

**MINUTES OF THE JOINT MEETING OF THE
SENATE COMMITTEE ON FINANCE
AND THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS**

**Eighty-second Session
February 10, 2023**

The joint meeting of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Chair Marilyn Dondero Loop at 8:07 a.m. on Friday, February 10, 2023, in Room 4100 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

SENATE COMMITTEE MEMBERS PRESENT:

Senator Marilyn Dondero Loop, Chair
Senator Nicole J. Cannizzaro, Vice Chair
Senator Pete Goicoechea
Senator Heidi Seevers Gansert
Senator Dallas Harris
Senator Dina Neal
Senator Robin L. Titus
Senator Rochelle T. Nguyen

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Assemblywoman Daniele Monroe-Moreno, Chair
Assemblywoman Shea Backus, Vice Chair
Assemblywoman Natha C. Anderson
Assemblywoman Tracy Brown-May
Assemblywoman Jill Dickman
Assemblyman Gregory T. Hafen II
Assemblywoman Sandra Jauregui
Assemblywoman Heidi Kasama
Assemblyman C.H. Miller
Assemblyman P.K. O'Neill
Assemblywoman Sarah Peters

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Assemblyman Steve Yeager
Assemblyman Howard Watts

COMMITTEE MEMBERS ABSENT:

Assemblywoman Michelle Gorelow (Excused)

STAFF MEMBERS PRESENT:

Wayne Thorley, Senate Fiscal Analyst
Cathy Crocket, Chief Principal Deputy Fiscal Analyst
Brody Leiser, Chief Principal Deputy Fiscal Analyst
Sarah Coffman, Assembly Fiscal Analyst
Stephanie Day, Principal Program Analyst
Paul Breen, Committee Assistant
Michelle Friedlander, Committee Secretary
Dee Chekowitz-Dykes, Committee Secretary

OTHERS PRESENT:

Zach Conine, State Treasurer
Kirsten Van Ry, Chief of Staff, Office of the State Treasurer
Lori Hoover, Chief Deputy Treasurer, Office of the State Treasurer
Andy Matthews, State Controller
James Smack, Chief Deputy Controller, Office of the State Controller
Kent M. Ervin, State President, Nevada Faculty Alliance

CHAIR DONDERO LOOP:

We will start with the budget presentation from the Office of the Treasurer.

ZACH CONINE (State Treasurer):

My office has six functional areas: administration, cash management, debt management, investments, college savings programs and unclaimed property, as shown in my budget presentation on page 2 of ([Exhibit C](#)).

Page 3 of [Exhibit C](#) shows the general responsibilities of the Office of State Treasurer, which include investing \$10 billion of State funds.

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Nevada is 37th State by population, but we are third largest in our College Savings Programs.

The State Treasurer serves on the State Board of Finance and the Executive Branch Audit Committee; chair of the College Savings Board of Trustees, which oversees the 529 College Savings plans, the Nevada Prepaid College Tuition Program and the Nevada Higher Education Prepaid Tuition Trust Fund; and chair of the Nevada Capital Investment Corporation; and the chair of the Nevada State Infrastructure Bank Board of Directors.

We are funded primarily through assessments and trust fund transfers. The Office of the State Treasurer operates through nine separate budget accounts which are on page 4 of [Exhibit C](#). At the request of the Legislative Council Bureau fiscal staff, we will discuss four of those budget accounts.

Budget account (B/A) 101-1080 is the operating account for cash management, merchant services, debt management, investment divisions and administrative costs for the Office of the State Treasurer.

ELECTED OFFICIALS

TREASURER'S OFFICE

Treasurer-State Treasurer — Budget Page ELECTED-198 (Volume I)
Budget Account 101-1080

Funding for B/A 101-1080 allows the Office of the State Treasurer to manage financial transactions conducted on behalf of State agencies and local governments. That includes operations and administration for nine budget accounts, biennium budget requests, and the administration and disbursement of the annual Tobacco Master Settlement Agreement.

Pursuant to the *Nevada Revised Statutes* (NRS) 226.110, the State Treasurer is responsible for the receipt and disbursement of public monies through its main depository and controlled disbursement accounts. As manager of the State's electronic payment acceptance program, the Cash Management Division maintains over 320 merchant accounts for 56 State agencies.

The State Treasurer is responsible for the investment of public monies. The Investment Division is responsible for all investment and accounting activities relating to the General Portfolio, the Local Government Investment Pool, the Permanent School Fund, the Higher Education Prepaid Tuition Trust Fund and oversight of the Nevada Employee Savings Trust investment advisors.

The Debt Management Division is responsible for the issuance of debt obligations authorized on behalf of, and in the name of, the State with limited exceptions. The Debt Management Division also organizes and facilitates the Statewide pooled financing programs. The State Treasurer is responsible for the issuance and maintenance of the following types of general obligation debt: capital improvement, municipal bond bank, State revolving fund, historic preservation, natural resources, university system bonds, and other miscellaneous general obligation bonds and securities.

Page 6 of [Exhibit C](#) discusses budget decision units for B/A 101-1080. The first budget decision unit provides needed training for two IT professional staff who oversee IT operations for the Office of the State Treasurer accounts, programs and staff in B/A 101-1080 decision unit E-125.

E-125 Economic Opportunity & Skilled Workforce — Page ELECTED-200

Decision unit E-126 in B/A 101-1080 funds a new accountant technician position in the Cash Management Division to support the 23 percent increase in electronic banking transactions.

E-126 Economic Opportunity & Skilled Workforce — Page ELECTED-200

Decision unit E-127 in B/A 101-1080 requests funds for a new accountant for the Investment Division. This position will complete all the accounting work on the investment portfolios, such as reconciliations and interest distributions to other executive agencies. This position will be the primary client and agency interface for the Local Government Investment Pool Portfolio. This position will allow the existing investment analyst to focus on increasingly vital investment activities, monitoring analytics and credit research.

E-127 Economic Opportunity & Skilled Workforce — Page ELECTED-201

When I became Treasurer, we had approximately \$2.8 billion under management. Now we have about \$9.2 billion under management with the same size team. Historically, the investment team performed more of an accounting function. Investment analysts did the reconciliation work, which is not prudent. This accounting position would allow us to bifurcate those functionalities, and make sure the investors can focus on investing and the accountants can focus on accounting.

Funding for one new investment analyst position, page 7 of [Exhibit C](#), is requested with decision unit E-128 in B/A 101-1080. We have had three people doing this work for a long time. We are adding a fourth position, as our assets under management have increased more than 300 percent.

E-128 Economic Opportunity & Skilled Workforce — Page ELECTED-201

The next decision unit, shown on page 8 of [Exhibit C](#), is decision unit E-805 in B/A 101-1080 which reclassifies the investment analyst positions from classified to unclassified service. The Governor did not recommend funding of decision unit E-805. The agency request for \$867,778 over the 2023-2025 biennium is included in the [Executive Budget](#). This reclassification to unclassified status will allow us to increase pay commensurate to the size of the money managed and the risk associated with it. Just as important, it will allow us to be flexible with the work they do.

E-805 Classified Position Changes — Page ELECTED-203

Decision unit E-129 in B/A 101-1080 on page 10 of [Exhibit C](#) provides funds for State-owned rent space for the new positions within the Office of the State Treasurer.

E-129 Economic Opportunity & Skilled Workforce — Page ELECTED-202

Decision unit E-225 in B/A 101-1080 requests funds for subscriptions to three nationally recognized statistical ratings organizations to provide the investment analysts with quick access to thorough and timely investment research. This information is obtained from our external portfolio managers who, due to licensing restrictions, cannot always provide the requested research.

E-225 Efficiency & Innovation — Page ELECTED-202

ASSEMBLYWOMAN JAUREGUI:

If the new positions are recommended and approved for the investment division, how much savings do you anticipate?

TREASURER CONINE:

I would look at it less from a savings possibility and more from an opportunity cost possibility. We use outside managers to manage several of these portfolios. We think we could take that outside manager cost back, which would save us a couple of percent on those millions of dollars of assets under management. We would not stop using outside managers altogether. We would use them to do more esoteric work on the outside of the portfolio. There is an opportunity here to possibly pick up additional investment returns. The other piece of our job is to not lose money and have the liquidity required to pay bills. Given the increase in the size of the State's portfolios, it becomes harder for a smaller group of people to do that work.

ASSEMBLYWOMAN JAUREGUI:

If a new unclassified investment analyst position is needed, why is it needed for the Investment Division? Would maintaining the three existing investment analyst positions in classified service instead provide the Division with the support needed to do your work?

TREASURER CONINE:

Our goal is to take all the investment analysts and make them unclassified, which would allow the flexibility to move them from portfolio to portfolio as necessary. It is not just the addition of a human; it is the additional flexibility with the existing humans.

ASSEMBLYWOMAN JAUREGUI:

I want to clarify; the three existing classified positions will be moved into unclassified positions.

ASSEMBLYWOMAN PETERS:

Can you confirm whether this accountant technician position would be necessary to begin in October 2023 given the delays with the Silver State

Modernization Approach for Resources and Technology in the 21st Century (Smart 21) transition under which this is partially justified?

TREASURER CONINE:

We could have used that accountant technician in 2017. Each year the amount of work performed by a limited group of people continues to increase. Enterprise Resource Planning (ERP) software implementation is an additional burden on that staff who need to do their existing work at the same time. An increase in 1.4 million transactions, 23 percent since 2019, is most of the justification for the position.

ASSEMBLYWOMAN KASAMA:

The State's investment analyst position salary is about \$150,000 to \$160,000. Private sector investment analysts are probably getting \$400,000 to \$500,000, with bonuses on top of that. How do you see the reclassification working versus continuing to work with the outside investment advisors? We have heard from other agencies about the difficulty in attracting qualified people. I do not think the State could afford to pay what really good investment analysts out in the market are getting.

TREASURER CONINE:

You are correct. All State agencies are having trouble recruiting people at the skill level we need. In the Office of the State Treasurer, we have a vacancy rate under 10 percent for several reasons. The State attracts newly trained analysts learning this job. Many have a sense of public duty and are not doing it just for the paycheck. But, we need to make sure that the paycheck is at least close enough so their sense of public duty, plus the paycheck, can give them the life that they want.

We do not expect we will stop using outside managers but will instead use them for things that are harder. In the past, the State has only invested in treasuries, buying paper from the U.S. Government or investing in bonds. There is more opportunity out there. We will use the outside managers with larger shops to get that opportunity. Our Investment Division, compared to an investment division of almost any other state, has a fraction of the people at a multiple of the return.

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ASSEMBLYWOMAN KASAMA:

What is the general allocation of investments in the portfolio from a risk standpoint? How much of it is treasury bonds and how much are you putting into other areas that have more risk?

TREASURER CONINE:

We can get you that portfolio information as it changes day to day. It is important for everyone to know the general portfolio has no equities in it at all. There are no stock positions. The portfolios are completely fixed income.

There is a constitutional prohibition against the State owning equity positions in companies. Our focus is on primarily treasuries, agencies, commercial paper and corporate notes of high credit grade. Our investment policy and the statutes that control what we can invest in require us to have a very high level of credit rated paper. Our first responsibility is to not lose money and to make sure when the State's bills come due, we have the liquidity to pay them.

SENATOR TITUS:

There is a term in investing called conscientious capitalism. You publicly stated we were not investing in any firearm companies. In that realm of conscientious investing are you making sure we are not investing in tobacco companies or pharmaceutical companies? Am I hearing that we are not investing in anything like that at all, just treasury bonds? Could you clarify that for me?

TREASURER CONINE:

I will try to answer this in a couple of different parts. When we buy a bond, we are buying a security. We are not buying that security directly from the company. This is a security existing in the marketplace issued by a company in the past. On every occasion we are purchasing it because of the yield or interest rate and the date it is maturing to get the highest possible return. We have never invested directly into any of those companies. It is constitutionally prohibited.

When we divested the State from all manufacturers and retailers of assault style weapons, we did that from a risk potential. When those bonds were compared to other bonds like them, there was additional risk without additional return. That has been proven correct. We look at all investments in the portfolio with an eye towards risk.

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SENATOR TITUS:

To be clear the decision was strictly a financial one and you would not invest in any company if it was not worth investing in. It seemed like assault style weapons were singled out publicly. We spend millions of dollars in the State taking care of illnesses from tobacco. From a humanitarian aspect, are we investing in any tobacco industries, or do you know?

TREASURER CONINE:

When I took over the portfolio, there were a few tobacco positions in it. I do not know if we still have any, but we can get you a list and information on when we last owned them.

SENATOR NEAL:

The Office of the State Treasurer is funded by the General Fund and other funds. In 2024, the other funds category increased to 36 percent from 10 percent in 2023. What types of funds come into the other revenue category?

TREASURER CONINE:

I do not have it in front of me but can provide you with that information.

CHAIR DONDERO LOOP:

We will move to the next budget account.

TREASURER CONINE:

Our next budget account is B/A 603-1081, the Higher Education Tuition Trust Fund. The Nevada Higher Education Prepaid Tuition Program enables parents, grandparents and other family members to lock in future in-State college tuition rates at today's prices. Established in 1998, the Nevada Higher Education Prepaid Tuition Program is 1 of only 11 prepaid tuition programs in the country. It is fully administered by the College Savings Division and includes the marketing of the Nevada Higher Education Prepaid Tuition Program, assisting families with enrollment and coordinating with higher education institutions for the distribution of benefits.

Treasurer-Higher Education Tuition Admin — Budget Page ELECTED-222
(Volume I)

Budget Account 603-1081

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Decision unit E-125 in B/A 603-1081 requests funding for one new program officer position. The position in Las Vegas will provide support to the Program and outreach to communities to increase enrollment.

E-125 Economic Opportunity & Skilled Workforce — Budget Page ELECTED-223

Decision unit E-710 in B/A 603-1081 requests funds for replacement of hardware and software per the recommended replacement schedule.

E-710 Equipment Replacement — Budget Page ELECTED-224

ASSEMBLYWOMAN ANDERSON:

Will this position serve mostly in the rural area? What other additional benefits and services would be provided to Nevada families and students?

TREASURER CONINE:

This position specifically would be in Las Vegas but, as with all our programs, we travel. In the Nevada Higher Education Prepaid Tuition Program, we have two people who are doing the work; one of them has been in the position since its inception. We need an additional position to make sure the program continues to work. It is open enrollment right now. The end of the process when a student enrolls involves a lot of coordination with the school. If they choose to attend a Nevada institution, it is a relatively easy process. When the student enrolls in a school somewhere else, we work with the bursar's office, which takes time and is a hands-on process. We need the additional resources.

ASSEMBLYWOMAN ANDERSON:

Would this position allow the training time necessary prior to a possible retirement of an existing program officer?

TREASURER CONINE:

One of our initiatives is to ensure there is a smooth transition of those coming into and going out of State service. Luckily, we have a team including the individuals behind me and in Las Vegas who are dedicated to this work and have been here for a long time. I have been told that I cannot keep people working forever so we need to have a backup plan.

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ASSEMBLYWOMAN MONROE-MORENO:

Approximately how many people are participating in the program, and do you believe the addition of this position will increase enrollment?

TREASURER CONINE:

We find in the Nevada Higher Education Prepaid Tuition Program that enrollment increases or decreases based on what is happening in the stock market. The Program is a defined benefit plan. People will use a 529 College Savings Plan which is more directly correlated to a rising stock market. In periods of market correction, or down phases, we see more people coming to the Nevada Higher Education Prepaid Tuition Program.

The office is focused on explaining how the Nevada Higher Education Prepaid Tuition Program works, not just for families who can write a check for \$26,000 for a four-year program but, for families who can start putting \$39 a month into a program.

KIRSTEN VAN RY (Chief of Staff, Office of the State Treasurer):

I do not have the exact number in front of me, but I estimate there are around 11,000 active prepaid tuition accounts.

ASSEMBLYMAN O'NEILL:

I think there may be a typo in your presentation on page 11 of [Exhibit C](#). In B/A 603-1081 decision unit E-710 you say you want to buy a computer and docking station in fiscal year (FY) 2023-2024 for \$6,500 and another one in FY 2024-2025, and it will cost nothing. Is that correct, you get a free one?

TREASURER CONINE:

Yes, that is an error.

LORI HOOVER (Chief Deputy Treasurer, Office of the State Treasurer):

Regarding Senator Neal's question, the "Other" category for the Office of the State Treasurer's funding is an inter-agency transfer from the Fund for a Healthy Nevada, which is revenue received from the tobacco settlement as authorized by NRS 439.620. This transfer is for payroll allocations for five team members.

SENATOR NEAL:

It is a transfer, not fees charged to other agencies.

TREASURER CONINE:

Budget account 261-1088 is the Millennium Scholarship Fund, as shown on page 12 of [Exhibit C](#). Governor Guinn Millennium Scholarship Fund was established by S.B. No. 496 of the 70th Session, to provide scholarships to high achieving Nevada high school students to use at eligible institutions in the State. The program was funded with 40 percent from the tobacco settlement and \$7.6 million transferred from unclaimed property funds. The Millennium Scholarship is deeply underfunded and is insolvent. We will request a one-shot appropriation of \$75 million to cover the shortfall over the next four years.

CHAIR DONDERO LOOP:

Budget account 261-1088 was not on today's agenda, but we appreciate the information you gave us on page 12 of [Exhibit C](#).

Treasurer-Millennium Scholarship Administration — Budget Page ELECTED-228
(Volume I)

Budget Account 261-1088

TREASURER CONINE:

The Nevada College Savings Trust is B/A 101-1092 as shown on page 13 of [Exhibit C](#).

Treasurer-Nevada College Savings Trust — Budget Page ELECTED-213
(Volume I)

Budget Account 101-1092

The College Savings Division administers a variety of programs that assist Nevadans in planning, saving and paying for higher education. The College Savings Division provides administrative support to the Board of Trustees of the College Savings Plans of Nevada.

Nevada Revised Statutes 353B governs Nevada's college savings programs and establishes two different types of college savings programs, Nevada's 529 College Savings Plans and Nevada Higher Education Prepaid Tuition Program. The Office of the State Treasurer strives to create a culture of education in Nevada.

The Division is responsible for administering the Nevada Achieving a Better Life Experience (ABLE) accounts which allow people with disabilities to save and earn money without threatening the loss of State and federal benefit programs. The 2014 federal program, ABLE, gave states the ability to establish tax advantaged savings accounts for people with disabilities to pay for qualified disability expenses.

Decision unit E-125 in B/A 101-1092 requests a new program officer for the College Savings Program.

E-125 Economic Opportunity & Skilled Workforce — Budget Page ELECTED-215

The position will be in Las Vegas to provide necessary support to the College Savings Program. It will serve as a navigator in providing more education and outreach to Nevada communities to increase enrollment in the programs and help Nevada families plan and save for college.

The position helps families by providing information about applying for scholarships, qualifying for federal student aid and using existing federal and State government programs.

Decision unit E-126 in B/A 101-1092 requests a new deputy treasurer of financial literacy and security position for the College Savings Program.

E-126 Economic Opportunity & Skilled Workforce — Budget Page ELECTED-215

This position will be in Las Vegas and tasked with the creation and implementation of the Individual Development Account (IDA) program and the work of the Nevada Statewide Council on Financial Independence, which was created by S.B. No. 188 of the 81st Session. Once launched, the deputy would oversee the day-to-day administration of the Council, IDA program, the ABLE program and other financial literacy and security initiatives.

The Office of the State Treasurer gets a fair number of questions about financial security and financial literacy. All those questions have been addressed within the College Savings Division, historically. That work is much more significant than can be done as an afterthought within the College Savings Division, which is why we are looking for a way to fund that program.

Decision unit E-127 in B/A 101-1092 is shown on page 15 of [Exhibit C](#). It funds one new program officer for the ABLÉ program. This position will act as a liaison between partnering institutions and organizations, build relationships and assist school districts, community groups, nonprofit organizations and State agencies to create increased awareness about the Nevada ABLÉ program. Through awareness, the ABLÉ program is helping a greater number of Nevadans with disabilities save for a better future.

E-127 Economic Opportunity & Skilled Workforce — Budget Page ELECTED-216

Our office was originally charged with managing the accounts, but the actual marketing of the accounts existed at another State agency. When we took over the office, there were 237 ABLÉ accounts Statewide. There are now 3,173 accounts, an increase in of 1,239 percent. Funding this position will allow that work to continue. The ABLÉ program is about making sure that the families who could be benefiting from these accounts know about them.

Decision unit E-710 in B/A 101-1092 requests funds for replacement of hardware and software per the recommended replacement schedule.

E-710 Equipment Replacement — Budget Page ELECTED-216

SENATOR NEAL:

What will be the role of a new deputy treasurer of financial literacy and security, and what is the timeline for filling this position?

TREASURER CONINE:

If approved, the Office of the State Treasurer would seek to hire the deputy in the fall or winter right after the October timeline. Following onboarding, the deputy would begin in earnest with the design and implementation of the IDA Program in the Council on Financial Independence. We anticipate the timeline to be about six months beginning in early 2024. We expect to take 60 days to identify and appoint five board members. We need 30 days for the Council to have its first meeting, and create bylaws, priorities and strategies. It will take another 30 to 45 days for the deputy to research best practices from other state's IDA programs to determine design and that necessary elements are aligned with the council's objectives and priorities. The council will then hold meetings to vote on the IDA design plan, delegate power and get feedback from

stakeholders. Another piece will be to develop a Request for Proposal for a software vendor to manage only the mechanical part of the accounts, such as putting money into them and allowing for receipt of matched funds.

It is about a six-month process until we are up and running. That is probably a little optimistic, but certainly will be within the calendar year after that position started.

Unlike ABLE accounts focused on people with disabilities, the IDAs are available to a wider group of financially challenged individuals. To qualify, a person must meet specific income criteria. The IDAs would allow us to work with our banking and philanthropic partners or other institutions that want to support these types of programs with matching dollars to Nevadans who start to save. Nevadans' reliance on payday loans, due primarily to a lack of emergency capital through savings, is a constant issue. The goal of the IDAs is to give people an opportunity to save in a way that is cheaper.

SENATOR NEAL:

I want to dive more into the financial literacy piece of the Council. What is the overlap between the Nevada State Financial Advisory Council and the financial literacy work that was done in 2022? How does this new Council change the narrative on the outreach happening in high schools and within those communities? Getting a deputy will not necessarily change anything if it is not someone who will do the grassroots work of showing up onsite to implement the program.

TREASURER CONINE:

In the College Savings Division, Dr. Tya Mathis-Coleman has shifted the Division dramatically from a sales focus to an education focus. We are now in the communities, talking to schools, counselors, church leaders, union heads and anyone who will listen to us about planning and saving for college. We will use that model to talk about financial security.

There is overlap in financial literacy between several State agencies. The Nevada State Financial Advisory Council is focused on financial stability. The work here is to make sure individuals have a savings account and are prepared for downturns. We hope to bring in philanthropic and corporate money through the Community Reinvestment Act of 1977 with our banking partners. We will

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need to make sure we coordinate with those other financial literacy and stability programs so there is no overlap. We will focus on promoting this account to protect assets and to provide financial stability where there is an opportunity.

ASSEMBLYWOMAN JAUREGUI:

I have previously worked with a nonprofit who had IDAs in partnership with Wells Fargo where they had income restrictions. The income restrictions made it difficult for families to participate. There was a minimum of \$20 needed to save to be part of the program and several families could not do it. Will there be a minimum or maximum required with this program?

TREASURER CONINE:

We found this similar to the 529 savings program. The lower you can get that number the easier it is for people to participate. We can waive that number or fund it with a grant in some cases.

On the income side, there will be a level of income restriction on an IDA. We do not want people making \$1 million to have a new way to take \$5,000 and make it \$20,000. That is not what the program is about. The goal is to help those who need it the most.

The program has flexibility. Depending on who the money is coming from, a specific population can be targeted. We can set up the IDA to offer different programs for a different subset of people. A real estate partner who wants to encourage people to buy homes will increase the multiple for that purpose of funds. The goal is for the program to be as flexible as possible, so we can meet not just the need, but the potential sources of funding.

ASSEMBLYWOMAN JAUREGUI:

I am excited for people to realize opportunities they thought might be out of reach for them.

Will the new positions requested in the College Savings Program be doing outreach throughout the State to increase enrollment? Is there someone who has been doing outreach Statewide?

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TREASURER CONINE:

We have someone in northern Nevada, based in Carson City, who does this work. The team in Las Vegas is specifically doing this navigating or one-on-one work. In addition, they travel the State.

ASSEMBLYMAN HAFEN:

Will the Transforming Opportunities for Toddlers and Students (TOTS) program continue, or did you say that was a one-time appropriation?

TREASURER CONINE:

The TOTS program was funded with a one-time allocation for a total of \$10 million through the American Rescue Plan Act of 2021 (ARPA). Another \$2 million specifically for people in the foster care program was added that has been remarkably effective at getting dollars to those who need them the most in a time of crisis. It was intended to be a one-time funding stream. If this body and the Governor wishes to create a TOTS program going forward, we would be happy to administer it.

ASSEMBLYMAN HAFEN:

Are there still funds available or have all those funds been distributed?

TREASURER CONINE:

We have distributed most of the \$10 million dollars that went to the broader population of people with disabilities. All that money is accounted for. That was for 2,000 children, but the demand was more than double that number. We know there are more families out there who need this work on the foster care side.

ASSEMBLYWOMAN BACKUS:

What additional workload has been experienced as a result of increased awareness about the ABLE program funded through ARPA and the Coronavirus State Fiscal Recovery Fund?

TREASURER CONINE:

The ABLE program work is not just about getting the families through the initial TOTS program. It has been about working with those families to make sure they continue to use it as a vehicle and to provide them information with all the uses for the ABLE account.

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As an example, Jack from Jack's Popcorn was one of our first interns in our office. Jack uses an ABLE account so his business can continue to survive without threatening the other resources that he and his family need. The TOTS program called a lot of attention to the little know ABLE program.

ASSEMBLYWOMAN BACKUS:

It was noted that funding for the new program officer position will not be from transfers from the College Savings Endowment Account. What other funding sources were considered for this new position?

TREASURER CONINE:

We generally try not to go for General Fund sources when other funds are available. The College Savings Trust Fund is very robust and can fund the expansion of opportunities for Nevadans.

ASSEMBLYWOMAN KASAMA:

Are you trying to get private companies to do all the match for the IDAs or will there still be a State match?

TREASURER CONINE:

There would be legislative work to create matching dollars. Our work is focused on program administration first, along with getting philanthropic and corporate philanthropic dollars to fund these programs.

ASSEMBLYWOMAN KASAMA:

Is there no State match? Will it be private?

TREASURER CONINE:

It will not be in our budget.

ASSEMBLYWOMAN KASAMA:

It is amazing what the State is doing with literacy training, particularly in the high schools. Anything we can do to help with financial literacy is crucial. It will be interesting to see if we can get the participation in this account.

TREASURER CONINE:

We will move to B/A 101-3815, Unclaimed Property, as shown on page 17 of [Exhibit C](#).

Treasurer - Unclaimed Property — Budget Page ELECTED-234 (Volume I)
Budget Account 101-3815

The State Treasurer serves as the administrator of the Unclaimed Property Program. The Division safeguards more than \$1 billion in unclaimed property belonging to individuals, heirs or businesses who have resided or done business in the Silver State. The program, governed by NRS 120A.025 and NRS 120A.620, ensures businesses and government entities report and remit unclaimed property in a timely matter.

Each year businesses and government agencies turn over tens of millions of dollars of abandoned property in the form of cash, securities and tangible property to the Unclaimed Property Division. Property is held in Unclaimed Property's custody until it can be returned to its rightful owner or heir. Since owners never lose ownership of the property, the State must maintain custody of these assets in perpetuity.

The Unclaimed Property Division operates in two primary workgroups discussed on page 18 of [Exhibit C](#). Money in, which is holder reporting and audit work, and money out, which is claims. The claims team is responsible for receiving, reviewing, and approving or denying submitted claims. In addition, it processes, holds and auctions physical property received from safe deposit boxes, the proceeds of which are credited to the box owner's account. The holder team is responsible for receiving and processing reports and payments that are submitted as unclaimed property. The audit team is responsible for managing contracted outside auditors, performing compliance reviews, and assessing and collecting penalties and interest for reports or property that were submitted incorrectly or late.

Budget account 101-3815 decision unit E-125 funds and creates a new class series for the claims process officer position as detailed on page 19 of [Exhibit C](#).

E-125 Economic Opportunity & Skilled Workforce — Budget Page ELECTED-236

The position will be in Las Vegas and provides necessary support to the Unclaimed Property Division by reviewing and processing claims to return money to its rightful owners. The new officer position is needed due to an increase in claims requests. The Unclaimed Property Division will submit

a request to Department of Administration, Division of Human Resources to reclassify two administrative assistant III positions at grade 27 to this newly created claim officer I position at grade 30.

We have increased the amount of outreach and property returned in the Unclaimed Property Division over the last few years. Since January, \$184 million dollars of unclaimed property has been returned, the most over that period in history.

During the pandemic, we were able to create a list of everyone who had filed for unemployment insurance and compare it to a list of everyone who had unclaimed property. We found \$10.2 million owed to Nevadans who had filed for unemployment insurance but could not send it back without contact first from the individuals. With Legislative help, the law was changed which enabled the Division to send the money directly back to Nevadans.

You will see a bill come before parts of this body, about unclaimed property, which will allow us to work with other State agencies to find people on the unclaimed property list. When they have unclaimed property, we return it to them without a prior request from them. That work takes people, and our claims team is overburdened by the number of claims coming in. To make sure we meet both the statutory requirement and the speed at which we return money and property, this position will help.

We are proposing the reclassification of two existing administrative assistant positions to the newly created claims officer requested in E-125. The reclassification is vitally important to the Division and will better align with the advanced level duties required of the new position. The reclassification is not in the Executive Budget but shown on page 20 of [Exhibit C](#).

On page 21 of [Exhibit C](#), B/A 101-3815 decision unit E-225 funds ongoing expenses for FY 2023-2024 and FY 2024-2025 for two Enterprise Information Services' (EITS) server hosting services, two Structured Query Language server licenses, and EITS monthly disk storage space for the upgraded Unclaimed Property Program database and software system.

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The request in B/A 101-3815 decision unit E-710 funds computer hardware, 13 laptops and software per the EITS recommended replacement schedule.

E-710 Equipment Replacement — Budget Page ELECTED-237

ASSEMBLYMAN YEAGER:

Is there a backlog now and are you able to comply with the 90-day requirement under statute with the current staff?

TREASURER CONINE:

There absolutely is a backlog. The backlog exists in the process of getting claims through the system and mechanically getting checks out to individuals. Returning unclaimed property is a completely check-based process. We can use the FastTrack program for claims under \$5,000 when it is clear who the owner is. A backlog can still occur in the issuance of a physical check for the claim.

Our work is twofold. We make sure we have enough staff to stay within the statutory requirement of processing a claim, and we invest in the technology and work with the Cash Management Division to begin using electronic payment transfers. This will save the State a significant amount of money on postage and check printing. Yes, we are within the 90-day statutory requirement.

ASSEMBLYWOMAN ANDERSON:

If someone has unclaimed property they do not want for whatever reason, because it is two dollars or because of other philosophical differences as to why it was given to them, is there a process for that money then to be donated back to the State, a group or to another entity?

TREASURER CONINE:

We keep the money in perpetuity regardless of amount. The instance you describe happens infrequently. A person can donate that money back to the State and to a specific account, but it must go through the claims process to designate money to a specific location. We are looking at ways we can make that quicker.

ASSEMBLYWOMAN ANDERSON:

If the money is from someone who is deceased, is their family able to claim the funds by providing a copy of a trust or show a power of attorney?

TREASURER CONINE:

Claims made by someone other than the original owner are difficult and require verification of ownership. The team is required to spend time researching the validity. Once required documents are provided the claim can be resolved and paid out.

ANDY MATTHEWS (State Controller):

An overview of the Office of the State Controller (SCO) is shown on page 2 of ([Exhibit D](#)) in my budget presentation. The Nevada State Controller is essentially the chief fiscal officer for the State, one of six elected Statewide constitutional officers.

The SCO team is organized into four sections: debt collection, agency services, financial reporting and IT.

Our core responsibilities are shown on page 3 of [Exhibit D](#). Among them are control of the State's accounting system, preparation of financial statements for the Permanent School Fund and annual comprehensive financial reports, review of the SCO's financial transactions, administration of the debt collection program and vendor database, and compliance with State fiscal and federal revenue laws.

JAMES SMACK (Chief Deputy Controller, Office of the State Controller):

Page 4 of [Exhibit D](#) discusses Smart 21 integration. A focus of the SCO, the Controller and several staff members is contributing time and effort to the finance module. The SCO is working with the Governor's Office of Finance, Office of Project Management to ensure the success of the initiative.

Page 5 of [Exhibit D](#) details five new accounting standards affecting financial reporting the SCO is in the process of implementing.

We have a nine-person IT group within our office, page 6 of [Exhibit D](#). The primary focus for the IT group is transitioning the Advantage, Data Warehouse of Nevada, Discoverer and Vista software reporting programs to the vendor, SAP. The existing software is out of date, and the IBM hardware will soon be out of support. One of the little ticking time bombs with the Advantage software is that the servers are now out of support, and we risk crashing the entire accounting system. Once data is migrated, we will maintain Advantage as

a historical system. The internet will be transitioned to SharePoint, moving everything into the Office 365 Teams environment. Our phone system needs an upgrade which will allow it to work through Microsoft Teams.

Another priority is replacing our BottomLine check printing solution with an easier to use and manage solution with better support.

Our office will focus on additional training for IT staff to ensure our team remains on the cutting edge of responding to cyber threats and educating other SCO users.

Page 7 of [Exhibit D](#) features the SCO's debt collection function. In FY 2017-2018 the SCO implemented the new debt collection system called Nevada Collections Information System. That increased average annual collections from \$266,018 to \$1.28 million per fiscal year and the number of State agencies served from 37 to 48. We have 76 State agencies that place debt with our office. Most of that is aged debt which exceeds ten years and is mostly uncollectible. We will be writing off bad debt in the coming months.

The annual collection amount has stabilized over the past six years. Our office is working with the Nevada Department of Employment, Training and Rehabilitation to establish a garnishment process, which should increase our annual average collections. The process started in January 2020 but stalled due to COVID-19. It was restarted in January 2023. We expect to get the garnishment process online by the beginning of the next fiscal year.

We established a web portal in 2019 allowing the debtors the ability to pay debts online via credit card. This has reduced the Division's call volume significantly.

The Office of the State Controller has an enhancement as shown on page 8 of [Exhibit D](#). Decision unit E-225 in B/A 101-1130 adds one additional position as provided for in the Executive Budget.

ELECTED OFFICIALS

CONTROLLER'S OFFICE

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Controller – Controller's Office – Budget Page ELECTED-242 (Volume I)
Budget Account 101-1130

E-225 Efficiency & Innovation – Budget Page ELECTED-247

This requests one accountant technician to support the debt collections section of the SCO. The position should increase collections by 25 percent of our outstanding debt of \$1.25 million. This enhancement in our budget should pay for itself. If the goal of 25 percent is met or exceeded, we will consider additional positions at a later time. We have had a significant uptick in Nevada Department of Motor Vehicles (DMV) debt come to our office and this position will allow us to handle that operation.

The SCO will be a leading agency in the implementation of the new ERP system in partnership with the Governor's Office of Finance, Office of Project Management and other stakeholder agencies. The success of this initiative is critical to success in financial reporting and agency services. We are increasing our debt collection goal to \$2 million per year. We will continue to work to provide strong agency services and IT services to the SCO team and stakeholder agencies. We will continue to find ways to save money through process improvements and advances in technology without sacrificing service.

The State Controller is presenting Assembly Bill (A.B.) 3 shown on page 9 of [Exhibit D](#). This bill changes NRS 387.013 to provide for the report on the State Permanent School Fund to be an annual report versus the quarterly reporting now required. The change aligns all financial reporting in our office to an annual basis. This would save time and effort of our financial reporting team.

ASSEMBLY BILL 3: Revises provisions governing financial reports of the State Permanent School Fund. (BDR 34-304)

SENATOR GOICOECHEA:

How could we end up with a transaction from DMV going into debt collection?

MR. SMACK:

It could be something as simple as a bad check. Much of this debt is aged ten years or more, when people did not use debit and credit cards. This aged debt will be less likely to occur in the future because the debit and credit cards

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go through an approval process when the cards are used. Other larger debts come over relating to motor carrier transactions. The DMV refers debt to the Division if the debt has not been collected after 60 days.

SENATOR GOICOCHEA:

Are many of these aged accounts because typically DMV now requires a debit or credit card?

MR. SMACK:

I do not think they necessarily require it. I think you can still pay cash. I am not sure if you can still pay by check at DMV.

ASSEMBLYWOMAN DICKMAN:

I understand the Comprehensive Annual Financial Report (CAFR) is supposed to be completed in March, and in recent years it has been getting later. Would you shed light on why this is happening, what the negative effects are to our State and what will happen going forward?

CONTROLLER MATTHEWS:

It came out in June last year. Chief Deputy Smack can add additional context.

MR. SMACK:

In the previous six years, the CAFR was released no later than the end of March which met the guideline set by the Government Accounting Standard Board and the Governmental Finance Officers Association (GFOA). The guidelines assist us in making sure we have accurate and timely financial reporting.

This late reporting is frustrating and concerning to me. I do not want to see a fiscal report nearly a year after the reporting period. It could be a concern to our bond holders as well. I think part of the problem is in training replacements for our retiring workforce who have a wealth of institutional knowledge. Our budget does not allow for overlap between incoming accountants and retiring ones. We are spending as much time now being educators to new staff as we are working on accounting and getting the report completed.

CONTROLLER MATTHEWS:

In addition to training needs, it is a step-by-step process. We cannot do the audit until the report is completed on our end. We cannot start the report until

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we receive the necessary information from various State agencies, which in recent years has come later. We are finishing up this report. After it is completed, we will undergo a postmortem to see if we can identify gaps in the process. We will look internally and at other State agencies. Once identified, we are committed to working with everyone to be sure we all get better going forward. This has been a systemic challenge, but we are committed to meeting it.

ASSEMBLYWOMAN DICKMAN:

We look forward to getting a report after you do that postmortem.

ASSEMBLYMAN O'NEILL:

To me it looks to be a very interesting and very conservative budget. I am impressed with it. Where will the positions you need be located?

MR. SMACK:

The only additional position is in debt collection operations, that will be here in Carson City.

ASSEMBLYMAN O'NEILL:

Is the Popular Annual Financial Report (PAFR) redundant to your CAFR? What is the importance of that?

CONTROLLER MATTHEWS:

The PAFR is basically intended to be a layman's version of the CAFR. The PAFR is recommended but not required by the GFOA. The Office of the State Controller has produced the PAFR going back several years, but it has not been created in the last two years. We intend to bring it back. The PAFR is easily understandable to most Nevadans, and it goes to accountability and transparency. We believe it is a valuable report to our taxpaying citizens.

ASSEMBLYWOMAN KASAMA:

The annual report is difficult to find on the State's website. Do we have a short, easy to find annual report, or will that be something we will be working toward?

MR. SMACK:

All our historical CAFRs and PAFRs can be found at <<https://controller.nv.gov>> The CAFR and the PAFR are on the front page. If

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you want an older CAFR, Controller Matthews has the 1870 CAFR on a shelf in his office. We can put the annual reports out for public dissemination.

ASSEMBLYWOMAN KASAMA:

I encourage you put in the budget a 30- or 60-day training overlap. My colleagues in the Legislature might look favorably on that. The time for somebody to get up to speed without training, particularly in the financial area, is a loss that would cost us more as a State than overlapping someone for 30 or 60 days for proper training.

With all the bank accounts you are managing while being short staffed, how far behind on bank reconciliations are you?

MR. SMACK:

We are not behind on bank reconciliations, but there have been errors in several accounts over the past 10 months. We have contracted with a former chief accountant for agency services who will get those reconciled for the CAFR. It is not a long backlog. I can get back to you on the exact number of months. The last time I heard, it was 10 months. The reconciliations are done, but there are balancing concerns that we are trying to work out between the SCO and the Office of the State Treasurer.

CHAIR DONDERO LOOP:

Does Controller Matthews anticipate timely distribution of debt recovery funds to agencies prior to the end of the fiscal year should this recommendation be approved? Would you explain further?

MR. SMACK:

The agencies are getting their funds back and where the funds are distributed depends on the agreement with the agency. In several cases, funds are returned to the agency and in other cases they are returned directly to the general fund. In some cases funds go into our debt recovery account for ongoing debt recovery operations such as printing and mailing of notices. We are still paying on the performance-based contract with CGI for the Nevada Collections Information System. Part of the debt recovery account goes to pay monthly expenses for that system based on the total amount of collections and how much goes into the debt recovery account. Money is returned to the agencies within five days, as quickly as we can process it.

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CHAIR DONDERO LOOP:
We will move to public comment.

KENT M. ERVIN (State President, Nevada Faculty Alliance):
Along with our national affiliates, the American Association of University Professors and the American Federation of Teachers, we advocate for higher education as a common good and for making college affordable for students. The State scholarship and college savings programs are important pieces for making college affordable for students. Both nationally and in Nevada, state funding of public colleges and universities has declined while student fees and tuition have increased. In-State student registration fees at the Nevada System of Higher Education are still a bargain compared with other states. Over the 15 years from FY 2006-2007 to FY 2021-2022, the total student fees and tuition per full-time equivalent (FTE) student enrollment have increased by 22 percent after inflation, while State funding per FTE student, has declined by 34 percent after inflation. Programs administered by the Treasurer, like the Governor Guinn Millennium Scholarship, the Nevada Higher Education Prepaid Tuition Program and the 529 College Savings Program are very important for our students. They have our full support, including funding for the needed staff. I have a small quibble about the name of the Nevada Higher Education Prepaid Tuition Program. According to NRS 396.540, tuition is defined as the extra charge for nonresident out-of-State students. According to the statute, in-State resident students are only charged fees, not tuition. Until we get to a point of free higher education for Nevada residents, the distinction between fees and tuition is more of a legal fiction than reality.

Remainder of page intentionally left blank; signature page to follow.

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CHAIR DONDERO LOOP:

There is no additional public comment. This meeting is adjourned at 9:51 a.m.

RESPECTFULLY SUBMITTED:

Dee Chekowitz-Dykes,
Committee Secretary

APPROVED BY:

Senator Marilyn Dondero Loop, Chair

DATE: _____

Assemblywoman Daniele Monroe-Moreno, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit Letter	Begins on Page	Witness / Entity	Description
	A	1		Agenda
	B	1		Attendance Rosters
	C	2	Treasurer Zach Conine / Office of the State Treasurer	Treasurer's Office Budget Presentation
	D	22	Controller Andy Matthews / Office of the State Controller	Office of the State Controller Budget Presentation