



STATE OF NEBRASKA

Don Stenberg, State Treasurer

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

January 9, 2017

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

Dear Mr. O'Donnell:

Looking back over 2016, I am pleased to report on many significant accomplishments for the Nebraska State Treasurer's Office during the past year. While maintaining our core function as the state's banking institution and continuing to be vigilant in seeking ways to reduce expenditures, the Treasurer's Office is proud to report the following achievements in 2016:

- Together with our program manager, First National Bank of Omaha, launched the Enable Savings Plan for people with disabilities. Nebraska was the third state in the nation to launch an ABLÉ savings program resulting from federal legislation in 2014 and enabling state legislation in 2015.
- Contracted with the State of Alabama to provide the Enable Savings Plan to Alabama residents, broadening the reach of our savings program for people with disabilities. Nebraska was the second state in the nation to contract with a sister state to provide an ABLÉ savings plan for residents of the contracting state.
- Completed a successful year in our Unclaimed Property Division, returning more than \$16.3 million to 16,984 claimants. This is the largest amount ever returned in a single year in the history of the State Treasurer's Office.
- Celebrated the 15th anniversary of the Nebraska Child Support Payment Center, which now receives 78 percent of child support payments electronically and pays out 98 percent electronically, saving paper, postage, printing, and staff time. Since the center opened in 2001, the average cost to process a payment has dropped from \$2.54 to 96 cents, largely as a result of the use of electronic payments.
- Worked to increase total investments in the Nebraska Educational Savings Trust (NEST), which now exceed \$4 billion.

More details about my office's work in 2016 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 2015-16, the Treasury Management Division processed more than \$11.7 billion in state agency receipt transactions, including incoming Automated Clearing House (ACH) payments, wires, credit cards, and coin. Of that total, \$9.9 billion, or 84 percent, was processed electronically. The total amount paid out was \$10.3 billion. Of that total, \$9.89 billion, or 95.7 percent, was paid electronically, saving state resources of time, paper, printing, and postage.

Treasury Management completed 354 transfers last year: 52 transfers to and from the General Fund, 5 transfers to or from the Cash Reserve Fund, 1 transfer between the General Fund and Cash Reserve Fund, and 296 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 Fleet Fuel Card Services and assisted agencies switching to a new credit card processor.

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, 2016, the Nebraska Educational Savings Trust recorded a total of \$4.14 billion in assets and 243,974 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, 2016, there were 19,566 new accounts in 2016.

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 33 plans that Morningstar believed to be "best-in-class options" in its Analyst Ratings for 2016.

The two Nebraska plans were among 20 college savings plans to receive bronze ratings. Only three plans received the top gold rating, and ten others received silver rating. The plans are evaluated on five pillars—process, performance, people, parent, and price. In addition to the top-tier ratings of gold, silver, and bronze, Morningstar assigned neutral ratings to 27 plans and negative ratings to three. Some states' college savings plans were too small to be evaluated.

The two NEST plans also received the top five-cap rating from the respected website, savingforcollege.com. In February 2016, the NEST Direct Plan was ranked as one of the nation's top ten performing college savings plan by savingforcollege.com. The NEST Direct plan placed 10th in the nation in one-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. High school students enrolled in the Nebraska NEST Financial Scholars online program made substantial gains in their overall financial knowledge in the 2015-16 school year, recording an impressive average knowledge gain of 64 percent. Last school year, the third year of the program, 115 Nebraska schools participated and 6,514 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 34,384 modules in 2015-16.

To increase awareness of NEST among young families, the Vault—Understanding Money online program is now being made available to elementary schools in Nebraska at no charge to schools or students. We also continue our work with 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.

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

Unclaimed Property

The Unclaimed Property Division returned \$16,348,497 in unclaimed property and paid 16,984 claims in 2016. This is the largest dollar amount ever returned in one year in the history of the State Treasurer's Office.

The Treasurer's Office staff developed an online reporting method to allow for faster, easier submission of unclaimed property by businesses and institutions. This new process allows holders of unclaimed property to complete the reporting process through the Treasurer's website and no longer requires the use of complicated third-party applications.

StateSpending.Nebraska.gov

As a result of LB851, which was passed by the Legislature and signed by Governor Ricketts in 2016, the State Taxpayer Transparency Act was amended to require 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.

The legislation was introduced by State Sen. John McCollister, who shares my belief that agencies created by state statute to perform important public functions and, in many cases, manage substantial public resources ought to be subject to the same level of transparency as state agencies and Constitutional offices.

We are in the process of collecting this information and assisting these entities in preparing the information for submission to the 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.

Long-Term Care Savings Plan

The Long-Term Care Savings Plan includes 17 Participating Financial Institutions with 23 locations across the state. The 510 accounts contain total assets of \$1,460,420. Nebraska Statute 77-6106 provides that the Long-Term Care Plan will be terminated on 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 ABLE program. The law allows Nebraskans with certain disabilities to create tax-advantaged ABLE savings accounts to use to pay for qualified disability-related expenses. As of November 30, 2016, the Enable Savings Plan had 305 accounts with \$807,321 in assets. The Enable Savings Plan offers four investment options for savers - growth, moderate and conservative mutual funds and a bank savings investment option. A checking account option will be available on January 26, 2017.

On December 1, 2016, Nebraska signed a contract with Alabama to offer Enable to Alabama residents. Alabama is the first state to join the Plan.

Nebraska Child Support Payment Center

The Nebraska Child Support Payment Center processed 1.5 million transactions in 2016. Of the total payments, 79 percent 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 \$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 54,916 customer service calls with an average wait time of 1 minute 21 seconds. The average call lasts 3 minutes 5 seconds.

- Generated an average of 97,750 billing statements a month, all available electronically on the website, and emailed more than 17,227 statements a month to non-custodial parents.
- Implemented two new U.S. Bank E-Payment Service Kiosks located at the payment center at 233 S. 10th St. in Lincoln and in the entryway of the Douglas County Clerk of the District Court office in the Hall of Justice, 1701 Farnam St., in Omaha. This, combined with the addition of CVS as a PayNearMe retail partner, has expanded the number of payment locations to more than 120,000 nationwide.
- Fully recovered 682 bank returned items totaling \$335,123 and 106 overpayment items totaling \$82,188.
- Conducted two employer seminars and signed up 814 employers to remit payments electronically. Eighty percent of payments come from employers who withhold income and remit on behalf of their employees.

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 includes a 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, 2016.
<http://das.nebraska.gov/accounting/cafr/cafr2016.pdf>

State of Nebraska Annual Budgetary Report for year ended June 30, 2016.
<http://das.nebraska.gov/accounting/budrept/buddoc16.pdf>


Mr. Patrick O'Donnell

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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,

A handwritten signature in blue ink, appearing to read "Don Stenberg", is written over a printed name and title.

Don Stenberg
State Treasurer

DS:jl

Cc: Governor Pete Ricketts