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MEMORANDUM

DATE: February 16, 2003

TO: Janice Wright, Administrative Services Officer IV
Treasurer's Office

FROM: Brian M. Burke, Senior Program Analyst *bm*
Fiscal Analysis Division

SUBJECT: **Treasurer's Office - Higher Education Accounts**

At the initial budget hearings for the Treasurer's Office Higher Education accounts, the Assembly Committee on Ways and Means and the Senate Finance Committee asked several questions that require follow-up. Supplemental information provided to LCB staff also generated additional inquiries. Your assistance in obtaining answers to the following questions would be appreciated:

Prepaid Tuition Program - B/A 1081

1. Treasurer Krolicki mentioned a proposal to eliminate two classified positions and to create an unclassified deputy position. Please provide details on the proposal that identify the specific positions affected (title and position numbers), the recommended personnel cost adjustments, and associated support cost adjustments (travel, operating, information services, etc.) that would be necessary to implement the plan.
2. Please provide a schedule that outlines the Treasurer's plans for full repayment of General Fund loans made to the Prepaid Tuition program. Through the anticipated final payment, please provide actual and projected payments by fiscal year and source of payment (i.e., please segregate Prepaid Tuition Program and College Savings Program payments).
3. As requested by the Senate Finance Committee Chairman, please provide a copy of the most recent draft of the Prepaid Tuition actuarial report mentioned by Treasurer Krolicki during the February 12, 2003 meeting of the Senate Committee on Finance. Treasurer Krolicki indicated during the February 5, 2003 Ways and Means budget hearing that the

ASSEMBLY WAYS AND MEANS

DATE: 3-24-03 ROOM: 3137 EXHIBIT F

SUBMITTED BY: Fiscal Analysis Division

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final Prepaid Tuition Program actuarial report may not be available until March 31, 2003. A copy of the final report would also be appreciated when available.

4. Treasurer Krolicki mentioned that the Prepaid Tuition Program expects to launch a passive round of new enrollments possibly by April 1st. The Treasurer also noted that costs may increase 40 to 60 percent. Please describe the portions of the cost increases that would be attributable to the increases in UCCSN tuition costs and the portions associated with investment losses (if applicable).
5. By fiscal year, please provide details on actual and recommended costs incurred or planned for marketing and advertising since the inception of the program through fiscal year FY 2004-05. Please list and describe each type of billable service with the associated cost (e.g., account supervision, broadcast production, public relations, etc.). Please also describe the impact the marketing and advertising program has had on the Prepaid Tuition and College Savings programs, and explain any program outcomes that can be attributed to the marketing program. The committee also requested copies of marketing and advertising materials.

Given the delay in open enrollments and the Treasurer's plan to launch a passive round of new enrollments, is the full amount of marketing and advertising funding (\$370,000) needed in each year of the biennium? For each year of the upcoming biennium, please also describe the share of advertising and marketing costs that would be borne by the Prepaid Tuition and College Savings programs as currently envisioned by the Treasurer's Office.

Millennium Scholarship Program – B/A 1088

1. On February 12, 2003, Pat Foley and Janet Murphy provided updates on projected funding for the Millennium Scholarship program (see attachment A). The projections provided by the Treasurer's Office appear to indicate that the Millennium Scholarship program as currently configured can continue through FY 2005-06 using current funding sources, but that a shortfall of \$8.4 million would be experienced in FY 2006-07 if no program changes are made. Please confirm whether the Treasurer endorses the referenced spreadsheet.

Mr. Foley and Ms. Murphy provided an additional spreadsheet (see attachment B) outlining projected funding with potential program changes that include imposition of a five-year limit and a new requirement for students to achieve and maintain at least a 2.50 grade point average for college courses. With these changes, the Treasurer's Office projects no ending fund balance shortfalls through at least FY 2010-11. Your assistance in obtaining responses to the following questions regarding potential program changes would be appreciated:

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- a. Does the Treasurer's Office or the Administration plan to submit a bill draft request (BDR) that would reduce the 8-year limit to 5 years and increase the college GPA requirement from 2.0 to 2.5?
 - b. Does the Treasurer plan to include any exemptions to the 5-year limit (e.g. military service, Peace Corps, etc.)? Using the Treasurer's projection methodologies, what ending fund balances would be projected through FY 2010-11 if a 6-year limit is imposed? Again, using the Treasurer's projection methodologies, what ending balances would be projected through FY 2010-11 if the qualifying high school grade point average is raised to 3.20?
 - c. If I understood the February 12, 2003 testimony correctly, the proposed program changes would be applied prospectively, i.e., only to those students who receive scholarships starting in FY 2003-04 and beyond. Those students currently receiving the scholarship (FY 2002-03 and prior) would continue under the current rules. Please verify if this understanding is correct.
 - d. Please provide projected funding scenarios for the Millennium Scholarship program that reflect anticipated revenues should the Treasurer's securitization proposal receive approval.
2. The schedules and calculations for the program as currently configured, provided by Pat Foley and Janet Murphy on February 12, 2003, indicate that FY 2004-05 recommended administrative expenditures exceed the 2 percent allowance described in NRS 396.926. It is my understanding from discussions with Mr. Foley and Ms. Murphy that the Treasurer may propose a bill draft request to increase the administrative allowance to 3 percent. Please verify if my understanding is correct. If not, please briefly explain the Treasurer's plan to address planned administrative expenditures that may exceed the statutory cap.
 3. During the 2001 Legislative Session, the Treasurer's proposal to securitize Tobacco Settlement proceeds was not approved. The Treasurer submitted a new bill draft request to the 2003 Legislature again proposing to securitize the proceeds. As requested by the Ways and Means Committee, please compare the funds that would have been available with securitization if the proposal had been approved by the 2001 Legislature versus the funds that will be available if the current proposal is approved by the 2003 Legislature. Please include the estimated beginning balances, projected annual cash flows and annual earnings estimates (including the assumed earnings percentages). Please identify any other assumptions used in your analysis.

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College Savings Program - B/A 1092

1. Treasurer Krolicki mentioned a proposal to reclassify an existing classified position into an unclassified position. Please provide details on the proposal that identify the specific positions affected (title and position numbers), the recommended personnel cost adjustments, and if applicable, associated support cost adjustments (travel, operating, information services, etc.) that would be necessary to implement the plan.
2. For each year of the current and upcoming biennia, please identify the management fee and membership sales revenues that have or will be received from each investment manager associated with the program. Please include the supporting calculations that identify the fee rates and unit totals assumed for each investment manager.

Thank you in advance for your assistance in responding to this request. Excepting the final Prepaid Tuition Program actuarial report, in order to incorporate your responses into the meeting packets for your next budget hearing, I would appreciate your reply on or before February 28, 2003. Please don't hesitate to call me at 684-6821 if you have any questions.

Attachments

cc: Treasurer Brian Krolicki
John Adkins, Chief Deputy Treasurer
Pat Foley, Prepaid Tuition Executive Director, Treasurer's Office
Susan Moore, Millennium Scholarship Executive Director, Treasurer's Office
Janet Murphy, Treasurer's Office
Andrew Clinger, Deputy Budget Director
Mark Stevens, Assembly Fiscal Analyst
Gary Ghiggeri, Senate Fiscal Analyst
Steve Abba, Principal Deputy Fiscal Analyst
Bob Guernsey, Principal Deputy Fiscal Analyst

Millennium Scholarship
Projected Funding

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
Beginning Fund Balance	\$ 31,293,376.00	\$ 29,637,432.52	\$ 19,652,689.61	\$ 10,241,900.84	\$ 1,378,356.01	\$ (8,412,753.53)	\$ (16,363,011.48)	\$ (21,586,367.55)
Projected tobacco revenue	\$ 18,269,840.80	\$ 15,915,154.80	\$ 16,122,789.20	\$ 16,386,352.80	\$ 16,636,215.20	\$ 20,300,623.40	\$ 29,601,296.40	\$ 20,877,526.40
Interest Revenue	\$ 800,000.00	\$ 740,936.31	\$ 491,317.24	\$ 384,071.28	\$ 65,471.94	\$ (181,731.13)	\$ (940,871.89)	\$ (1,115,187.05)
Scholarship Payments	\$ (20,325,764.28)	\$ (26,140,030.02)	\$ (25,581,161.21)	\$ (25,168,048.22)	\$ (26,003,579.91)	\$ (27,251,501.45)	\$ (26,347,386.14)	\$ (25,610,320.88)
Admin	\$ (400,000.00)	\$ (511,121.00)	\$ (443,734.00)	\$ (465,920.70)	\$ (489,216.74)	\$ (513,677.57)	\$ (519,361.45)	\$ (566,329.52)
Ending Fund Balance	\$ 29,637,432.52	\$ 19,652,689.61	\$ 10,241,900.84	\$ 1,378,356.01	\$ (8,412,753.53)	\$ (16,363,011.48)	\$ (21,586,367.55)	\$ (30,300,673.30)
2% Limit	\$ 625,868	\$ 592,749	\$ 393,054	\$ 204,838	\$ 27,567	\$ (168,256)	\$ (327,261)	\$ (471,724)
BA 1088 Expenditure	\$ 400,000	\$ 511,124	\$ 443,734	\$ 485,921	\$ 489,217	\$ 513,678	\$ 539,361	\$ 566,330
Underspent	\$ 225,868	\$ 81,625	\$ (50,680)	\$ (261,083)	\$ (461,650)	\$ (661,933)	\$ (666,622)	\$ (1,036,054)

2% anticipated revenue 343,127.82 340,282.13 350,408.18 350,008.71 350,008.71 349,337.81 349,902.65 383,870.33

3% anticipated revenue 499,691.71 498,421.19 503,112.72 501,050.61 501,506.73 501,506.73 501,506.73 501,506.73

Assumptions:

Projected tobacco revenue is 40% of 2003 Global Insight forecast of MSA Receipts

- Interest Revenue:
 - FY 03 - work program amount
 - FY 04-05 based on earning 2.5%
 - FY 06 based on earning 3.75%
 - FY 07 based on earning 4.75%
 - FY 08-09 based on earning 5.75%
 - FY 10 based on earning 6%

Scholarship Payments are based on Projected Cost worksheet

- Administration Costs:
 - FY 03 - Projected expenditures for FY 2003
 - FY 04 & 05 - Governor's Recommended Budget
 - FY 06 - FY 10 estimated a 5% increase for employee step increases

Received 2/12/03 8:40 a.m.
from Pat Foley ; Janet Murphy, Treasurer's Office

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Millennium Scholarship
Projected Cost

Term	Total Eligible % Utilized	Utilized	CC Students	University Students	Total CC Cost	Total University Cost	Total Cost	FY Cost
Summer 2002	15,459	1,546	526	1,020	\$81,994.54	\$775,423.44	\$857,417.98	
Fall 2002	20,076	11,644	3,959	7,685	\$1,741,954.37	\$8,607,303.94	\$10,349,258.30	FY 03 Cost
Spring 2003	18,000	10,260	3,488	6,772	\$1,534,896.00	\$7,584,192.00	\$9,119,088.00	\$20,325,764.28
Summer 2003	24,843	2,484	845	1,640	\$131,767.27	\$1,246,124.88	\$1,377,892.15	
Fall 2003	24,843	14,409	4,899	9,510	\$2,155,577.42	\$10,651,088.45	\$12,806,665.87	FY 04 Cost
Spring 2004	24,000	13,440	4,570	8,870	\$2,010,624.00	\$9,934,848.00	\$11,945,472.00	\$26,130,030.02
Summer 2004	24,670	2,467	839	1,478	\$130,848.83	\$1,123,439.17	\$1,254,288.01	
Fall 2004	24,970	14,309	4,865	9,294	\$2,140,552.68	\$10,408,848.52	\$12,549,401.20	FY 05 Cost
Spring 2005	24,000	13,440	4,570	8,720	\$2,010,624.00	\$9,766,848.00	\$11,777,472.00	\$25,581,161.21
Summer 2005	25,420	2,288	778	1,360	\$121,345.87	\$1,077,659.51	\$1,199,005.38	
Fall 2005	23,900	12,906	4,388	8,368	\$2,167,631.29	\$10,542,648.75	\$12,710,280.04	FY 06 Cost
Spring 2006	26,529	2,255	767	1,338	\$1,930,737.60	\$9,372,115.20	\$11,302,852.80	\$25,168,048.22
Summer 2006	26,529	14,989	5,096	9,743	\$119,604.97	\$1,017,105.79	\$1,136,710.76	
Fall 2006	24,985	13,367	4,545	8,672	\$2,242,367.62	\$10,911,934.15	\$13,154,301.77	FY 07 Cost
Spring 2007	27,710	2,286	777	1,359	\$1,999,699.46	\$9,712,867.92	\$11,712,567.38	\$26,003,579.91
Summer 2007	27,710	15,518	5,276	10,092	\$121,254.64	\$1,032,706.81	\$1,153,961.45	
Fall 2007	26,840	14,225	4,837	9,249	\$2,321,456.42	\$11,302,725.83	\$13,624,182.24	FY 08 Cost
Spring 2008	27,710	2,217	754	1,313	\$2,128,089.92	\$10,347,267.84	\$12,475,357.76	\$27,253,501.45
Summer 2008	27,710	15,379	5,229	10,000	\$117,580.26	\$997,959.12	\$1,115,538.38	
Fall 2008	25,500	13,388	4,552	8,686	\$2,300,729.13	\$11,200,308.63	\$13,501,037.76	FY 09 Cost
Spring 2009	27,710	2,148	730	1,267	\$2,002,770.00	\$9,728,040.00	\$11,730,810.00	\$26,347,386.14
Summer 2009	27,710	15,241	5,182	9,909	\$113,905.88	\$963,209.42	\$1,077,115.30	
Fall 2009	24,500	12,740	4,332	8,258	\$2,280,001.84	\$11,097,891.44	\$13,377,893.28	FY 10 Cost
Spring 2010	27,710	2,078	707	1,222	\$1,905,904.00	\$9,249,408.00	\$11,155,312.00	\$25,610,320.58
Summer 2010	27,710	15,241	5,182	9,909	\$110,231.49	\$928,460.73	\$1,038,692.23	
Fall 2010	27,710	12,220	4,155	7,915	\$2,200,001.84	\$11,097,891.44	\$13,377,893.28	FY 11 Cost
Spring 2011	23,500	12,220	4,155	7,915	\$1,828,112.00	\$8,865,024.00	\$10,693,136.00	\$25,109,721.50

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Attachment B

Millennium Scholarship
Projected Funding
Maintain 5 year limit and 2.5 GPA

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Beginning Fund Balance	\$ 31,293,376.00	\$ 32,909,900.57	\$ 27,213,883.69	\$ 22,183,141.73	\$ 17,891,899.19	\$ 13,144,209.33	\$ 10,893,710.47	\$ 9,552,026.81	\$ 9,021,736.33
Projected tobacco revenue	\$ 18,269,840.80	\$ 15,915,454.80	\$ 16,122,789.30	\$ 16,386,352.80	\$ 16,636,215.20	\$ 20,300,621.40	\$ 20,604,296.40	\$ 20,872,526.40	\$ 21,173,455.80
Interest Revenue	\$ 800,000.00	\$ 822,747.51	\$ 680,347.09	\$ 811,867.82	\$ 849,865.21	\$ 755,792.04	\$ 626,388.35	\$ 571,121.61	\$ 541,101.18
Scholarship Payments	\$ (17,053,316.23)	\$ (21,923,095.19)	\$ (21,390,144.25)	\$ (21,093,342.46)	\$ (21,744,553.51)	\$ (22,793,237.72)	\$ (22,833,006.97)	\$ (21,311,618.96)	\$ (19,991,606.34)
Admin	\$ (400,000.00)	\$ (511,124.00)	\$ (443,734.00)	\$ (465,920.70)	\$ (489,216.71)	\$ (513,677.57)	\$ (539,361.45)	\$ (566,329.52)	\$ (594,646.88)
Ending Fund Balance	\$ 32,909,900.57	\$ 27,213,883.69	\$ 22,183,141.73	\$ 17,891,899.19	\$ 13,144,209.33	\$ 10,893,710.47	\$ 9,552,026.81	\$ 9,021,736.33	\$ 9,149,233.67
2% Limit	\$ 625,868	\$ 658,198	\$ 544,278	\$ 443,663	\$ 357,838	\$ 262,884	\$ 217,874	\$ 191,041	\$ 180,435
BA 1088 Expenditure	\$ 400,000	\$ 511,124	\$ 443,734	\$ 465,921	\$ 489,217	\$ 513,678	\$ 539,361	\$ 566,330	\$ 594,646
Underspent	\$ 225,868	\$ 147,074	\$ 100,544	\$ (22,258)	\$ (131,379)	\$ (250,793)	\$ (321,487)	\$ (375,289)	\$ (414,211)

Assumptions:
 2% anticipated revenue \$ 334,764.05 \$ 322,455.78 \$ 327,227.06 \$ 332,724.30 \$ 346,012.49 \$ 361,692.49 \$ 376,920.51 \$ 393,209.11
 3% anticipated revenue \$ 502,146.07 \$ 504,094.09 \$ 516,546.62 \$ 524,582.41 \$ 533,192.49 \$ 541,892.49 \$ 550,682.49 \$ 559,562.49

Projected tobacco revenue is 40% of 2003 Global Insight forecast of NISA Receipts

- Interest Revenue:
 - FY 03 - work program amount
 - FY 04-05 based on earning 2.5%
 - FY 06 based on earning 3.75%
 - FY 07 based on earning 4.75%
 - FY 08-09 based on earning 5.75%
 - FY 10 based on earning 6%

Scholarship Payments are based on *Projected Cost* worksheet

Administration Costs:
 FY 03 - Projected expenditures for FY 2003
 FY 04 & 05 - Governor's Recommended Budget
 FY 06 - FY 10 estimated a 5% increase for employee step increases

Received 2/12/03 8:40 a.m.
 from Pat Foley; Janet Murphy - Treasurers office

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**Millennium Scholarship
Projected Cost**

Maintain 5 year limit and 2.5 GPA

Term	Total Eligible % Utilized	Utilized	CC Students	University Students	Total CC Cost	Total University Cost	Total Cost	FY Cost
Summer 2002	15,459	1,297	441	856	\$68,793.42	\$650,580.27	\$719,373.69	
Fall 2002	20,078	9,769	3,322	6,448	\$1,461,499.71	\$7,221,528.00	\$8,683,027.72	FY 03 Cost
Spring 2003	18,000	8,608	2,927	5,681	\$1,287,777.74	\$6,363,131.03	\$7,650,911.03	\$17,053,316.23
Summer 2003	24,843	2,084	709	1,376	\$110,552.74	\$1,045,498.77	\$1,156,051.52	
Fall 2003	24,843	12,089	4,110	7,979	\$1,808,529.46	\$8,936,263.21	\$10,744,792.67	FY 04 Cost
Spring 2004	24,000	11,276	3,834	7,442	\$1,686,913.54	\$8,335,337.47	\$10,022,251.01	\$21,923,095.19
Summer 2004	24,670	2,070	704	1,216	\$109,782.17	\$924,211.47	\$1,033,993.64	
Fall 2004	24,670	12,005	4,082	7,773	\$1,795,923.70	\$8,705,975.91	\$10,501,899.61	FY 05 Cost
Spring 2005	24,000	11,276	3,834	7,292	\$1,686,913.54	\$8,167,337.47	\$9,854,251.01	\$21,390,144.25
Summer 2005	25,420	1,919	653	1,117	\$101,809.18	\$848,810.82	\$950,620.00	
Fall 2005	25,420	12,157	4,133	7,873	\$1,818,642.56	\$8,818,234.30	\$10,636,876.96	FY 06 Cost
Spring 2006	23,900	10,828	3,682	6,997	\$1,619,888.85	\$7,836,156.65	\$9,456,045.50	\$21,043,542.46
Summer 2006	26,529	1,892	643	1,099	\$100,348.57	\$831,907.76	\$935,346.33	
Fall 2006	26,529	12,576	4,276	8,150	\$1,881,346.44	\$9,128,064.75	\$11,009,411.10	FY 07 Cost
Spring 2007	24,985	11,215	3,813	7,252	\$1,677,747.85	\$8,122,018.18	\$9,799,766.03	\$21,744,553.51
Summer 2007	27,710	1,918	652	1,116	\$101,732.65	\$818,087.01	\$919,819.66	
Fall 2007	27,710	13,019	4,427	8,443	\$1,947,701.93	\$9,455,938.97	\$11,403,640.90	FY 08 Cost
Spring 2008	26,840	11,935	4,058	7,727	\$1,785,467.44	\$8,654,309.72	\$10,439,777.16	\$22,793,237.72
Summer 2008	27,710	1,860	632	1,078	\$98,649.81	\$818,932.86	\$917,582.67	
Fall 2008	27,710	12,903	4,387	8,366	\$1,930,311.74	\$9,370,010.94	\$11,300,322.68	FY 09 Cost
Spring 2009	25,500	11,232	3,819	7,263	\$1,680,324.03	\$8,134,777.56	\$9,815,101.59	\$22,033,006.97
Summer 2009	27,710	1,802	613	1,039	\$95,587.03	\$789,778.71	\$885,345.74	
Fall 2009	27,710	12,787	4,348	8,289	\$1,912,921.54	\$9,284,082.92	\$11,197,004.46	FY 10 Cost
Spring 2010	24,500	10,689	3,634	6,905	\$1,599,053.46	\$7,733,205.31	\$9,332,258.77	\$21,414,608.96
Summer 2010	27,710	1,744	593	1,001	\$92,484.22	\$760,624.56	\$853,108.78	
Fall 2010	27,710	12,787	4,348	8,289	\$1,912,921.54	\$9,284,082.92	\$11,197,001.46	FY 11 Cost
Spring 2011	23,500	10,253	3,486	6,617	\$1,533,785.97	\$7,410,707.14	\$8,944,493.10	\$20,984,606.34

Assumptions

Beginning Fall 2003, at 2.50 GPA to maintain Millennium Scholarship, utilization is reduced by 16.10%. This reduction is based upon INSIEP report with increased minimum GPA to 2.50

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