



STATE OF NEBRASKA

Don Stenberg, State Treasurer

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January 13, 2016

Mr. Patrick J. O'Donnell
Clerk of the Legislature
State Capitol, Room 2018
Lincoln, Nebraska 68509

Dear Mr. O'Donnell:

The first year in my second term as Nebraska State Treasurer has been filled with significant accomplishments throughout the Treasurer's Office. Most notably, is the finalization of a new, five-year contract for payment card processing services for credit cards and debit cards with U.S. Bank.

Also of long-term significance is the addition of a new program to our office, resulting from legislation passed and signed into law in 2015. The Achieving a Better Life Experience Act, known as ABLE, will provide a tax-advantaged savings program for Nebraskans with disabilities. Our office, together with the Nebraska Investment Council, issued an RFP in July, and in November selected First National Bank of Omaha to be the program manager. The program, to be known as Enable, will be ready for families to use this summer.

In the past year, I also completed my terms as President of the National Association of Unclaimed Property Administrators and as Midwest Vice President of the National Association of State Treasurers. My office, however, continues to have a voice on the national level as Rachel Biar, director of our college savings program and our ABLE program, begins a term on the Executive Board of the College Savings Plans Network.

More details about my office's work in 2015 follows in the Report to the Legislature, which is respectfully submitted as required by Nebraska State Statute. It is being submitted online to the Legislature's website in addition to being delivered to you by letter.

Treasury Management

In Fiscal Year 2014-15, the Treasury Management Division processed more than \$11.5 billion in state agency receipt transactions, including incoming Automated Clearing House (ACH) payments, wires, credit cards, checks, and cash and coin. Of that total, \$9.7 billion, or 84 percent, was

processed electronically. The total amount of money paid out was \$9.9 billion, and of that \$9.46 billion, or 95.5 percent, was paid electronically, saving state resources of time, paper, printing, and postage.

Treasury Management completed 350 transfers last year: 121 transfers to and from the General Fund, 4 transfers to or from the Cash Reserve Fund, 3 transfers between the General Fund and Cash Reserve Fund, and 222 other transfers based on Nebraska Statute requirements.

Treasury Management continues to work with agencies to complete compliance reports for remote deposit capture, ACH audits, and credit card data security. Treasury Management also issued Requests for Proposals and completed three major contracts for the State of Nebraska credit card, the stored-value card, and Automated Clearing House (ACH) payments.

Nebraska Educational Savings Trust

The Nebraska Educational Savings Trust (NEST) is committed to helping parents and grandparents reach their college savings goals. As of November 30, 2015, the Nebraska Educational Savings Trust recorded a total of \$3.9 billion in assets and 235,488 accounts. The four plans in the Trust are the NEST Direct College Savings Plan, the NEST Advisor College Savings Plan, the TD Ameritrade 529 College Savings Plan, and the State Farm College Savings Plan. As of November 30, 2015, there were 21,578 new accounts for the 2015 calendar year.

Two plans in the Nebraska Educational Savings Trust earned bronze ratings in the annual review of the largest 529 college savings plans in the nation by Morningstar, an independent investment research firm in Chicago. The NEST Direct plan and the NEST Advisor plan were among 29 plans that Morningstar said were “expected to outperform peers on a risk-adjusted basis over the long haul” in its Analyst Ratings for 2015.

The two Nebraska plans were among 18 college savings plans receiving a bronze rating. Only four plans received the top gold rating, and seven others received a silver rating. The plans are evaluated on five key pillars—process, performance, people, parent, and price. In addition to the top-tier ratings of gold, silver, and bronze, Morningstar assigned neutral ratings to 32 plans and negative ratings to two. Some states’ college savings plans were too small to be evaluated. The NEST plans also have received the top five-cap rating from the respected website, savingforcollege.com.

We continue to enjoy success with Nebraska NEST Financial Scholars for Students, an online financial literacy education program sponsored by the Nebraska Educational Savings Trust at no cost to schools. Nebraska high school students enrolled in the Nebraska NEST Financial Scholars online program made substantial gains in their overall financial knowledge in the 2014-15 school year, recording an impressive average knowledge gain of 61 percent. Last school year, which was the second year of the program, 101 Nebraska schools participated and 4,811 students were reached.

The online program, developed by EverFi, Inc., of Washington, D.C., features nine modules of instruction and takes about eight hours to complete. Nebraska students completed a total of 26,074

modules in 2014-15. Over the past two years of the program, the total number of students reached is 7,025, and the total number of modules completed is 39,390. We are also continuing our work on Nebraska NEST Financial Scholars for Families to help families learn more about state-sponsored 529 college savings plans in general and NEST in particular. NEST Financial Scholars for Families is also free to Nebraskans. Both programs can be accessed through the Nebraska State Treasurer's website at treasurer.nebraska.gov

Unclaimed Property

The Unclaimed Property Division returned \$11,827, 581 in unclaimed property and paid 15,368 claims in 2015. That is the largest dollar amount returned in one year since 2009.

The division has also implemented a fast-track claims process for certain claims online to further automate the system. This addition allows for claims to be processed more quickly and more unclaimed property paid to rightful owners. The fast-track process has provided greater efficiency for our office through the continued use of technology.

In addition, claims under \$500 now can be filed online and by phone without being notarized. The cutoff amount used to be \$300.

StateSpending.Nebraska.gov

Just last month, State Sen. John McCollister and I hosted a joint news conference to announce legislation to require Nebraska quasi-public agencies to submit checkbook-level financial information to the StateSpending.Nebraska.gov website. The senator and I believe that quasi-public agencies created by state statute perform important public functions and, in many cases, manage substantial public resources and ought to be subject to the same level of transparency as state agencies and Constitutional offices.

We have now added a list of those quasi-public agencies to the website. The emphasis on seeking financial information from quasi-public agencies is one example of the improvements that are continuing to be made to StateSpending.Nebraska.gov. The improvements have been reflected in generally favorable ratings by U.S. Public Interest Research Group, a private, independent organization that rates government transparency websites. StateSpending.Nebraska.gov's overall score jumped from a D in 2010 to a B+ in 2015.

StateSpending.Nebraska.gov , by law, is maintained by the Nebraska State Treasurer's Office.

Long-Term Care Savings Plan

The Long-Term Care Savings Plan includes 16 Participating Financial Institutions with 23 locations across the state. There are 506 accounts and \$1,345,193 in all of the accounts combined. The Treasurer's Office continues to share the Long- Term Care Savings Plan message with Nebraskans.

While the Long-Term Care Savings Plan was well intentioned, it has not been very successful in encouraging Nebraskans to save for their potential long-term care needs. For that reason, I support the recommendation of the Legislative Performance Audit Committee that the program be eliminated.

Achieving a Better Life Experience Program

The Nebraska Achieving a Better Life Experience Program, called the Enable Savings Plan, was passed by the Nebraska Legislature in the 2015 Legislative Session and signed into law May 27, 2015, by Gov. Pete Ricketts. The law allows Nebraskans with certain disabilities to create tax-advantaged ABLE savings accounts to use to pay for qualified disability-related expenses. The Nebraska State Treasurer is Trustee of the program. First National Bank of Omaha was selected through an RFP process to serve as program manager, and the Enable Savings Plan will be operational by summer 2016.

Nebraska Child Support Payment Center

The Nebraska Child Support Payment Center processed 1.5 million transactions in 2015. More than 77 percent of all payments were received electronically, ranking the center in the top three in the country in electronic payment receipts. The use of electronic payments significantly reduces the center's printing and mailing expenses.

In addition, the Child Support Payment Center disbursed 1.4 million payments, totaling more than \$311 million. Ninety-eight percent was disbursed electronically. The center also ranks among the top five in the country in electronic payments disbursed.

The Child Support Payment Center conducted the following routine business over the last year:

- Responded to 50,590 customer service calls with an average call lasting three minutes.
- Generated an average of 97,395 billing statements a month, all available electronically on the website, and emailed more than 15,150 statements a month to non-custodial parents.
- Implemented two new payment methods through participation in the MasterCard RPPS network. Western Union and US Payments Paysite kiosks now are used to process payments electronically on behalf of the Payment Center, expanding the number of payment locations to more than 100,000 nationwide.
- Fully recovered 1,221 bank returned items totaling \$516,265 and 383 overpayment items totaling \$200,279.
- Conducted 14 employer seminars, reaching more than 250 employers across Nebraska. Eighty percent of payments comes from employers who withhold income and remit on behalf of their employees. In the past 12 years, 194 seminars have been conducted with 3,869 attending.

Efficient Operations

Shortly after taking office in 2011, I asked for and received a 13 percent operating budget cut (nearly \$1.4 million) for fiscal years 2011-13. For fiscal years 2013-15, I asked for and received an additional budget cut of 1.2 percent. This represents a total savings of more than \$2.8 million during my first four years as State Treasurer.

The Treasurer's Office operating budget for the current fiscal year, not counting the ABLE program appropriation, is an increase of 2.1 percent over the previous fiscal year and is due almost entirely to an increase in our unclaimed property budget, which will enable us to return more unclaimed property to the Nebraskans to whom it rightfully belongs.

Additional References

In conclusion, the Treasurer's Office submits the following links as references for information relating to the condition of the Treasury in accordance with Neb. Rev. Stat. Section 84-602 (6) (Reissue 2014):

- [State of Nebraska Comprehensive Annual Financial Report](#) for year ended June 30, 2015.
- [State of Nebraska Annual Budgetary Report](#) for year ended June 30, 2015.

Please contact my office at 402-471-2455 if you would like additional information. I welcome this opportunity to share our accomplishments with you.

Respectfully,



Don Stenberg
State Treasurer

DS:jl

cc: Governor Pete Ricketts