

# STATE TREASURER

EXECUTIVE OFFICES & CRIMINAL JUSTICE APPROPRIATIONS SUBCOMMITTEE  
STAFF: STEVEN ALLRED

## BUDGET BRIEF

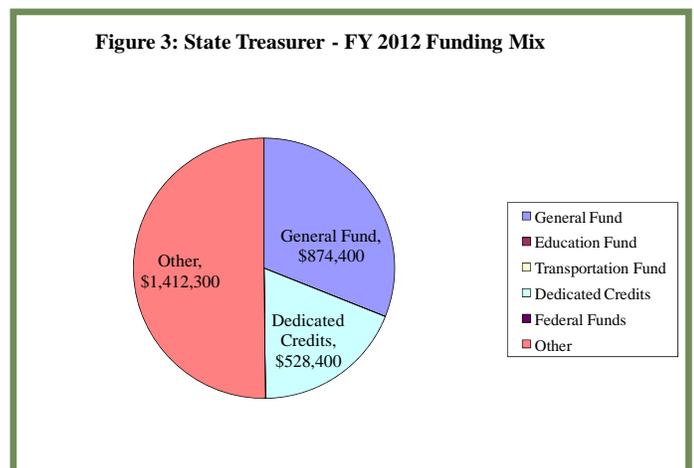
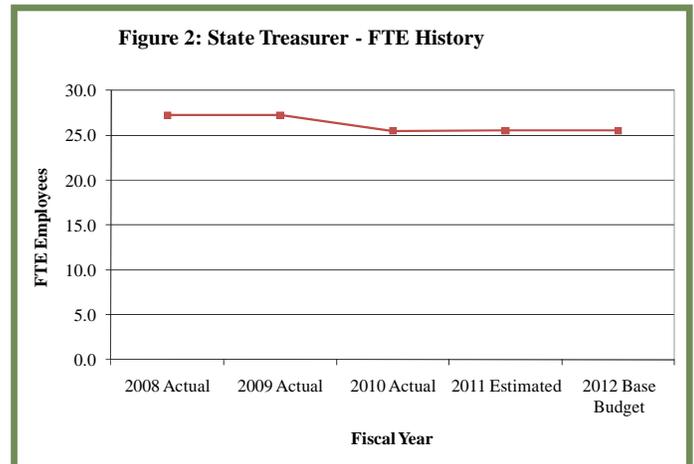
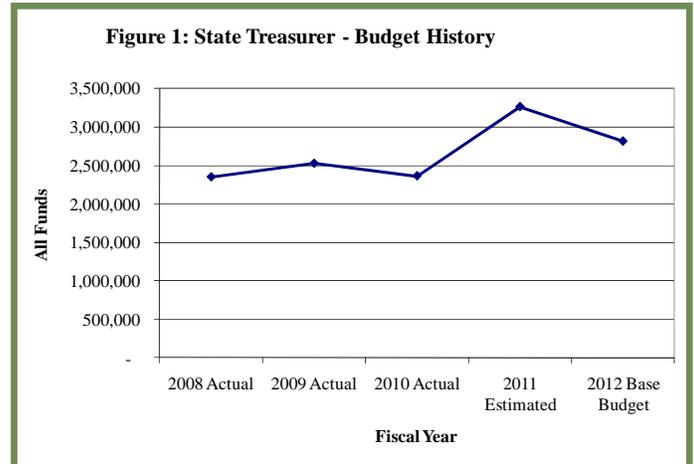
### SUMMARY

The State Treasurer is responsible for all state funds. The Office controls the receipt and deposit of state monies, manages the banking relationships for all bank accounts, invests all funds at the highest market rates and provides liquidity for all state disbursements, subject to the Money Management Act. The Treasurer also manages the investments of the Permanent State School and Institutional Trust Land Fund, the Permanent State Trust Fund (Tobacco Settlement), and the Other Post Employment Benefit (OPEB) Trust Fund.

The Treasurer coordinates the sale of all debt authorized by the Legislature, operates a local government investment pool for the benefit of all public entities and reconciles bank accounts. The office also administers the Unclaimed Property program in behalf of the state.

The State Treasurer line item is comprised of four programs:

1. Treasury and Investment – invests state and local government funds according to the Money Management Act and rules of the Money Management Council. Uses investment research tools to maximize the safety of funds invested and to earn competitive yields. Maintains a Public Treasurers’ Investment Fund (PTIF) so that other governmental entities can pool their idle money together for professional management, high liquidity and the best possible return. The majority of the line item’s general funds are in this program.
2. Unclaimed Property – is responsible for reuniting lost or abandoned property with its rightful owners. Property types include savings accounts, life insurance policies, payroll checks, safe deposit box contents, stocks and mutual funds, and other types of property. Any amount not returned to rightful owners is deposited in the Uniform School Fund. Funded entirely by the Unclaimed Property Trust Fund.



3. Money Management Council – is responsible for the oversight of bank deposits and investments maintained by all Utah public treasurers. This involves overseeing and supporting over 500 public treasurers from municipalities of all types, large and small, urban and rural. Additionally, the council must oversee and monitor the degree to which over 60 financial institutions which hold public funds comply with the Money Management Act and Rules of the Money Management Council. The State Treasurer's Office provides staff to the council.
4. Financial Assistance – Although this program received an appropriation of \$77,100 from dedicated credits for FY 2011, it is not currently in use by the Treasurer. When operational, the program evaluates proposals for water and other infrastructure development submitted to the Community Impact Board, the Board of Water Resources, the Water Pollution Control Committee and the Safe Drinking Water Committee.

**ISSUES AND RECOMMENDATIONS**

***Build America Bonds***

The Treasurer and the State Bonding Commission issued five bond series using the federal Build America Bonds (BAB) program. The BAB program requires issuers to sell bonds at higher taxable interest rates and provides a subsidy back to the issuer in the form of an IRS refund. The BAB program saved the State \$21 million over the life of the \$982 million 2009CD issuance and \$34 million on the \$1,035 million 2010AB issuance. Recently, bond rating agencies provided direction to issuers using the BAB program to budget debt service gross of federal subsidies. This direction indicates a certain level of risk with the BAB program. If the state decides to meet this “best practice” it will need to set aside \$15 million in the Debt Service line item until all of the BABs close out. For more information, see the Issue Brief entitled, “Build America Bonds Federal Subsidy” at <http://le.utah.gov/interim/2010/pdf/00001434.pdf>.

***Intent Language***

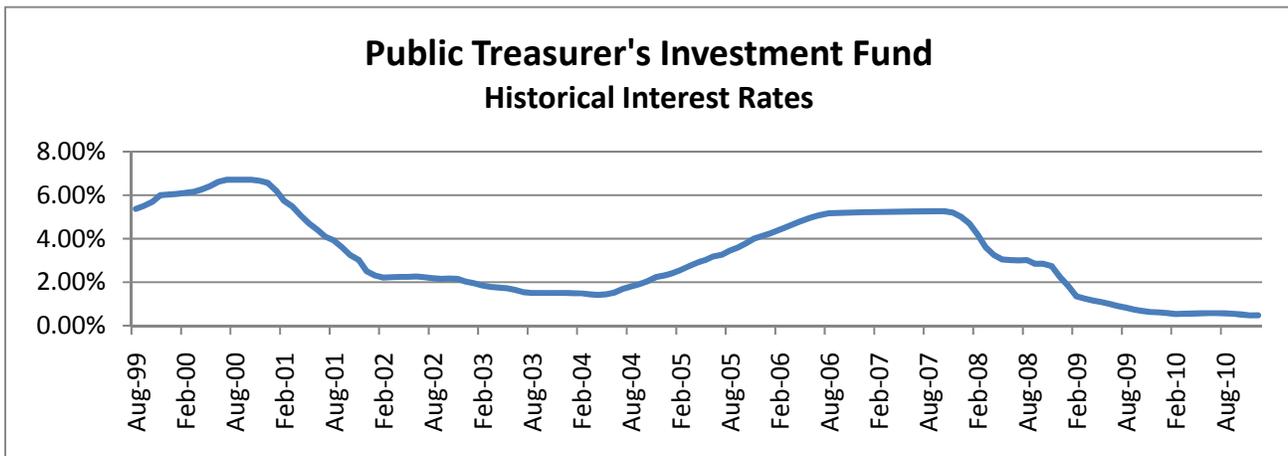
The Analyst recommends the following intent language to make the State Treasurer’s FY 2011 unexpended appropriations nonlapsing at the end of FY 2011:

*Under section 63J-1-603 of the Utah Code, the Legislature intends that appropriations provided for the State Treasurer in Item 7 of Chapter 2 Laws of Utah 2010 not lapse at the close of Fiscal Year 2011.*

**ACCOUNTABILITY DETAIL**

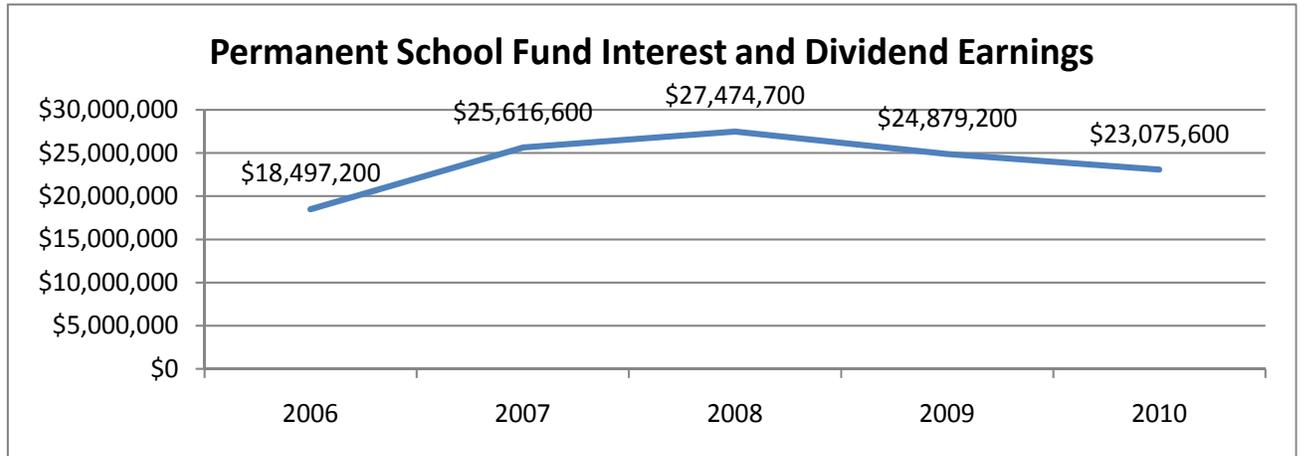
The following measures indicate the performance of the State Treasurer’s Office:

1. Interest earned in Public Treasurers’ Investment Fund



PTIF interest historically tracks closely to the federal funds rate. The Treasurer's Office reports their 2010 earnings were 0.43% higher than the Vanguard fund they use as a benchmark.

## 2. Permanent School Fund Interest and Dividend Earnings



### **BUDGET DETAIL**

#### ***Budget History***

The State Treasurer's Office is funded by the General Fund, Dedicated Credits (investment fees), and the Unclaimed Property Trust Fund. The following data provide the history of the Treasurer's ongoing General Fund budget:

FY 2010 Base:	\$1,011,800	
Adjustment:	(\$73,400)	FY 2009 Supplemental Ongoing Reduction
Adjustment:	<u>(\$63,100)</u>	Personnel Reduction and ISF Rate Adjustment
FY 2010 Final:	\$875,300	Plus \$115,100 one-time backfill

FY 2011 Base:	\$875,300	
Adjustment:	\$57,800	50% of FY 2010 one-time backfill
Adjustment:	<u>\$7,100</u>	Compensation and ISF Rate Adjustments
FY 2011 Final:	\$940,200	

### **BUDGET DETAIL TABLE**

The following table shows the budget history for the State Treasurer's Office. To eliminate the structural imbalance and as directed by the Executive Appropriations Committee, the "FY 2012 Base Budget" column includes 93% of FY 2011 ongoing General and Education Fund appropriations across-the-board. Targeted budget changes, reflecting policymaker direction, will likely replace the pro-rata reductions shown here.

State Treasurer						
	FY 2010	FY 2011		FY 2011		FY 2012*
Sources of Finance	Actual	Appropriated	Changes	Revised	Changes	Base Budget
General Fund	875,300	940,200	0	940,200	(65,800)	874,400
General Fund, One-time	91,100	0	0	0	0	0
Dedicated Credits Revenue	363,300	528,400	(61,300)	467,100	61,300	528,400
Unclaimed Property Trust	1,399,500	1,412,300	0	1,412,300	0	1,412,300
Beginning Nonlapsing	475,000	344,600	100,400	445,000	(445,000)	0
Closing Nonlapsing	(445,000)	0	0	0	0	0
Lapsing Balance	(396,100)	0	0	0	0	0
<b>Total</b>	<b>\$2,363,100</b>	<b>\$3,225,500</b>	<b>\$39,100</b>	<b>\$3,264,600</b>	<b>(\$449,500)</b>	<b>\$2,815,100</b>
<b>Programs</b>						
Financial Assistance	0	77,100	0	77,100	0	77,100
Money Management Council	79,700	86,400	0	86,400	(6,000)	80,400
Treasury and Investment	1,103,400	1,305,100	(11,300)	1,293,800	(48,500)	1,245,300
Unclaimed Property	1,180,000	1,756,900	50,400	1,807,300	(395,000)	1,412,300
<b>Total</b>	<b>\$2,363,100</b>	<b>\$3,225,500</b>	<b>\$39,100</b>	<b>\$3,264,600</b>	<b>(\$449,500)</b>	<b>\$2,815,100</b>
<b>Categories of Expenditure</b>						
Personnel Services	1,802,700	2,192,500	(117,900)	2,074,600	(65,800)	2,008,800
In-state Travel	1,600	3,800	200	4,000	0	4,000
Out-of-state Travel	1,600	12,500	(4,300)	8,200	0	8,200
Current Expense	481,100	570,100	18,400	588,500	(20,100)	568,400
DP Current Expense	76,100	95,300	21,700	117,000	(8,500)	108,500
DP Capital Outlay	0	156,300	60,000	216,300	(99,100)	117,200
Capital Outlay	0	195,000	61,000	256,000	(256,000)	0
<b>Total</b>	<b>\$2,363,100</b>	<b>\$3,225,500</b>	<b>\$39,100</b>	<b>\$3,264,600</b>	<b>(\$449,500)</b>	<b>\$2,815,100</b>
<b>Other Data</b>						
Budgeted FTE	25.5	25.0	0.5	25.5	0.0	25.5
Actual FTE	20.9	0.0	0.0	0.0	0.0	0.0
Vehicles	1.0	1.0	0.0	1.0	0.0	1.0

\*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.

As shown in the table, the subcommittee's list included a General Fund reduction of \$65,800, which equates to 7% of the FY11 ongoing General Fund in this line item, and 2% of all funds.

### **SUMMARY OF RECOMMENDATIONS**

The Analyst recommends the Legislature:

1. Adopt the base budget shown in the budget detail table, pending targeted budget changes.
2. Approve the intent language on page 2.