



STATE OF NEBRASKA

Don Stenberg, State Treasurer

State Capitol, Suite 2005 | PO Box 94788 | Lincoln, NE 68509 | 402-471-2455 | treasurer.nebraska.gov

January 5, 2018

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

Dear Mr. O'Donnell:

Following a year of significant achievements despite careful spending, I look forward to sharing the highlights of the past year with you, members of the Legislature, and Governor Ricketts. While maintaining our core function as the state's banking institution and continuing to be vigilant regarding expenditures, the Nebraska State Treasurer's Office is pleased to report the following achievements in 2017:

- Together with our program manager, First National Bank of Omaha, celebrated unprecedented growth in our Nebraska Educational Savings Trust (NEST), with total assets reaching \$4.8 billion, an increase of 101 percent since late 2010 when First National became Program Manager and I was elected State Treasurer. During that same time, total accounts in the four NEST plans grew by 39 percent from 182,706 to 254,153.
- Promoted public awareness of NEST by recognizing 12 Nebraska newborns with contributions to NEST college savings accounts as part of our Nebraska NEST Birthday Baby drawing in honor of Nebraska's 150th birthday. The Nebraska 150 Commission designated NEST Birthday Babies as a Legacy program of the Sesquicentennial because of its lasting impact on Nebraska families. Each Birthday Baby received a \$529 contribution to a NEST account. The families came from across Nebraska and hospitals in Kearney, Grand Island, and Norfolk hosted recognition events.
- Promoted NEST and financial literacy by welcoming winning high school teams in the 2017 Personal Finance Challenge, sponsored by the Nebraska Council on Economic Education, to the Capitol and hosted a special recognition for members of Arthur County High School team and their teacher, who placed third in the national competition.

- Oversaw the Nebraska Child Support Payment Center's move from its original home at 233 S. Tenth St. in Lincoln to 421 S. Ninth Street. The new location, for which we pay less rent than at the old location, is well suited to the payment center's scaled down needs. The new location provides greater access through a self-serve kiosk open extended hours and on weekends and holidays. The electronic transfer of money through the years has enabled the center to reduce its workforce and the space required for its operation and still provide excellent service to families. Since the center opened in 2001, the average cost to process a payment has dropped from \$2.54 to 96 cents.
- Sponsored a successful online eBay auction of items from abandoned safe deposit boxes turned over to the Treasurer's Office between 2006 and 2011 as unclaimed property. Strong bidding generated excitement and brought in a total of \$78,716 for owners. One lot of 45 pre-1904 Morgan silver dollars and pre-1964 silver dimes, quarters, and half dollars sold for \$3,350, the highest selling price in the auction. One lot of collectable sports trading cards featuring Roger Maris, Roberto Clemente, and Sandy Koufax sold for \$1,125 and attracted 57 bidders, the largest number of bidders for a single lot.
- Finally, in one of the most memorable moments of 2017, delivered a check for \$682.70 to celebrity Dick Cavett for unclaimed property from his late parents. The presentation took place at a news conference in the Cornhusker Marriott Hotel and attracted television and newspaper coverage. Cavett was in Nebraska for appearances in Lincoln, Wayne, and Hastings. "Splendid work you are doing," the entertainer told Unclaimed Property Director Meaghan Aguirre. "This is a real service."

Details about my office's ongoing work follow 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 2016-17, the Treasury Management Division processed more than \$12 billion in state agency receipt transactions, including incoming Automated Clearing House (ACH) payments, wires, credit cards, and currency. Of that total, \$10.3 billion, or 86 percent, was processed electronically. The total amount paid out was \$10.5 billion. Of that total, \$10.1 billion, or 95.8 percent, was paid electronically, saving state resources of time, paper, printing, and postage.

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Treasury Management completed 302 transfers last year: 21 transfers to and from the General Fund, one transfer from the Cash Reserve Fund, and 280 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. The division also issued a Request for Proposal for Individual Liability Travel Card Services and Automated Teller Machine Services.

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, 2017, the Nebraska Educational Savings Trust recorded a total of \$4.81 billion in assets and 254,153 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, 2017, there were 18,183 new accounts added in 2017.

Two plans in the Nebraska Educational Savings Trust earned bronze ratings in the annual review of the largest 529 college savings plans by Morningstar, an independent investment research firm. The NEST Direct Plan and the NEST Advisor Plan were among 34 plans that Morningstar believed to be "best-in-class options" in its Analyst Ratings for 2017.

The two Nebraska plans were among 20 college savings plans to receive bronze ratings. Only four plans received the top gold rating, and ten others received silver rating. The plans are evaluated on process, performance, people, parent, and price. In addition to the top-tier ratings of gold, silver, and bronze, Morningstar assigned neutral ratings to 26 plans and negative ratings to two. Some states' plans were too small to be evaluated.

The two NEST plans also received the top five-cap rating from the website, savingforcollege.com. In December 2017, the NEST Advisor Plan was ranked in the top ten for one-year, three-year, and five-year performance in the third quarter 2017 rankings from savingforcollege.com. The NEST Direct plan placed in the top ten in the nation for three-year investment performance.

We continue to experience 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. Our EverFi program for high school students is in its fifth year, and our EverFi program for middle school students, called Vault, is in its second year. The courses teach students about personal finance.

In the 2016-17 school year, a total of 9,821 students in 173 Nebraska schools took part in the courses and completed 30,866 individual modules of study, resulting in significant knowledge gains based on pre- and post-testing.

The financial literacy programs can be accessed through the Treasurer's website at treasurer.nebraska.gov.

Unclaimed Property

The Unclaimed Property Division returned \$15,323,046.86 in unclaimed property and paid 16,748 claims in 2017.

The holder reporting process created by the Treasurer's Office, which allows businesses and institutions to report through the Treasurer's website and no longer requires the use of complicated third-party applications, has now been in place for more than a year. The number of holders using this process increased in 2017 by more than three times the number reported in 2016. Our in-house reporting method allows for free reporting by holders and greater efficiency for the unclaimed property staff.

StateSpending.Nebraska.gov

The State Taxpayer Transparency Act now requires quasi-public agencies to report checkbook-level financial information on the website, StateSpending.Nebraska.gov, which, by law, is maintained by the Nebraska State Treasurer's Office. My office is continuing to collect information from quasi-public agencies. Data collected for the 2016-17 fiscal year is now available on the transparency website.

This undertaking is an 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. The Nebraska transparency website's overall score has improved from a D in 2010 to an A- in 2016, the last year ratings were issued.

Long-Term Care Savings Plan

In 2017, the Long-Term Care Savings Plan included 16 Participating Financial Institutions with 22 locations across the state. The 519 accounts contained total assets of \$1,552,221. As provided in Nebraska Statute 77-6106, the Long-Term Care Plan was terminated January 1, 2018.

Achieving a Better Life Experience Program

The Nebraska Achieving a Better Life Experience Program, called the Enable Savings Plan, launched on June 30, 2016. Nebraska was the third state to offer an ABLÉ program. The law allows Nebraskans with certain disabilities to create tax-advantaged ABLÉ savings accounts to use to pay for qualified disability-related expenses. As of November 30, 2017, the Enable Savings Plan had 769 accounts with \$3,521,440 in assets. The Enable Savings Plan offers five investment options for savers - growth, moderate and conservative mutual funds, a bank savings investment option, and a checking account option.

On February 27, 2017, we launched Enable Savings Plan Alabama. Offered through the Alabama State Treasurer's office, Enable Alabama is made possible through an agreement with the national Enable Savings Plan, which is managed by the Nebraska Treasurer's Office and First National Bank of Omaha. As of November 30, 2017, the Enable Savings Plan Alabama had 82 accounts and \$215,073 in assets.

Nebraska Child Support Payment Center

The Nebraska Child Support Payment Center processed 1.5 million transactions totaling \$299 million in 2017. Of the total payments, 82 percent was received electronically, ranking the center in the top three in the country in electronic payment receipts. The use of electronic payments significantly reduces printing and mailing expenses.

In addition, the Child Support Payment Center disbursed 1.4 million payments, totaling more than \$303 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 60,014 customer service calls with an average wait time of 1 minute 02 seconds. The average call lasted 2 minutes 59 seconds. The customer support staff moved its primary software application from an on-site server to a cloud-based server, reducing the number of phone lines required and saving the cost of maintenance.
- Generated an average of 98,155 billing statements a month, available electronically on the center's website, and emailed 18,977 statements a month to non-custodial parents. The number of mailed statements was reduced from 459,664 to 92,641 last year, saving \$183,000 in printing and postage. The center uses text messaging and QR codes to bill non-custodial parents in addition to emails and paper mailings.

- Became the first child support payment center to implement PayPal as a payment option. This option allows non-custodial parents to make their payments via web portals or portable smart devices from anywhere in the world using their PayPal accounts.
- Fully recovered 1,062 bank returned items totaling \$348,828 and 253 overpayment items totaling \$109,534.

Efficient Operations

The Nebraska State Treasurer's Office operating budget has been reduced substantially and repeatedly at my request, beginning when I took office in 2011. Shortly after taking office, 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.

For Fiscal Year 2015-16, our operating budget included a General Fund increase of just 0.1 percent and a total operating budget increase of 2.1 percent, due almost entirely to an increase in the unclaimed property budget, which enables us to return more unclaimed property to Nebraskans.

For Fiscal Year 2017-18, our operating budget request included an 1.8 percent increase and a 0.3 percent General Fund increase, due mainly to a mandated 2.4 percent pay raise and an 8 percent health insurance increase. Without those mandates, our budget would have shown a decrease of 0.17 percent and a General Fund decrease of 1.48 percent.

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):

State of Nebraska Comprehensive Annual Financial Report for year ended June 30, 2017.

<http://das.nebraska.gov/accounting/cafr/cafr2017.pdf>

State of Nebraska Annual Budgetary Report for year ended June 30, 2017.

<http://das.nebraska.gov/accounting/budrept/buddoc17.pdf>

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

Yours truly,



Don Stenberg
State Treasurer

DS:jl

Cc: Governor Pete Ricketts