

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

STATE TREASURER'S ANNUAL REPORT



State of Nevada
Office of the State Treasurer
Kate Marshall

[HTTP://nevadatreasurer.gov](http://nevadatreasurer.gov)



OFFICE OF THE STATE TREASURER

December 5, 2007

Dear Governor Gibbons and Members of the Legislature:

As State Treasurer, it is my pleasure to present to you this Fiscal Year 2007 Annual Report, as required by NRS 226.120. The following report is an account of the operations of the Treasurer's Office over the past fiscal year, which includes my first six (6) months in office. This report also includes a summary of each program the office oversees and an examination of the financial transactions associated therewith.

During fiscal year 2007, investment interest earnings on the State's general portfolio grew to over \$119 million, an increase of almost 50% over fiscal year 2006 earnings. As of June 30, 2007, total assets under management were approximately \$3.8 billion. In addition, I am proud to report that we have increased our reserves for our debt service payments to enable us to meet our obligations from reserves for ten (10) months in the event current revenues are insufficient. This is a substantial increase over the six (6) months of reserves the office has generally strived for under past practice. During the 2007 Legislative Session, we were also able to pass legislation that could save taxpayers thousands of dollars in interest by increasing the dollar amount the State Permanent School Fund can guarantee on outstanding school district bonds.

Significant developments in the Unclaimed Property section also occurred throughout fiscal year 2007, as this program experienced tremendous growth. With the support of the Legislature, my office was able to develop new innovative programs to assist the citizens in claiming their monies and increase enforcement efforts of the program. Collections for fiscal year 2007 were up over 15% from the previous fiscal year and payments to claimants nearly doubled between the two fiscal years.

In the Education areas we have expanded our outreach and taken steps to ensure the solvency of the Governor Guinn Millennium Scholarship Program, the State's Prepaid Tuition Program and the State's College Savings Plans. These programs continue to be extremely successful and according to projections and actuarial reports remain solvent for many years to come.

I am excited about the new challenges and advancements that my office will be faced with in fiscal year 2008. I look forward to bringing innovative technologies and modernizations into the office to provide additional efficiencies and services throughout the remainder of my term. I appreciate your cooperation in meeting these goals over the past fiscal year and look forward to working with you on future initiatives for the benefit of the State and its citizens.

Respectfully submitted,

A handwritten signature in blue ink that reads "Kate Marshall".

Kate Marshall
State Treasurer

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OVERVIEW

The Office of State Treasurer was created in 1864, under Article 5, Section 19, of the Constitution of the State of Nevada. The State Treasurer is elected to a four-year term and her general responsibilities include the receipt and safeguarding of all money of the State, which is not expressly required by law to be received and kept by some other person; the disbursement of State money through electronic means and checks drawn upon the Treasury by the State Controller; the investment of all available State funds which include, but are not limited to, the General Investment Portfolio, the Local Government Investment Pool, Prepaid Tuition Program, Millennium Scholarship Program and the Permanent School Fund; the issuance of any debt obligation authorized on behalf and in the name of the State (with few exceptions); and managing the Unclaimed Property and Pooled Collateral Programs.

The office is divided into six functional areas: Administration; Cash Management; Debt Management; Investments; Education Programs and Unclaimed Property.

The mission of the State Treasurer's Office is to:

- Provide ethical financial leadership to the State;
- Provide prudent and conservative financial management of all State monies;
- Provide professional and judicious fiscal management of all State monies;
- Maximize earnings while maintaining the highest degree of safety;
- Assist families in providing for their children's higher education;
- Maintain the highest degree of public confidence and accountability;
- Maintain an organization which exudes confidence and professionalism;
- Promote efficiencies through technological advances and best practices.

Statutory responsibilities of the State Treasurer include:

- Member of the State Board of Finance;
- Ex-Officio State Disbursing Office for the Federal Government;
- Administrator of the Municipal Bond Bank;
- Chairman of the Board of Trustees of the College Savings Plans of Nevada;

- Administrator of the 529 College Savings Plan and Trust Fund;
- Administrator of the Nevada Prepaid Tuition Program and Trust Fund;
- Administrator of the Fund for a Healthy Nevada and the Trust Fund for Public Health;
- Member of the Executive Branch Audit Committee;
- President of the Nevada Real Property Corporation;
- Administrator of the Nevada Unclaimed Property Division.

In fiscal year 2007 the Treasurer's Office had an approved budget, over all functional areas, of \$4,477,679, but expended only \$4,096,369 of which personnel accounted for over 65%. Thirty five percent of the total expenditures were paid for with General Fund appropriation; the balance was funded by assessments and trust fund transfers.



“We are the Chief Financial Officers. We are the ones who balance the books. And we are in a very real sense, the watchdogs for the public interest”

Kate Marshall, State Treasurer
Speech to Nevada Public Financial Officers 1/27/07

INVESTMENTS

Investment of State of Nevada funds within the General Portfolio is a function performed by the State Treasurer, who, by the provisions of State statute, has adopted guidelines for the prudent investment of these funds. The General Portfolio includes all State funds, except funds invested in the Local Government Investment Pool (LGIP), the Local Government Pooled Long-Term Investment Account (NVEST,) the Permanent School Fund, the Higher Education Tuition Trust Fund and the Governor Guinn Millennium Scholarship Trust Fund.

General Portfolio

Permissible investments of the General Portfolio include United States treasury and agency securities, repurchase agreements, high quality corporate notes and commercial paper, negotiable certificates of deposit, and banker's acceptances. These securities are diversified to prevent over concentration in a specific maturity, a specific issuer, or a specific class of securities. The average maturity of the portfolio must not exceed two years, and no single security may be longer than ten years. The State Treasurer maintains a conservative, moderately active investment strategy, which has the ability to take advantage of longer-term market opportunities as they occur by analyzing projected cash flow. In order to prevent the forced sale of securities prior to maturity, a "Minimum Liquidity Requirement" is imposed which projects the cash flow needed to pay obligations within a four-week period. All securities to be included in this requirement must mature within 28 days. At June 30, 2007, the weighted average maturity of the General Portfolio was 158 days and ranged from 119 to 166 days during fiscal year 2007.

The State Treasurer also utilizes a Securities Lending Program whereby the Treasurer, through an authorized securities lending agent, temporarily loans qualified securities from our portfolio to an approved counter party or broker/dealer. Loaned securities are collateralized, thereby reducing the lender's credit exposure to the borrower. Except for the right to vote proxies, the lender retains entitlement to all the benefits of owning the original securities, including the receipt of dividends and interest. Additionally, the lender receives a fee for the use of the securities and can reinvest the collateral. The lender, however, bears the market risk of the loaned securities. This is due to the borrower being obligated to ultimately return the securities, not the original market value of the securities, at the time the loan was made. In fiscal year 2007, the State Treasurer earned \$862,442 in Securities Lending Revenues which is included in the total interest earnings below.

General Portfolio Historical Interest Earnings

FY	Interest Earnings	Average Amount Invested	Rate	FY	Interest Earnings	Average Amount Invested	Rate
1998	\$ 68,501,427	\$ 1,159,550,011	5.91%	2003	\$ 30,352,356	\$ 1,060,484,372	2.86%
1999	\$ 61,796,604	\$ 1,071,761,282	5.77%	2004	\$ 22,794,706	\$ 1,285,175,124	1.77%
2000	\$ 56,555,004	\$ 980,275,254	5.77%	2005	\$ 40,118,471	\$ 1,686,361,556	2.38%
2001	\$ 65,912,013	\$ 1,192,597,490	5.53%	2006	\$ 79,972,838	\$ 2,001,713,124	4.00%
2002	\$ 45,278,418	\$ 1,219,076,197	3.71%	2007	\$ 119,585,260	\$ 2,335,897,078	5.12%

Local Government Investment Pool

The State of Nevada Local Government Investment Pool (LGIP) was established as an alternative investment program to be utilized by local governments for their public funds. This program's operation is the responsibility of the State Treasurer, who by the provisions of State statute has adopted guidelines for the prudent investment of these pooled funds. Any local government, as defined by NRS 354.474, may deposit its public monies into this fund for purposes of investment. As well as providing local government participants a safe and convenient method of investment, the LGIP also offers the following benefits:

- Multiple accounts may be maintained for accounting purposes;
- No minimum or maximum size of accounts;
- No transaction size limitation for deposit or withdrawal of money;
- No restriction on length of time money is deposited.

The LGIP maintains a conservative investment strategy which incorporates the matching of maturing securities to the cash needs of the participants. Approximately 10% of the fund matures on a daily basis, ensuring sufficient liquidity to meet both anticipated and unanticipated withdrawals. In order to prevent the forced sale of securities prior to maturity, the LGIP imposes a "Minimum Liquidity Requirement" which projects the cash flow needed to pay obligations within a four-week period. All securities to be included in this requirement must mature within 28 days. At June 30, 2007, the weighted average maturity of the LGIP was 72 days and ranged from 64 to 92 days during fiscal year 2007.

As of June 30, 2007, there were 82 members of the LGIP, which includes cities, counties, school districts and various special districts. The LGIP's foremost investment objectives include: safety of principal, portfolio liquidity and market return, which are consistent with a conservative, short duration portfolio of securities. As of June 30, 2007, the portfolio had a book value of \$708,403,081.

NVEST

The State Treasurer also maintains a long-term investment program for local governments known as NVEST. As an alternative to the LGIP, NVEST is designed to increase yields by accepting large (\$3 million minimum), extended term (minimum one year commitment) deposits for investment. Members are offered three portfolio structures based on duration of investment. These portfolios are not commingled and are managed by registered investment advisors and financial management firms. Similar to the LGIP, authorized investments are governed by NRS 355.170. As of June 30, 2007, the portfolio had a book value of \$371,533,408.

	<u>LGIP</u>	<u>NVEST</u>
June 30, 2006 book balance	\$ 665,786,598	\$ 235,916,680
Deposits from members	1,365,780,438	121,508,941
Transfer from NVEST/LGIP	2,871	3,003,628
Portfolio interest earnings	36,671,713	14,384,288
Securities lending income	108,683	0
Less transfers to NVEST/LGIP	3,003,628	2,871
Less withdrawals	<u>1,359,944,352</u>	<u>3,277,258</u>
June 30, 2007 book balance	\$ 708,403,081	\$ 371,533,408

Market Update

Global fixed income and equity markets have come under pressure this year due to concern that securities tied to sub-prime mortgages may have a higher probability of downgrade or default. Because of this pressure, all non-United States Treasury classes of securities have suffered spread widening and price volatility. The investments by the State Treasurer's Investment Division are not direct participants in the sub-prime sector of the marketplace. At fiscal year-end, any risk exposure to the sub-prime sector would have been indirect and extremely limited. All investment programs are continuously monitored for safety and adherence to investment policy.

The Investment Division is composed of three staff members (2.5 full-time equivalents), the Deputy Treasurer of Investments, the Investment Analyst, and an Account Technician who splits his time between the Investment and Debt Divisions. Responsibilities of this staff include the investment of the General Portfolio and the LGIP. The Division also works with approved external investment managers, whose responsibilities include the management of a \$300 million portion of the General Portfolio and the management of the NVEST and Higher Education Tuition portfolios. Securities lending for the General Portfolio is managed by an approved agent and is overseen by the Deputy of Investments.



“I am certain that you share with me the belief that it is important for us to do whatever we can to help Nevadans stay in their homes and to mitigate the broader consequences the current mortgage foreclosure situation may have on our economy in general and on the Nevada housing and construction markets in particular. Please support the Mortgage Cancellation Relief Act of 2007 so that it may be enacted to apply to the coming tax season.”

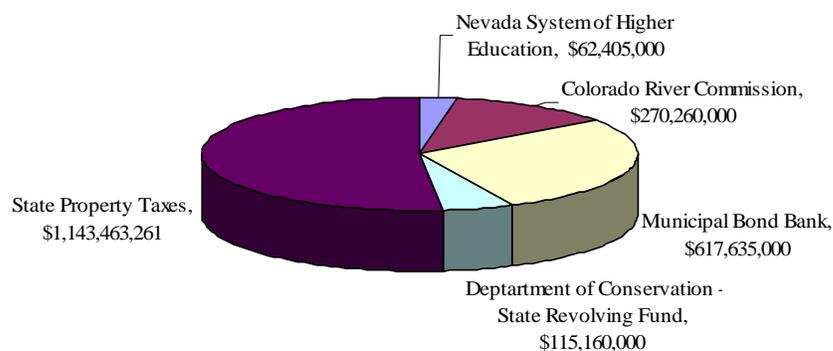
Kate Marshall, State Treasurer
Letter dated 11/27/07 to Nevada's Congressional Delegation

DEBT MANAGEMENT

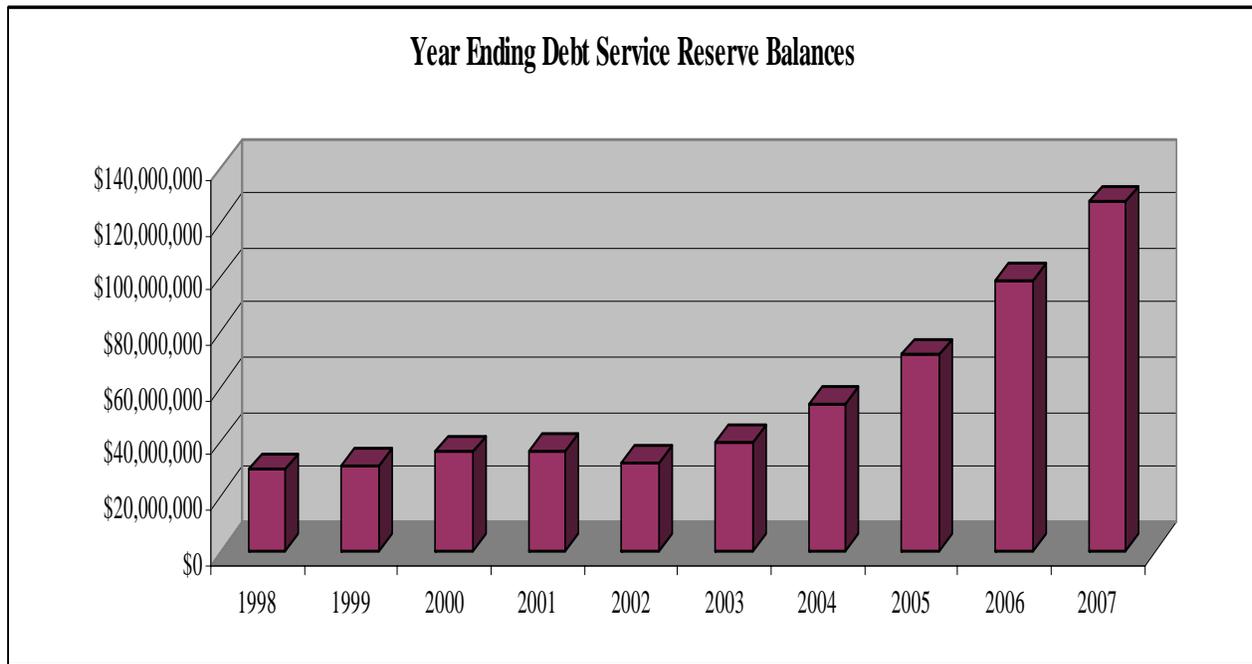
Per NRS 226.110 (10), the State Treasurer is directly responsible for the issuance of any debt obligation authorized on behalf of and in the name of the State, except for Housing and Industrial Development bonds. Subsection 11 allows the State Treasurer to organize and facilitate statewide pooled financing programs, including lease purchases, for the benefit of the State and any political subdivisions. The Constitution of the State of Nevada, Article 9, Section 3 limits the aggregate principal amount of the State's outstanding general obligation debt to 2% of the total reported assessed valuation of the State. This limitation does not extend to debt incurred for the protection and preservation of any property or natural resources of the State or for the purpose of obtaining the benefits thereof. Subject to the Constitutional debt limitation, the Legislature may authorize the issuance of debt for any public purpose. For fiscal year 2007 the debt limit stood at \$2.76 billion. Outstanding debt subject to this limit is approximately \$1 billion. Gross General Obligation bonded debt stood at \$2,327,998,057 as of June 30, 2006 and decreased to \$2,208,923,261 as of June 30, 2007.

The State Treasurer is procedurally responsible for the following types of debt: Capital Improvement Bonds, Municipal Bond Bank Bonds; State Revolving Fund Bonds; Cultural Affairs Bonds; Highway Bonds; Natural Resources Bonds; and other miscellaneous general obligation bonds and securities. The Colorado River Commission, the University of Nevada System and the Department of Business and Industry issue various types of bonds under various levels of autonomy. The State requires general obligation bonds to be legislatively authorized and secured by the ad valorem tax portion dedicated to the payment of general obligation debt.

Allocation of Gross General Obligation Debt



A debt service reserve fund is created from the proceeds of bond issues and/or the excess of applicable revenues and is used to provide a ready reserve to meet current debt service payments should monies not be available from current revenues. The State Debt Issuance Policy strives to maintain in the reserve fund an amount equal to the next six months of debt service expense. At the end of fiscal year 2007, this fund had an ending balance of \$127.5 million which represents an increase of nearly \$29 million from the previous year's ending balance. This balance will cover approximately ten months of State debt service payments.



The State is currently rated AA+, Aa1 and AA+ respectively by the three major rating agencies, Fitch Ratings, Moody's Investors Service and Standard & Poor's. There are several factors that rating agencies analyze in assigning credit ratings: financial factors, economic factors, debt factors, and administrative/management factors. Each of the rating agencies believe that debt management is an important factor in evaluating issuers and assigning credit ratings which ultimately determine the borrowing cost of funds.

NRS 350A.140 designates the State Treasurer as administrator of the Nevada Municipal Bond Bank. In accordance with NRS 350A.150, the amount of State securities issued to acquire municipal securities, may not exceed \$1.8 billion outstanding at any time. The State's Municipal Bond Bank Program was established in 1981 to assist municipalities in undertaking local projects which foster and promote the protection and preservation of the property and natural resources of the State by making loans to such municipalities which might not be otherwise available or which might be available only at prohibitive interest rates. Many projects have been funded throughout the State. The Board of Finance must approve the issuance of State general obligation and revenue securities under the Bond Bank Act. The outstanding amount of securities issued pursuant to this Act was \$617,635,000 as of June 30, 2007.

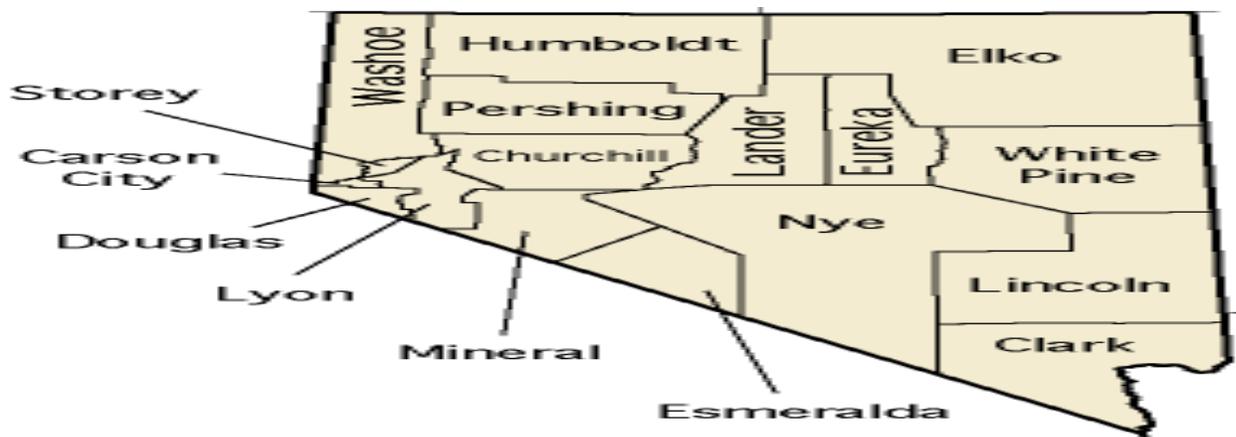
Under NRS 387.519, the Permanent School Fund Guarantee Program (PSFG) allows school districts to enter into guarantee agreements with the State whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain bonds issued by the school districts. This program is designed to provide easier access to public credit markets and reduce borrowing costs to school districts by ensuring an AAA bond credit rating. To date, thirteen of Nevada’s seventeen school districts have taken advantage of the fund, saving taxpayers almost \$1 million in borrowing costs.

Fundamental to this program is the legal authorization of the Permanent School Fund (the “Fund”) to guarantee school district debt which includes the mechanics to ensure timely debt service payment and strong oversight and enforcement provisions. The State Treasurer, who also has responsibility for investment of the Fund, administers this program. If a district fails to make a timely payment, the State Treasurer is required to withdraw from the Fund a sufficient amount of money to make the debt service payment when due. This withdrawal from the Fund and payment of debt service on the bonds is considered a loan to the district and the district must repay this loan from either district money available to pay debt service on the bonds that are guaranteed or if the district is unable to do so, from withholdings of State aid due the district.

The 2007 State Legislature adopted legislation submitted by the State Treasurer, which was also approved by the Governor. Specifically, Assembly Bill 554 raised the Permanent School Fund Guarantee available for each school district from \$25 million to \$40 million.

The following school districts entered into PSFG agreements with the State Treasurer and their balances as of June 30, 2007 were:

Carson City	\$	19,375,000	Mineral	\$	4,165,000
Churchill	\$	7,850,000	Nye	\$	6,940,000
Douglas	\$	8,940,000	Pershing	\$	2,755,000
Eureka	\$	4,994,000	Storey	\$	7,800,000
Humboldt	\$	2,450,000	Washoe	\$	3,090,000
Lincoln	\$	3,780,000	White Pine	\$	5,845,000
Lyon	\$	19,980,000			



CASH MANAGEMENT/ADMINISTRATION

The primary duty of the Cash Management Division is to manage the State's banking relationships and assist State agencies with their banking needs. These responsibilities are manifested in the following duties:

- *Manage all banking services under the control of the State Treasury;*
- *Act as an advisor and liaison between State agencies and banks;*
- *Allocate and distribute interest earnings to authorized funds and budget accounts;*
- *Reconcile State Treasury bank transactions to the State's accounting records;*
- *Manage the Nevada Pooled Collateral Program;*
- *Distribute of State checks;*
- *Draw funds from the Federal Government on behalf of State agencies;*
- *Assist in the administration of trust funds related to the Tobacco Settlement;*
- *Assist the Investment Division with revenue and cash forecasts.*

The collateral pool offers an alternative method of securing public funds that is efficient, cost effective and safe, while complying with the requirements of Nevada Revised Statute (NRS) Chapter 356. The primary objective of the collateral pool is to reduce the risk for government agencies while at the same time decrease the overall collateral requirement for depositories. By centralizing the administration and reporting functions through the State Treasurer's Office, both government agencies and depositories recognize cost savings in terms of operational support and collateral efficiency.

Each financial institution is required to maintain as collateral at a third party repository acceptable securities having a fair market value that is at least 102 % of the amount of the aggregate uninsured ledger balances of the public money held by the depository. Participating financial institutions must report each day the amount of deposits held and the value of the corresponding pledged collateral. Any under collateralization must be rectified by the financial institution by the close of business on the day the under collateralized was reported.

The pool ended fiscal year 2007 with sixteen of Nevada's 17 counties and 15 of 17 school districts participating in the pool. During fiscal year 2007, two additional depositories were added bringing the total to 14 and 404 accounts were added bringing the total accounts to 2,007. These accounts averaged a weekly balance of over \$403 million with pledged collateral of \$649 million. Excess collateral decreased, on average, by \$31 million during the fiscal year.

The Cash Management Division also assists with the administrative duties concerning office operations. In this capacity, the section is involved in day-to-day budget processes and biennial budget requests, purchasing and contract management, revenue forecasts and takes the lead on required reports to the Department of Administration and the Legislative Counsel Bureau. Most citizen inquiries are also handled through the Cash Management Division.



“Use new but proven technology to implement electronic scanning and the electronic transfer of funds from the Nevada Treasurer’s Office to various banks.

This plan will eliminate the expenses wasted on armored vehicle transfer and old technology to save taxpayers’ dollars.

And because of the time saved and the security of electronic transfers and scanning, the State will invest its funds more quickly. The result: a larger return on the State’s investments, more funds for the State’s coffers and a tax savings.”

Kate Marshall, State Treasurer
Marshall Plan: A 7-Point Plan to Improve the Treasurer’s Office

UNCLAIMED PROPERTY

The Unclaimed Property Division has the responsibility of collecting, safeguarding and distributing unclaimed property for current and past residents and businesses of the State of Nevada. Companies and governmental agencies are required to submit annual holder's reports and to turn over unclaimed intangible personal assets and contents of safe deposit boxes as mandated in NRS 120A. These personal assets include securities, bank deposits, payroll, checks, utility deposits, insurance proceeds and other items specified in Nevada statute. Property is considered abandoned when it remains unclaimed for the number of years prescribed by statute. The person or legal entity entitled to receive the property never loses their right to make a claim for the asset (or value of items sold). Owners could include the estate or the heir to the original owner.

With \$45.2 million in collections and \$12.3 million returned to owners during the 2007 fiscal year, the State is currently holding approximately \$287 million in unclaimed property. The Unclaimed Property Division has had tremendous growth in the last few years. Collections have doubled since fiscal year 2002 and fiscal year 2008 has already shown a 50% increase in collections as compared to fiscal year 2007. To keep up with the increased collections, the legislature approved two new staff positions, a Program Officer II and an Administrative Assistant II. This brings the Unclaimed Property staff total to seven administrative staff, four auditors and a deputy treasurer. The Division auditors completed 55 audits during fiscal year 2007, including car dealerships, casinos, and taxi cab companies.

The 2007 Legislative Session brought some additional changes to the Unclaimed Property statutes. A modified version of the 1995 Uniform Act was adopted. Additionally, new laws regarding gift certificates were adopted. The unredeemed or uncharged value remaining on gift certificates received by Unclaimed Property will be used for State educational purposes.

Public notices are published every year in the State's principle newspapers identifying property owners whose assets have been turned over to the State during the prior twelve months. The Unclaimed Property Division has maintained a State website since 1997 which allows individuals to search the State's database of abandoned property and initiate claims. In November 2005, the State of Nevada joined the Official States' National Database free website sponsored by the National Association of Unclaimed Property Administration (NAUPA) as a means of increasing outreach to individuals and reuniting them with their unclaimed property.

	FY07	FY06
Total Unclaimed Property receipts	\$ 45,180,757	\$ 38,783,369
Payments to claimants	12,348,171	7,264,938
Administrative costs	1,768,059	1,749,333
Transfer to Millennium Scholarship Fund	7,600,000	7,600,000
Funds available to transfer to the General Fund	\$ 23,464,527	\$ 22,169,098



“In the past the Treasurer’s website had limited individuals to 25 “hits” per search and the way the search was constructed it was very likely someone with a common last name such as Johnson or Smith might never see their property on the website. The new search engine will allow the user to do a very broad search under just the last name and will let you view all of the positive hits.”

Kate Marshall, State Treasurer
Press Release dated February, 2007

EDUCATION PROGRAMS

The Office of the State Treasurer administers three different types of education programs:

- *Governor Guinn Millennium Scholarship Program (MSP)*
- *Nevada Prepaid Tuition Program*
- *Nevada 529 College Savings Plans*

GOVERNOR GUINN MILLENNIUM SCHOLARSHIP PROGRAM

In 1999, the Legislature unanimously approved dedication of 40% of Nevada's Master Settlement Agreement (MSA) tobacco payments to fund the Millennium Scholarship Program. This program provides a maximum \$10,000 scholarship to a Nevada high school student who graduates with a minimum required GPA of 3.25. Students must have been a resident of Nevada for at least two of their high school years; graduate with a diploma from a public or private high school; and pass the Nevada High School Proficiency Examination. There is no application process for the student to complete. Nevada high schools automatically submit the students' names to the Millennium Scholarship Program in the Treasurer's Office if they are eligible.

By the end of fiscal year 2007, over 66,000 graduating high school seniors had become eligible for the Millennium Scholarship. It is interesting to note that since inception of the scholarship program there consistently has been at least 8,000 new high school graduates eligible for the scholarship each year. The percentage of students who chose to accept the scholarship has ranged from approximately 76-80%. However, in 2006 the percentage of eligible students dropped to 68% and in 2007, only 59% percent of eligible students chose to accept the scholarship. The Nevada System of Higher Education (NSHE) has reported an increase in the go-to-college rate but a decrease in the disbursements to students. This may be explained in part by the implementation of a 12 credit maximum reimbursement for the Millennium Scholarship, which became effective in the Spring of 2006. By the end of Spring 2007, more than \$153 million had been distributed to Millennium Scholars; 5,918 students had earned Bachelors Degrees and 3,594 earned Associate Degrees.

Now in its seventh year, the Governor Guinn Millennium Scholarship Program has continued to recognize, make contact with and support students in their pursuit of higher education. This effort would not have been possible without the dedication and cooperative efforts of many in the field of education. NSHE recently added a Director of Financial Aid to act as a liaison between the State Treasurer and the financial aid offices of the eight institutions where the scholarship is utilized. This cooperative effort has greatly enhanced the support for our Millennium Scholars. Currently, there are 41,865 active scholarships. In 2008, the first Millennium Scholars expire out of the program due to time limitations imposed in statute.

The mission statement of the Governor Guinn Millennium Scholarship Program is *To provide service to the public that consistently exceeds expectations.* The primary tasks completed by the Office of the State Treasurer, Millennium Scholarship Program include:

- Development and implementation of INSTEP 2, the database which stores eligibility information for the 66,687 eligible Millennium Scholars;
- Development of a new database, MiSL, which will eventually replace INSTEP 2 and greatly enhance the ability to collect, store and maintain data on Millennium Scholars;
- Collection of eligibility data from 17 county school districts, 39 private high schools, adult education, GED, and home school applicants;
- Cooperative administration and guidance with representatives of each NSHE institution, NSHE System Administration, System Computing Services, the Millennium Scholarship Advisory Committee, the Nevada Association of School Superintendents, the Leadership Forum of High School Counselors, and the Nevada Department of Education;
- Actively seeking out venues for presentations on the Millennium Scholarship Program;
- Dissemination of public information to Nevada high school students, high school counselors, NSHE institutions, and the general public;
- Cooperative development with Millennium Scholarship Advisory committee and NSHE System Computing Services of a system-wide review process for balance irregularities;
- Completion of an annual informal record check of data submitted by Nevada public and private school districts.

The following table identifies the number of Millennium Scholars who enrolled in a State college or university in the Fall of 2006 and the Spring of 2007

College / University	Fall 2006	Spring 2007
College of Southern Nevada	3,024	2,589
Great Basin College	298	255
Nevada State College, Henderson	265	205
Sierra Nevada College	16	15
Truckee Meadows Community College	1,369	1,254
University of Nevada, Las Vegas	6,093	4,670
University of Nevada, Reno	5,596	4,355
Western Nevada College	466	410
Total	17,127	13,753

The following table identifies the revenues, expenses and fund balance of the Millennium Scholarship Fund for fiscal year 2007:

June 30, 2006 fund balance	\$ 31,634,416
Tobacco settlement revenues	14,778,081
Interest income	888,473
Transfer from the General Fund	7,600,000
Less tuition payments	25,438,762
Less administrative expenses	320,269
June 30, 2007 fund balance	\$ 29,141,940



NEVADA'S COLLEGE SAVINGS AND PREPAID TUITION PROGRAMS

"Sending a child to college is one of the most important contributions we can make as a parent. It opens up a world of opportunity to our children. However, when it comes to our day-to-day lives, full of other needs and responsibilities, putting the focus on saving for college can be very challenging. Like you, I want to do the best for my children. Together, we can help you make the most of the exciting adventure to their future."

Kate Marshall, State Treasurer

NEVADA PREPAID TUITION PROGRAM

The State Treasurer administers two types of qualified 529 plans: the Nevada Prepaid Tuition Program and the Nevada 529 College Savings Plans, as authorized by 26 U.S.C. § 529. The Nevada Prepaid Tuition Program started in 1998 and continues to offer a smart option to Nevada residents (or graduates of the Nevada System of Higher Education). From newborns to ninth grade students, parents, grandparents and family friends have a variety of options to make participation in this program easy. The tuition contracts can be satisfied with a lump sum payment, payments spread out evenly over sixty months or from time of enrollment until the child is ready to start college. Nevada's Prepaid Tuition Program allows a Nevadan to lock in the cost of tomorrow's tuition at today's rates. This program is fully transferrable to private or public out-of-state colleges and universities and can be transferred to another family member, including a first cousin. Over 12,388 children have enrolled in this Program and the Nevada Higher Education Tuition Trust Fund (Prepaid Tuition Trust Fund) had \$104,874,330 in assets as of June 30, 2007.

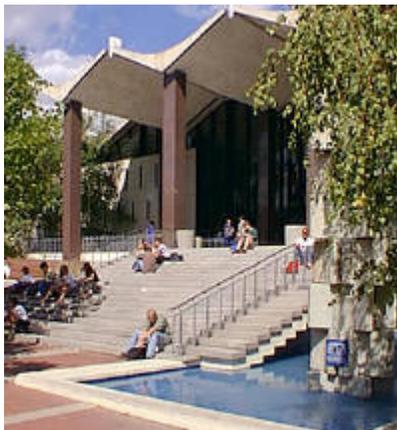
NEVADA 529 COLLEGE SAVINGS PLANS

The State Treasurer's Office has partnered with Upromise, Inc. to bring Nevada's families, and families across the United States, a great way to save for college. This plan, called the State Treasurer/Upromise College Fund 529 Plan, combines tax benefits, investment management by The Vanguard Group and flexible features that make it the smart and easy way to save for college. As Internal Revenue Code 529 College Savings Programs, earnings in the account grow tax-free, helping the savings grow faster and allowing more money to go towards paying for college. There are additional unique estate and gift tax planning advantages. Any person may open a 529 college savings account and contribute as little as \$50 per month or a minimum one-time investment of \$250 up to a maximum of \$310,000. These funds may be used for any qualified education expenses at any eligible school in the world, including two and four year colleges, technical and trade schools and even graduate school.

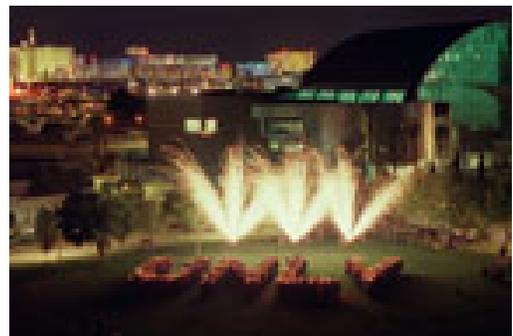
As of June 30, 2007, 312,152 accounts are actively managed with \$4,063,551,085 in assets under management, which represents an increase of nearly \$1.5 billion from the prior fiscal year end. The College Savings Programs offer a variety of market-based savings options. Each portfolio has a different allocation of stock, bond and money market funds. The purchaser selects a portfolio depending on their own risk tolerance and the amount of time until the child enters college. The Upromise College Fund offers eight Vanguard fixed allocation portfolios and three aged-based tracks which automatically adjust the investments to more conservative portfolios as the child nears enrollment in college. Upromise acts as program manager for the other Nevada 529 direct sold products including: The Vanguard 529 College Savings Plan, The USAA 529 College Savings Plan and for the advisor sold

product, The Columbia 529 College Savings Plan. All these private label products together are called the Nevada 529 College Savings Plans.

During the 2007 Legislative session, an audit of the program was completed and found that all program participant assets were secure. The audit identified areas where the administrative process could be enhanced and improved. Over fiscal year 2008, the State Treasurer will complete the implementation of all the audit recommendations along with additional innovations to the program.



Front Steps, Getchell Library UNR



UNLV Campus

“Education is a foundation for a strong economy and an improved workforce in any town.”

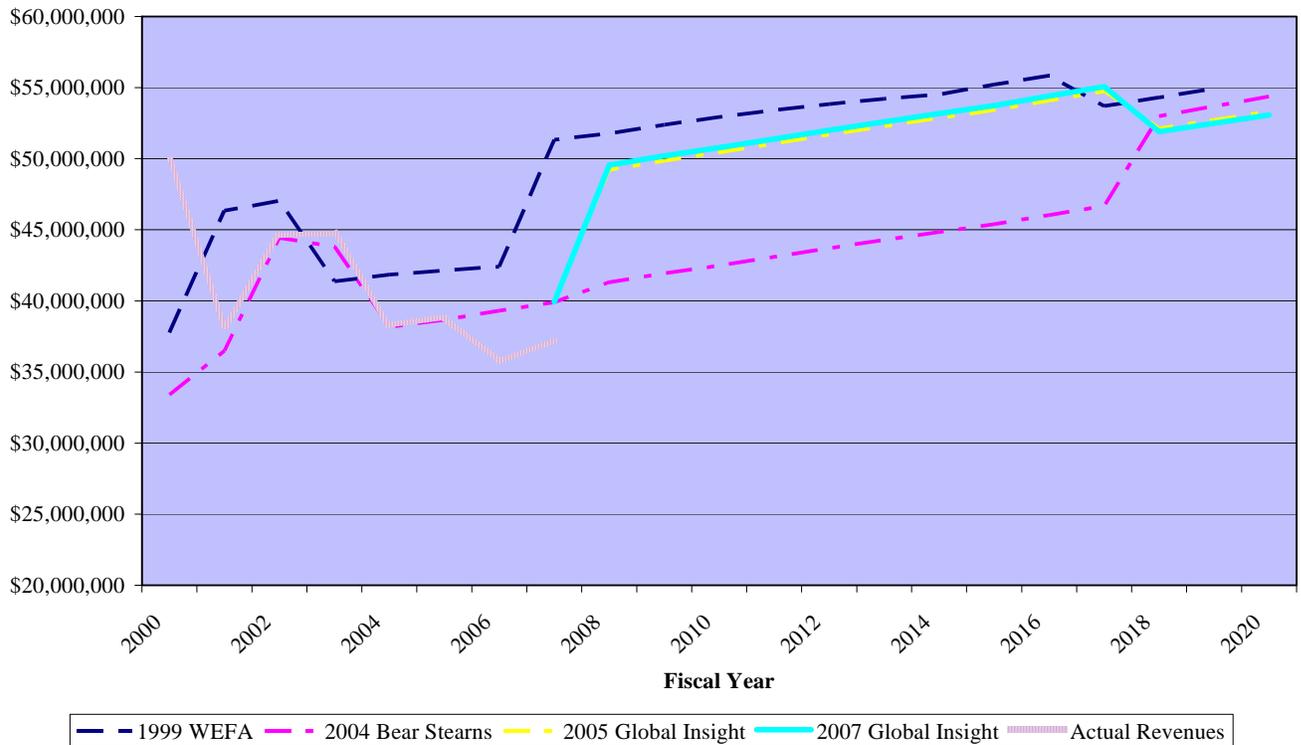
Kate Marshall, State Treasurer
Speech to League of Cities, September 2007

FUND FOR HEALTHY NEVADA TRUST FUND FOR PUBLIC HEALTH

During the 1999 session, the Nevada Legislature approved two bills, Assembly Bill 474 and Senate Bill 496, which determined how the money received by the State of Nevada from the Tobacco Master Settlement Agreement (MSA) would be distributed. Following the disbursement of funds for several one-time expenditures, it was determined that fifty percent of tobacco revenues would be credited to the Fund for Healthy Nevada and ten percent to the Trust Fund for Public Health.

In fiscal year 2007, Nevada received \$37.3 million, 11.9% below the amount originally estimated in 1999 as Nevada’s portion of the MSA and 6.46% less than the 2007 Global Insight Projections. The chart below provides a view of total tobacco revenues projected by WEFA, now Global Insight, and Bear Stearns through fiscal year 2020. The chart also shows actual tobacco revenues received through fiscal year 2007.

Projected and Actual Tobacco Revenues



As administrator of these funds, the State Treasurer's responsibilities include: maintaining the financial records of the funds; investing the money in the trust fund as the money in other State funds is invested; managing any account associated with the funds; maintaining any instruments that evidence investments made with the money in the funds; contracting with vendors for any good or service that is necessary to carry out the provisions of this section; and performing any other duties necessary to administer the funds.

NRS 439.625 created the Task Force for the Fund for a Healthy Nevada as the decision making body of the Fund. (Note: AB182 of the 2007 Legislative session eliminated the Task Force for the Fund for a Healthy Nevada effective July 1, 2007; the duties previously performed by the Task Force will now be performed by the Department of Health and Human Services). NRS 439.630 limits the amount of funds allocated for direct expenditure as follows: Not more than 20% for programs that prevent, reduce or treat the use of tobacco and the consequences of the use of tobacco; not more than 10% for programs that improve health services for children; not more than 7.5% for programs that improve the health and well-being of persons with disabilities; not more than 2.5% for expenditure by the Department of Human Resources for the Medicaid waiver program; not more than 30% for the Senior Rx program; and not more than 30% to assist senior citizens with independent living.

NRS 439.610 created a Board of Trustees as the oversight entity for the Trust Fund for Public Health. NRS 439.605(6) allows only the earnings of the fund to be expended to support projects in the following areas: Promotion of public health and programs for disease or illness prevention; research on issues related to public health; and provisions of direct health care services to children and senior citizens.

The following statement identifies the revenues, disbursements and fund balance of the health funds for fiscal year 2007:

	<u>Fund for Healthy Nevada</u>	<u>Trust Fund for Public Health</u>
June 30, 2006 fund balance	\$ 28,641,501	\$ 28,950,813
Tobacco settlement revenues	18,878,763	3,694,520
Interest income	1,298,782	1,393,726
Return of unused grant/loan funds	179,669	6,021
Less disbursements	<u>16,108,536</u>	<u>638,216</u>
June 30, 2007 fund balance	\$ 32,890,180	\$ 33,406,864

ROSTER OF NEVADA STATE TREASURERS

Territorial Treasurer

J.H. Kinkead

Term

1861-1864

State Treasurers

Eben Rhodes

1865-1869

C.C. Batterman

1869-1870

Jerry Schooling

1871-1878

L.L. Crockett

1879-1882

George Tufly

1883-1890

George W. Richard

1890

J.F. Kegan

1891-1893

George W. Richard

1894

W.J. Westerfield

1895-1898

D.M. Ryan

1899-1910

William McMillan

1911-1914

Ed Malley

1915-1927

George B. Russell

1927-1934

Dan M. Franks

1935-1962

Michael Mirabelli

1963-1978

Stanton B. Colton

1979-1982

Patricia D. Cafferata

1983-1986

Ken Santor

1987-1990

Robert L. Seale

1991-1998

Brian K. Krolicki

1999-2006

Kathleen Marshall

2007-present

INTERESTING FACTS

- **Kate Marshall is the 20th State Treasurer of Nevada.**
- **Youngest Treasurer / First Treasurer:**
Eben Rhoades (29), 1864-69
- **First Women Elected to the Office of State Treasurer:**
Patricia D. Cafferata, 1983-87
- **First Treasurer Elected with a CPA:**
Robert L. Seale, 1991-99
- **Longest Serving Treasurer and longest serving in any Constitutional office In Nevada History:**
Dan W. Franks, 1935-63 (28Yrs)
- **Oldest Elected Treasurer:**
George Tufly (69), 1883 - 90
- **First Native-born Nevadan Elected Treasurer:**
George B. Russell, 1927-34
- **Shortest Serving Treasurer:**
George W. Richard, 1890 (18 Weeks—Appointed)
- **First Treasurer Elected with a College Degree:**
Mike Mirabelli (UNR 1951) 1963-1978
- **Only Treasurer Appointed Twice, Never Elected:**
George W. Richard, 1890-1891, 1894 - 1895
- **Only Four Treasurers Elected to any other office after Serving as Treasurer:**
Jerry Schooling, State Senate
Christopher Batterman, Prison Warden
Patricia Cafferata, District Attorney of Lander County, 1994
Brian Krolicki, State of Nevada Lt. Governor, 2007

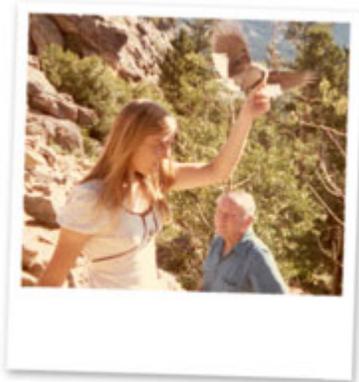
Source: Patricia Cafferata, former State Treasurer

KATE MARSHALL'S BIOGRAPHY

Kate Marshall was born on July 22, 1959 in a welfare clinic at Kaiser in San Francisco. Born prematurely and without modern day medication, Kate's lungs had not fully developed. She was incubated for two weeks in the welfare clinic, where medical care was poor at best. Kate's parents couldn't afford any better. Nonetheless, Kate's mother said "the clouds parted and the sun came out" when she was born.

Kate Marshall's family moved often – when the lights went out and the phone went dead, it was time for her family to move again. The constant moving, the family's unstable income, bank foreclosures and her parents focus on housework over homework meant Kate had to make it on her own.

Kate's family could not afford to send her to quality primary and secondary schools, much less pay for college. At a very young age, Kate understood the importance of education, managing the high school bookstore before and after school to pay for her high school education at St. Rose Academy.



After high school graduation Kate attended California State University San Francisco for three semesters. UC Berkeley's Minority Admissions Office contacted her after receiving her SAT scores and encouraged her to apply to the University. Kate applied, was accepted and received academic and financial grants and scholarships to attend. She earned her way through college by working in the school library and applying for and receiving food stamps. Even then she could barely afford it.

After graduation in 1982, she worked for a year and then joined the Peace Corps. Surrounded by rugged terrain, Kate taught English and Commerce in the rural outback of Kenya. Successful in her first teaching experience, the Peace Corps recruited Kate to establish the teaching curriculum for the Peace Corp program for Secondary School English in Kenya.

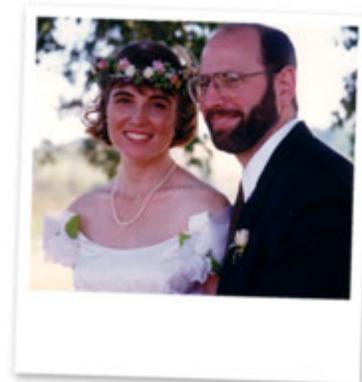
Kate's life was forever changed by her experience teaching in East Africa. She had grown up with little and through hard work and persistence, had gained worldly perspective – but more importantly, had made it on her own.

When she returned from East Africa she worked hard, applied, was accepted and graduated with a jurist doctorate from the Boalt Hall School of Law, UC Berkeley. She worked hard studying and spent her summers interning with law firms, most notably United States Senator Paul Lexalt's law firm, Laxalt, Washington, Perito & Debuc, in Washington, D.C

After receiving her Jurist Doctorate degree, Kate applied and was accepted to the United States Department of Justice's honors program, where she began her career as a protector of the people, financial watchdog and public servant. Kate was stationed in the Bush Administration's Department of Justice San Francisco field office, building and prosecuting cases involving criminal antitrust litigation. Heavily involved in antitrust litigation, she was often required to make many trips to Washington, DC. During these trips Kate would visit and have dinner with friends from college.

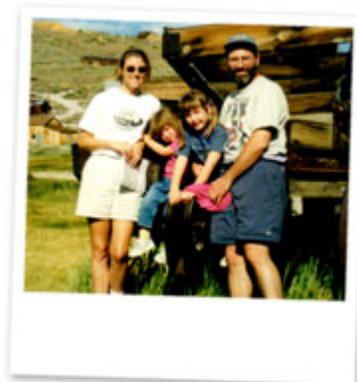
During one of her D.C. trips Kate had dinner with Frances and Frances' brother, John. Frances was a college friend of Kate's. Throughout dinner Kate and John flirted romantically and soon thereafter began their courtship. John flew out to San Francisco on business and he and Kate went on an unexpected four-day date, which included hiking, ballroom dancing, and planning their wedding, which they agreed should take place in a barn.

Kate moved to Washington, DC to be with the love of her life, John, and to continue her work with the Department of Justice. Two years later, Kate and John were married – outside a barn in Healdsburg in Sonoma County, just as they had planned during their first date.



Kate continued to protect citizens by serving the public in the Department of Justice, now under President Clinton's administration. In 1994, she received the Department of Justice's Antitrust Division's Outstanding Contribution award and in 1997 she received public acknowledgement for her work in the Antitrust Division from then United States Assistant Attorney General of Antitrust, Joel Klein.

Kate and John had their first child, Anna, and began to consider what community was best for raising a family. They wanted to raise their children in open spaces, with long sunny days, blue skies and mountains. They wanted to raise their children where the entrepreneurial and independent spirit reigned free. For Kate and John, that meant raising their children in Nevada.



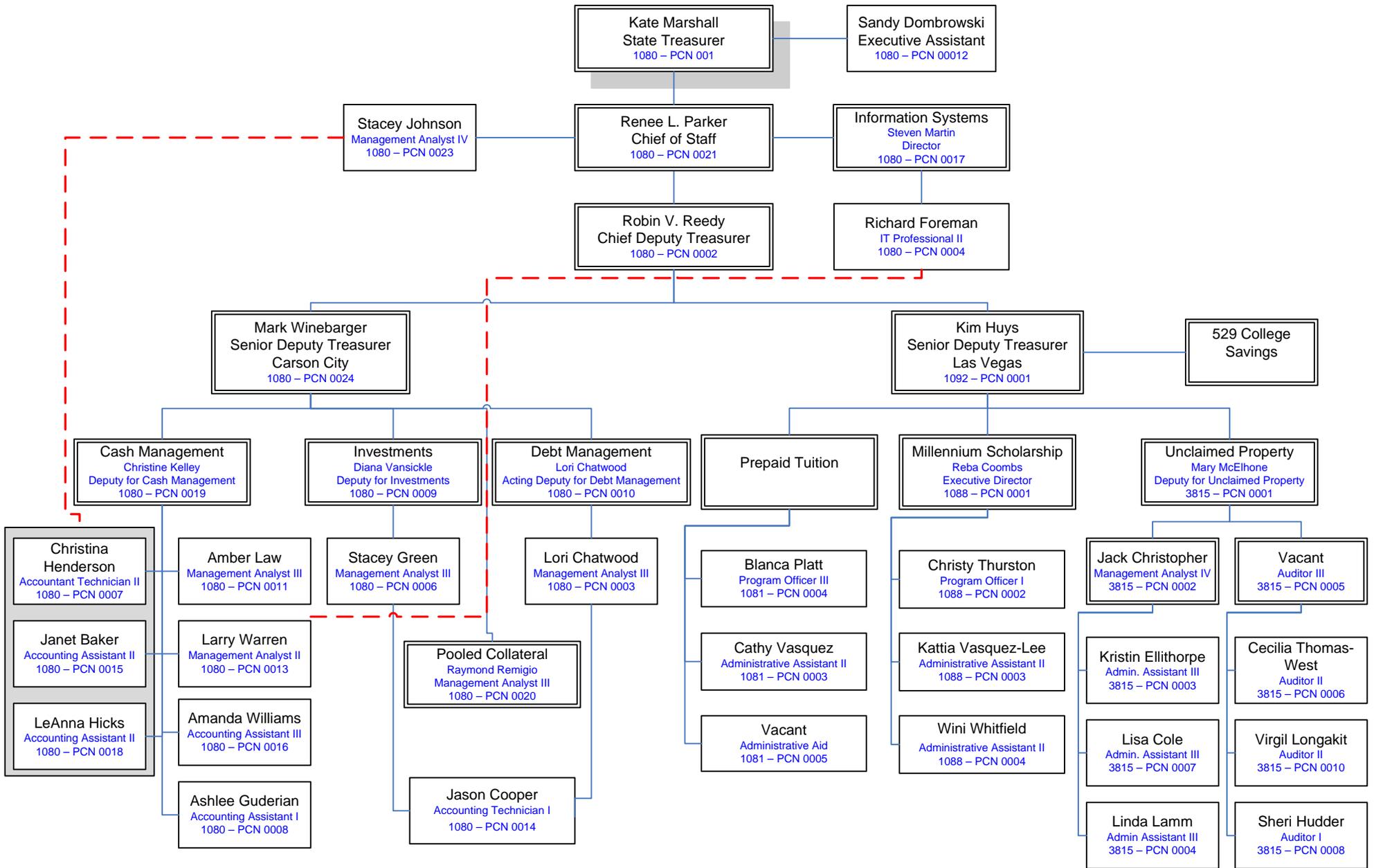
In 1997 Nevada Attorney General Frankie Sue Del Papa asked Kate to move to Nevada to create Nevada's Antitrust Unit. Perfectly paired with Kate and John's hopes to raise their children in Nevada's welcoming community, Kate accepted the job.

As Senior Deputy Attorney General, and the creator of Nevada's Antitrust Unit, Kate successfully streamlined and modernized Nevada's antitrust statutes, facilitating greater access for all Nevadans. She also fought to prevent price gouging at the gas pump and fostered the expansion of Nevada's "Toys for Tots" program into rural Nevada.

In 2000, Kate became in-house counsel for ATG, Inc., a private telecommunications firm, which served small and medium size businesses in Northern Nevada. In 2001, she was chosen by ATG to be an honoree in the Nevada Women's Fund, Women of Achievement event. Before being elected Nevada State Treasurer, Kate also ran her own successful law practice, specializing in consumer protection, telecommunications law, and competitive market analysis.

Since moving to Reno in 1997, Kate and three other mothers started the Parent Teacher Club for Mount Rose Elementary School. She currently helps run the Plumas Park ski club for children learning to ski at Mt. Rose Ski Resort and has volunteered and taught her daughter's 3rd grade class to knit.

Kate and her husband, John, have two wonderful daughters, Anna and Molly. Anna is an avid skier and Molly loves playing the piano and swimming. Kate and her family make their home in Reno.



Office of the State Treasurer
Organization Chart

December 5, 2007