SAC Federal Credit Union, Bellevue
- Equitable Bank, Grand Island
- Valley Bank and Trust Company, Scottsbluff
- First State Bank and Trust, Fremont
- Tri-County Bank, Stuart
- Security National Bank, Laurel
- First Bank and Trust Company, Minden
- Farmers State Bank, Wallace

### **Prior Qualified Institutions**

- First National Bank and Trust Company, Columbus
- First National Bank & Trust, Syracuse
- Oak Creek Valley Bank, Valparaiso
- Thayer County Bank, Hebron

### **New Participation Agreement**

Among the changes was a new participation agreement created by the Nebraska State Treasurer's office in order to address some of the concerns noted during a roundtable of

the financial services industry. The State Treasurer's office worked with a group of bankers and credit union employees as well as the Nebraska Bankers Association to address these concerns. The final draft was approved by all members of the committee before its posting on the Treasurer's website.

### **Rules and Regulations**

The State Treasurer has drafted and promulgated Rules and Regulations for the Long-Term Care Savings Plan. These Rules and Regulations were approved at an administrative hearing on December 17, 2007 and are now awaiting approval from the Governor and Attorney General.

### **Marketing Plan**

In order to increase the profile of the Long-Term Care Savings Plan, the State Treasurer hired local marketing firm *the Minnow Project* to design collateral materials and develop a marketing campaign. *The Minnow Project* worked closely with the Treasurer's office to develop "the good life, longer" campaign, which included the development of print materials for distribution at local financial institutions available free of charge at [www.thegoodlifelonger.com](http://www.thegoodlifelonger.com). Further, the Long-Term Care Saving Plan partnered with the Nebraska Broadcasters Association to do radio ads across the state as public service announcements.

## Nebraska Child Support Payment Center State Disbursement Unit (SDU)

Through contract with the Department of Health and Human Services, the Treasurer's Child Support State Disbursement Unit receipts, identifies, and disburses **an average of \$1 million dollars per day** in child support payments for the State of Nebraska. In this last year, the State Disbursement Unit has accomplished continued improvements for the Nebraska Child Support Payment Center (NCSPC). The results speak for themselves:

### Records Broken

In the State Treasurer's first year in office, the State Disbursement Unit (SDU) improved upon previous records for the amount of child support being disbursed to custodial parents. **While the average amount disbursed per year over the previous five years was \$238,367,868.82, the SDU disbursed \$263,507,677.83 in 2007.**

2001: \$ 895,742.23	(opened December, 2001)
2002: \$227,508,842.86	
2003: \$229,151,620.46	.72% increase over prior year
2004: \$237,671,530.38	3.72% increase over prior year
2005: \$245,409,670.16	3.26% increase over prior year
2006: \$252,097,680.24	2.73% increase over prior year
<u>2007: \$263,507,677.83</u>	<u>4.53% increase over prior year</u>

### Technology

The State Disbursement Unit has continued to utilize technology improvements as shown in the amount of payments both paid into the NCSPC as well as disbursed by the NCSPC, which by 2008 are made almost exclusively electronic. Total receipts are up 3.8% yet, the percentage received electronically is up over 5%. For the month ending December 2007, over 47% of the incoming payments were received electronically.

2006 Totals				
Type	Count	Amount	Count	Amount
Electronic	537,895	\$93,432,491.35	39.48%	36.78%
Paper	824,462	\$160,631,189.66	60.52%	63.22%
<b>TOTAL</b>	<b>1,362,357</b>	<b>\$254,063,681.01</b>	<b>100.00%</b>	<b>100.00%</b>

2007 Totals				
Type	Count	Amount	Count	Amount
Electronic	634,533	\$111,872,887.78	44.86%	42.49%
Paper	780,077	\$151,395,990.90	55.14%	57.51%
<b>TOTAL</b>	<b>1,414,610</b>	<b>\$263,268,878.68</b>	<b>100.00%</b>	<b>100.00%</b>

The Employer Outreach Road Shows can be credited for increases on payments remitted electronically. With 19 road shows, they had the best attendance figures and percentages since staff members began traveling four years ago.

Due to an HHSS regulation change in September of 2007, the NCSPC has made further improvements on how disbursements are handled. Since October 2007, the NCSPC has converted over 18,000 custodial parents from receiving paper warrants to receiving payments electronically via direct deposit or the US Bank ReliaCard. This project will be completed in early 2008 and, aside from disbursing refunds and redirects as paper checks, it is anticipated over 95% of all payments will be made electronically, saving approximately \$.55 per warrantless payment.

### **Improved Processes**

Treasurer Osborn has focused on reducing, as well as preventing bad debt due to returned bank items such as insufficient funds, account closed, and stop pays. This is evidenced in the bad debt receivable account, which decreased from \$1,015,000.00 in December of 2006, to \$818,109.22 by the end of November 2007.

The Collection Department's pre-deposit program has enabled the NCSPC to prevent future bad debt and has identified non-custodial parents who are now required to send in guaranteed funds thereby reducing bad debt occurrences.

### **Better Accountability**

The Treasurer's Office is tasked to reconcile the SDU accounting records to the bank accounts and submit these to State Accounting for review. The SDU reconciliation has shown no variance between the bank records when compared to the accounting records since the correcting entries were made in early January 2007.

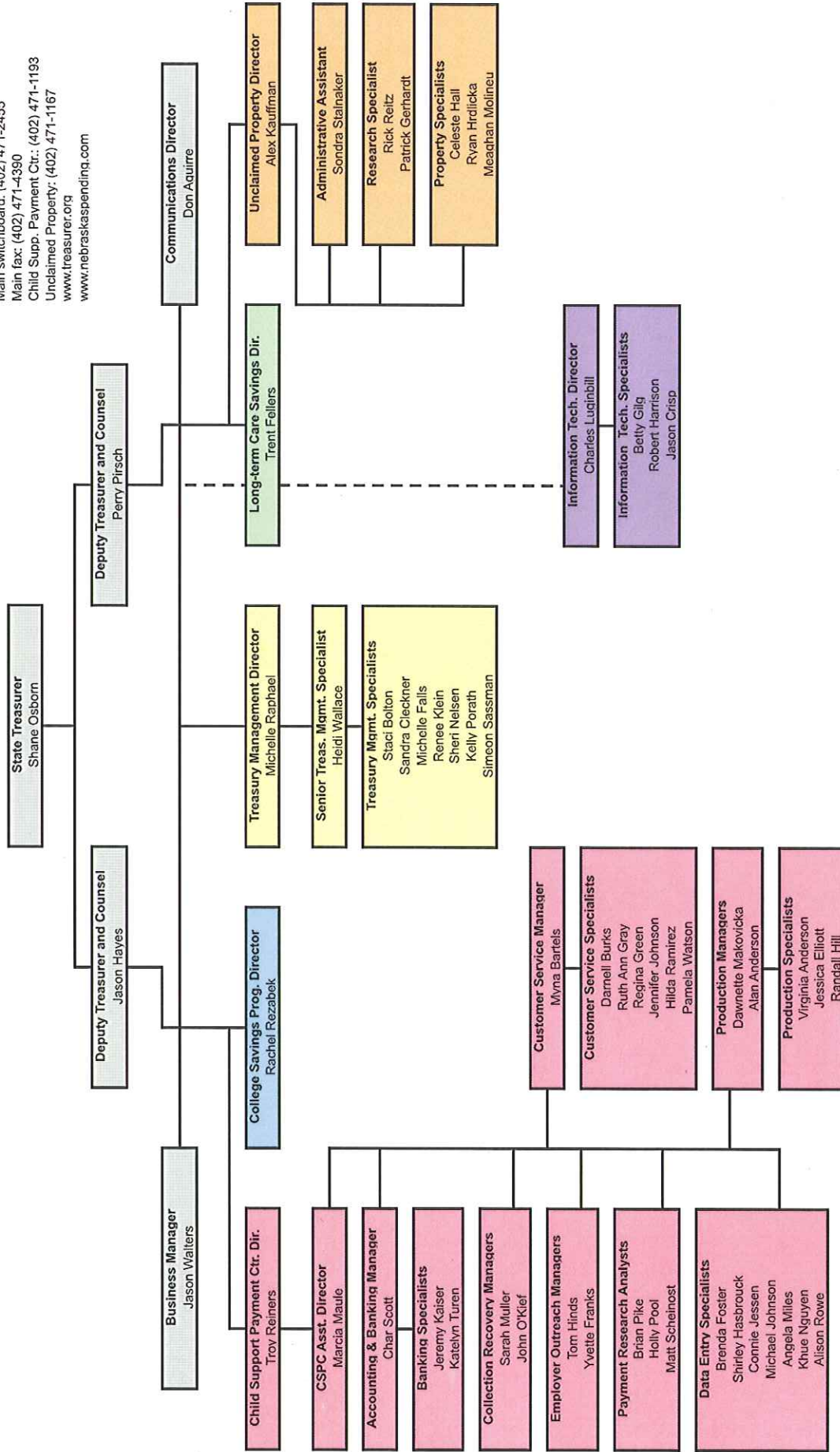
In 2008, the office plans to further expand its outreach efforts, implement new technology to simplify the receipting in of payments, provide outreach to non-custodial parents to further increase electronic payments and identify additional areas of improvement in order to reduce the over all office budget.

### **Improved Access**

The SDU created a public drop box to receive payments from noncustodial parents at anytime during the day or night.

# Nebraska State Treasurer's Office Organizational Chart

State Capitol, Room 2005, Lincoln, NE 68509  
 Main switchboard: (402) 471-2455  
 Main fax: (402) 471-4390  
 Child Supp. Payment Ctr.: (402) 471-1193  
 Unclaimed Property: (402) 471-1167  
 www.treasurer.org  
 www.nebraskaspending.com







- HOME
- STATE DOLLARS TO BE SPENT
- STATE DOLLARS RECEIVED
- HISTORICAL EXPENDITURES
- ORGANIZATION CHART
- CONTACT US

This site requires Flash 8.0 or higher.  
Click here to download the latest Flash player

Official Nebraska State Treasurer Site

## Welcome to NebraskaSpending.com



Shane Osborn

Hi, I'm State Treasurer Shane Osborn and I welcome you to NebraskaSpending.com!

As State Treasurer, my office is responsible for the receipting and disbursing of all state funds, which includes accurately recording these transactions and informing the Legislature through a yearly report on the state's financial picture. Further, as a public servant, I believe elected officials have a duty to show the public how their tax dollars are being spent right down to the last penny.

NebraskaSpending.com is a searchable, user-friendly public website that discloses how our State government receives and spends funds in a simple and straightforward manner.

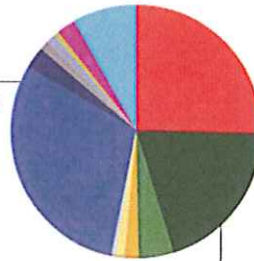
There are four parts to this website: State Dollars to be Spent; State Dollars Received, Historical Expenditures; and an Organizational Chart of the Nebraska State Government. As you will see, each page is completely interactive, allowing you to select a specific department and then drill down for further spending information.

In the coming months, we will continue to add important features to this website, including a Google search engine that will allow users to review payment information for goods and services by category, vendor, or by contract.

### \$6,517,332,000 NE State Total Funding

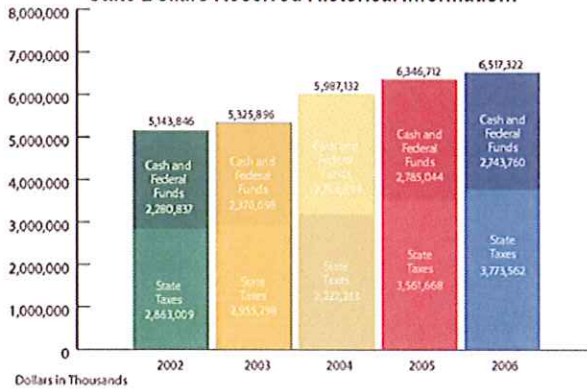
This chart shows the major sources of funding for the state.

Data from State of Nebraska Biennial Budget (2007 Session)



mouse over the chart for more details

### State Dollars Received Historical Information:



Source CAFR: Fiscal year end 2006

If we are to be truly successful in bringing more transparency to state government, it will have to be a collective effort. I encourage you to contact me with your thoughts and ideas as to how we can improve this site and make Nebraska the most efficient state government in the country!

the good life, longer

Nebraska's Long-Term  
Care Savings Plan  
thegoodlifelonger.com