

State of Nebraska

Office of State Treasurer John Murante



January 17, 2020

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

Dear Mr. O'Donnell:

It is with great pleasure that I submit this letter, outlining the highlights of the past year in the Nebraska State Treasurer's Office. I am proud of the effort my office has made over the last year, and I want to express my appreciation to my predecessor, State Treasurer Don Stenberg, who worked tirelessly for the good of all Nebraskans.

Shortly after taking office, I worked with a bipartisan coalition of State Senators to pass landmark legislation in which all kids in Nebraska will be enrolled in the NEST529 college savings program at birth.

Research indicates that even a small amount in an educational savings account will lead to increased college or vocational school enrollment and completion. Though there are numerous tax benefits associated with 529 savings plans, they are often underutilized, especially among lower- and middle-income families.

The goal, eventually, is to ensure that every child in Nebraska has the opportunity to attend a two- or four-year post-secondary educational institution debt-free through smart savings and investment without relying on government assistance.

My legislative package also included language which provides incentive payments to employers who match their employee's contribution into a NEST529 program account and language specifically designed to help low-income account owners.

With this major outreach initiative, my goal has been to help Nebraskans become aware of our excellent NEST529 college savings program and to help Nebraska young people become financially responsible adults and contributing members of their communities and their state.

As of the end of November 2019, assets in the NEST529 college savings program were more than \$5.6 billion and the total number of accounts is now more than 275,000 nationwide including 89,000 accounts in Nebraska.

Late last year, I announced Union Bank & Trust would be awarded the College Savings Program manager contract, which will result in a 68 percent reduction in program management fees for most Nebraska account holders. The goal is to keep NEST529 among the most competitive 529 programs in the nation and includes a substantial reduction of fees for our account owners. Reducing the program management fee for the NEST529 Direct Plan by 68 percent, in addition to lower investment expenses, means more money contributed to a NEST529 account will go towards kids' education. I want to thank First National Bank of Omaha, which choose not to submit a proposal, for their incredible work promoting and growing the NEST529 program.

Another significant accomplishment to improve the lives of Nebraskans was the creation of the Enable Savings Plan for individuals with disabilities. Launched in 2016, the Enable Savings Plan provides tax-free savings accounts to individuals with disabilities, allowing them to save without affecting their public benefits like Medicaid and Supplemental Security Income (SSI). It was one of the first national ABLE (Achieving a Better Life Experience) savings plans offered.

Treasurers across the country are leading the way in providing vital financial education and resources for all Americans, and Nebraska is at the forefront of that effort. Late last year, I hosted a free financial literacy seminar designed primarily for women but which was open to all. Almost 1,000 attendees heard from business experts and coaches from a variety of backgrounds and industries.

My office has also seen continued success of the Nebraska NEST Financial Scholars online educational program for high school and elementary school students in Nebraska. The online program has reached more than 50,000 Nebraska students since it was introduced in 2013.

During the 2019-2020 school year alone, 7,452 students in 94 Nebraska high schools have enrolled in the NEST Scholars high school program and another 1,294 students in 34 elementary schools in Nebraska have enrolled in the Vault program for younger students. Both programs were developed by our partner, EverFi Inc., of Washington D.C.

My office has engaged in an active outreach effort, over a variety of platforms including in-person events; online, print, and media public service announcements; and a mindset to help Nebraskans in any way we could. Details about my office's ongoing work follow in the Report to the Legislature, which is respectfully submitted electronically as required by Nebraska State Statute.

Treasury Management

In 2019, the Treasury Management Division processed more than \$13.4 billion in state agency receipt transactions, including incoming Automated Clearing House (ACH) payments, wires, credit cards, and currency. Of that total, \$11.2 billion, or 84 percent, was processed electronically. The total amount paid out was \$11.5 billion. Of that total, \$11.1 billion, or 96.7 percent, was paid electronically, saving state resources of time, paper, printing, and postage.

Treasury Management completed 372 transfers last year: 56 transfers to or from the General Fund and 316 transfers including end-of-month allocations. Included in the 56 transfers was one transfer from the Cash Reserve Fund to the General Fund. Also included in the 316 transfers was one transfer from the Cash Reserve Fund to the Capital Construction Fund.

Treasury Management extended the current ACH Origination contract with U. S. Bank and continues to monitor all other banking services contracts.

Diversified Leasing, Inc. continues to provide ATMs for the State. In 2019 two Department of Motor Vehicle locations in Omaha and the Lincoln Correctional Center at 2720 West Van Dorn in Lincoln installed ATM's. Due to the low transaction volume at the DMV sites, the \$1.50 transaction fee was increased to \$2.50.

Treasury Management continues to work with staff from the OCIO to provide monthly Payment Card Industry Data Security Standards (PCI DSS) training as yearly compliance is due to the credit card processor. Keeping credit card data off the State's network and secure is a high priority for the State.

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, 2019, the Nebraska Educational Savings Trust recorded a total of \$5.6 billion in assets and 275,289 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 529 Savings Plan. As of November 30, 2019, there were 21,681 new accounts added in 2019.

The highlight of 2019 was several initiatives promoting Nebraskans' access to higher education through innovative college savings incentives. The legislation establishes the following programs:

The Meadowlark Program: A NEST account will be opened for every baby born on or after January 1, 2020 who is a resident of Nebraska at the time of birth. Beneficiaries under the age of 30 who pursue higher education within the state will have access to these funds for qualified higher education expenses. Funding will begin the year following the birth of the child and parents/guardians have the ability to opt out of the program.

The Employer Matching Contribution Incentive Program: This program provides incentive payments to employers who match their employee's contribution into a NEST Program account. Beginning January 1, 2022, employers who partially or fully match employees'

contributions in the previous year, can apply for and receive an incentive payment of 25 percent of their matched contributions, up to \$2,000 per employee per year. The program may award up to \$250,000 in total incentives per year.

The Low-Income Matching Scholarship Program: Beginning January 1, 2022, 200 percent of an account owner's contribution to a NEST Program account will be matched if the beneficiary is part of a family with a household income at or below 200 percent of the federal poverty level, or 100 percent of contributions if the beneficiary's household income is more than 200 percent but less than 250 percent of the federal poverty level, up to \$1,000 per participant per year. The program may award up to \$250,000 in total scholarships per year. Beneficiaries under the age of 30 who pursue higher education within the state will have access to the matched funds for qualified higher education expenses.

Every Nebraskan with a dream of higher education deserves that opportunity, and this legislation helps future generations overcome the financial obstacles in their path. The Treasurer's Office will continue to dedicate time and efforts to build upon this momentum and best serve the people of Nebraska. Incentives and scholarship contributions for the Employer and Low-Income Matching Programs will be allocated from a private-public partnership with no funding from Nebraska's taxpayers.

The NEST Direct College Savings Plan and the NEST Advisor College Savings Plan have received the top five cap rating from the well-respected website, Savingforcollege.com, and the TD Ameritrade 529 Savings Plan has received four and a half caps. In Savingforcollege.com's latest quarterly rankings, the NEST 529 Direct Plan, the NEST 529 Advisor Plan, and the TD Ameritrade 529 College Savings Plan secured top-10 rankings for 1-year, 3-year, 5-year and/or 10-year performance. The State Farm 529 Savings Plan's investment changes in August of 2018 preclude the Plan from the rankings.

As I mentioned earlier, 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 seventh year, and our EverFi program for middle school students, called Vault, is in its fourth year. The courses teach students about personal finance.

The financial literacy programs can be accessed through my website at treasurer.nebraska.gov.

Unclaimed Property

The Unclaimed Property Division returned \$13,663,918 in unclaimed property and paid 17,786 claims in 2019, up from 16,932 claims in 2018.

In addition to the letters mailed to owners of unclaimed property and the newspaper advertisement published pursuant to state statute, in late 2019, my office began running television and online public service announcements to increase the awareness of the Unclaimed Property Division, and that the service was free to all.

At that time, paid claims were up 124% for the month of October. For one week alone, the number spiked to 360% of what an average claims a week would normally be. The number of searches on the Unclaimed Property website increased from 650,000 to 850,000. In the fourth

quarter of 2019, the number of claims paid from 2018-2019 increased 56% year over year. My office returned more unclaimed property in the last week of October 2019 than in all of October 2018.

In addition, staff from the Unclaimed Property division attended a number of outreach events such as the Nebraska State Fair in order to meet with Nebraskans and assist them in unclaimed property searches.

StateSpending.Nebraska.gov

Nebraskans continue to seek out state financial information on the state's transparency website, StateSpending.Nebraska.gov. By law, the website is maintained by the Nebraska State Treasurer's Office. Data for the 2018-2019 fiscal year is now available on the transparency website.

A total of 6,853 users accessed the website in 2019, viewing 3.79 pages per session on average for a total of 36,379 pages viewed during the year. An average visit lasted 2 minutes and 20 seconds.

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, 2019, the Enable Savings Plan had 1,460 accounts with \$9,549,183 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 investment 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 my office and First National Bank of Omaha. As of November 30, 2019, the Enable Savings Plan Alabama had 261 accounts and \$1,365,456 in assets.

Nebraska Child Support Payment Center

The Nebraska Child Support Payment Center processed 1,491,699 transactions totaling \$297,872,146.92 in 2019. Of the total payments, 86 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 1,380,832 payments, totaling more than \$302.4 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 68,500 customer service calls with an average wait time of 1 minutes 24 seconds. The average call lasted 2 minutes 43 seconds. The customer support staff, in addition to taking and making phone calls, is focusing on additional forms of communication with customers to include increasing emails and text messages.
- Generated an average of 98,078 billing statements a month, available electronically on the center's website, and emailed 21,839 statements a month to paying parents. The number of mailed statements was reduced from 43,169 to 36,330 last year, saving \$3,625 in printing and postage. The center uses text messages and QR codes to bill paying parents in addition to emails and paper mailings.
- Became the first child support payment center to embed the \$1.99 PayNearMe fee, making this a no-cost payment solution for cash paying parents. In addition to allowing free cash payments at more than 26,000 locations, this effort has reduced the number of other paper payments received by the center. Processing any paper payment costs more than double the \$1.99 fee.
- Fully recovered 728 bank returned items totaling \$344,303 and 90 overpayment items totaling \$48,664.39.
- Oversaw further improvements, which included consolidating bank services allowing for savings of more than \$18,000 a month.
- Increased electronic communication with all clients using text messaging and email correspondence. Nearly 20% of all disbursements are now being accompanied by a payment notification received the day before settlement of monies. This entails an average of more than 1,000 notifications on a daily basis.
- Began work to enhance the two existing self-service payment kiosks located in Lincoln and Omaha due to existing partner exiting the kiosk market. Allowing for improvements and expansion to be made for clients using the kiosks.
- Began work to implement new OPEX Falcon Red scanner acquired in October to improve processing of the 14% of payments coming into the office in a paper format. This scanner was acquired with prior year budget savings of more than \$100,000 and will greatly enhance processing as well as be compliant with the most current versions of Windows operating system.
- New records were established in 2019 to include the highest incoming electronic percent of 86%. The busiest day ever in the history of the office on December 2, 2019 when 18,888 receipts were processed totaling \$4,903,093.24.

Additional Resources

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 Finance Report for year ended June 30, 2019.

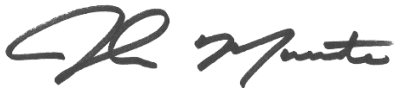
<https://das.nebraska.gov/accounting/cafr/cafr2019.pdf>

State of Nebraska Annual Budgetary Report for year ended June 30, 2019.

<https://das.nebraska.gov/accounting/budrept/buddoc19.pdf>

Please contact my office at 402-471-2455 if you would like additional information. I appreciate the opportunity to update the Legislature as to the activities of my office.

Yours truly,

A handwritten signature in black ink, appearing to read "John Murante". The signature is fluid and cursive, with the first name "John" being more prominent than the last name "Murante".

John Murante
Nebraska State Treasurer

JM:ci