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.

Figure 1: State Treasurer - Budget History

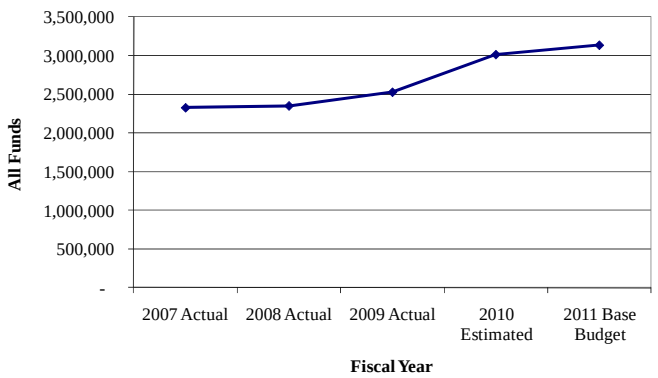


Figure 2: State Treasurer - FTE History

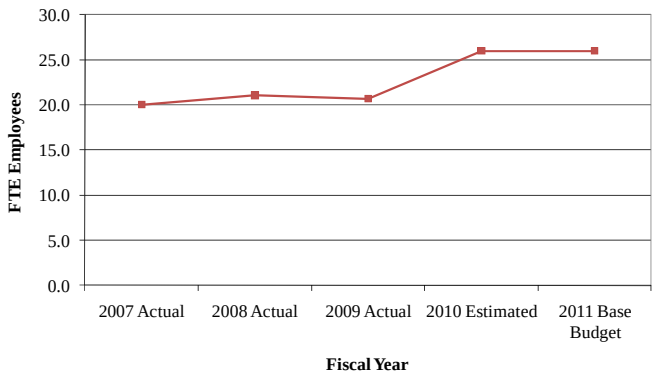
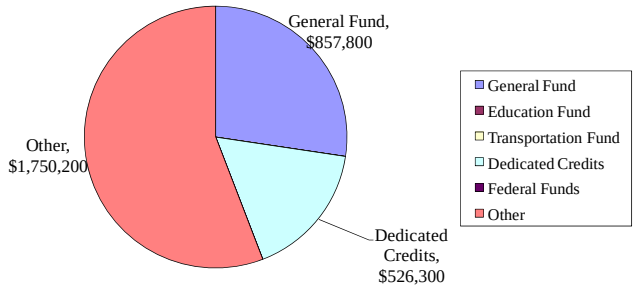


Figure 3: State Treasurer - FY 2011 Funding Mix



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 from dedicated credits for FY 2010, 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

Intent Language

The Analyst recommends the following intent language to make the State Treasurer's FY 2010 unexpended appropriations nonlapsing at the end of FY 2010:

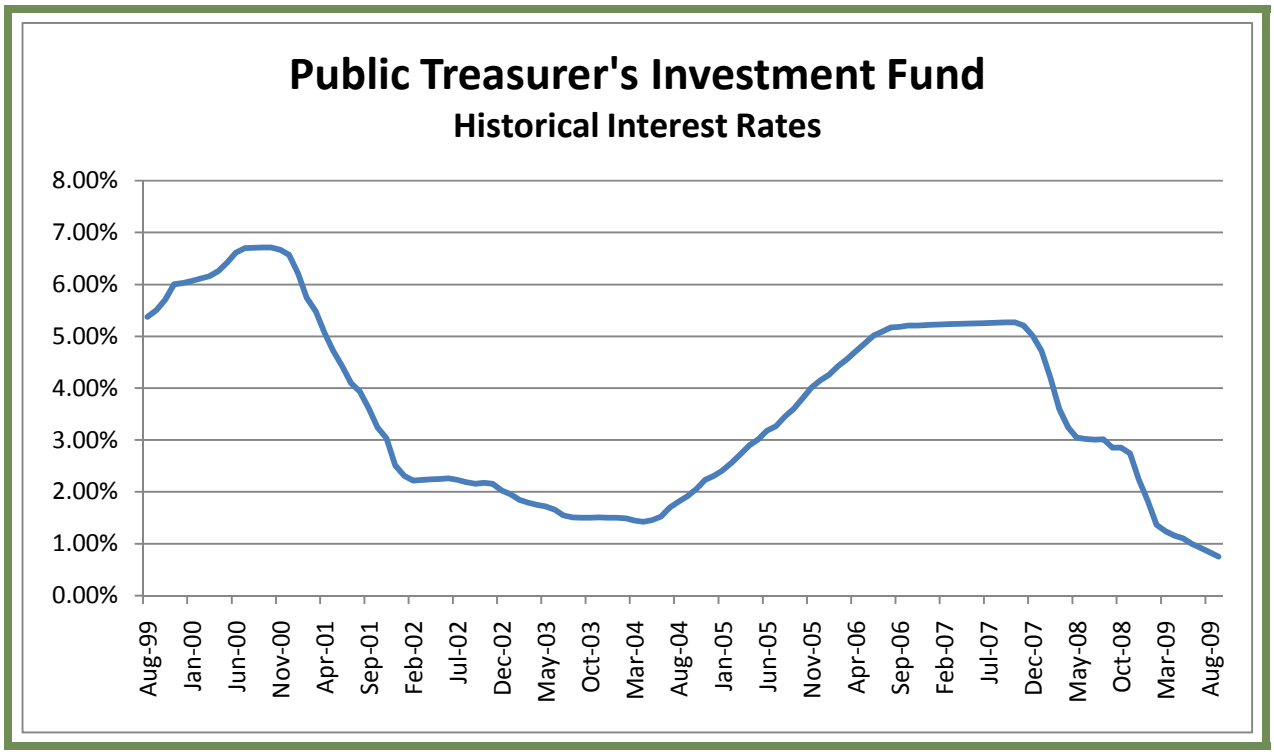
> *Under section 63J-1-603 of the Utah Code, the Legislature intends that appropriations provided for the State Treasurer in Item 6 of Chapter 396 Laws of Utah 2009 not lapse at the close of Fiscal Year 2010.*

ACCOUNTABILITY DETAIL

The State Treasurer includes the following as measures of its performance in the last year:

1. Successfully issued $1.48 billion in General Obligation bonds at historically low interest rates, including the issuance of $492 million of Build America Bonds. By including Build America Bonds, the state will save over $20 million in interest over the life of the bonds.
2. Implemented a new Web-based application for use by PTIF pool participants. The application interfaces directly with the PTIF accounting system, which will reduce clerical data entry.
3. The Unclaimed Property Division received approximately $41.7 million in unclaimed property during FY 2009, and paid out nearly 50,000 properties, totaling $14.7 million, to owners. The division transferred $19.3 million to the Uniform School Fund.

Historically low interest rates are also affecting the state's investments. A review of records back to 1981 shows this is the first time interest rates have fallen below 1% in the review period. Returns are directly correlated to the relative level of short-term interest rates.



BUDGET DETAIL

Ongoing cuts to the Treasurer's FY 2010 budget were temporarily mitigated by $115,500 in one-time funds.

LEGISLATIVE ACTION

The Executive Appropriations Committee adopted FY 2011 General and Education Fund revenue estimates that are 98% of the original FY 2010 ongoing appropriations. The FY 2011 base budget bills (S.B. 1 and H.B. 1) reduce appropriations for all line items and programs proportionately to match revenues. However, the Executive Appropriations Committee allocated 95% of original FY 2010 ongoing appropriations to each subcommittee and directed the subcommittees to compile a list of options equal to a 5% ongoing cut. The Executive Appropriations Committee will use these options to make final adjustments to the FY 2011 budget. The Analyst recommends the following alternative for budget changes in the State Treasurer's line item to help accomplish the subcommittee's 5% target:

- Staff Reductions: $43,800. This reduction will be absorbed through attrition. An employee retired on January 15. The Treasurer has reconfigured workload to cover the void and still maintain adequate internal controls and separation of duties. If necessary the Treasurer will hire someone part-time to maintain internal controls.

BUDGET DETAIL TABLE

State Treasurer						
Sources of Finance	**FY 2009 Actual**	**FY 2010 Appropriated**	**Changes**	**FY 2010 Revised**	**Changes**	**FY 2011* Base Budget**
General Fund	938,400	875,300	0	875,300	(17,500)	857,800
General Fund, One-time	14,300	115,500	0	115,500	(115,500)	0
Dedicated Credits Revenue	364,600	436,400	49,900	486,300	40,000	526,300
Unclaimed Property Trust	1,465,300	1,405,600	0	1,405,600	0	1,405,600
Beginning Nonlapsing	520,000	0	475,000	475,000	(130,400)	344,600
Closing Nonlapsing	(475,000)	0	(344,600)	(344,600)	344,600	0
Lapsing Balance	(301,200)	0	0	0	0	0
Total	$2,526,400	$2,832,800	$180,300	$3,013,100	$121,200	$3,134,300
Programs						
Financial Assistance	0	76,300	0	76,300	0	76,300
Money Management Council	77,400	85,400	0	85,400	(1,700)	83,700
Treasury and Investment	1,246,000	1,265,500	149,900	1,415,400	(191,300)	1,224,100
Unclaimed Property	1,203,000	1,405,600	30,400	1,436,000	314,200	1,750,200
Total	$2,526,400	$2,832,800	$180,300	$3,013,100	$121,200	$3,134,300
Categories of Expenditure						
Personnel Services	1,841,700	2,160,100	(40,200)	2,119,900	0	2,119,900
In-state Travel	1,300	3,300	0	3,300	500	3,800
Out-of-state Travel	11,200	12,500	0	12,500	0	12,500
Current Expense	566,200	550,600	24,100	574,700	(23,200)	551,500
DP Current Expense	106,000	88,600	1,700	90,300	5,000	95,300
DP Capital Outlay	0	17,700	194,700	212,400	(56,100)	156,300
Capital Outlay	0	0	0	0	195,000	195,000
Total	$2,526,400	$2,832,800	$180,300	$3,013,100	$121,200	$3,134,300
Other Data						
Budgeted FTE	20.7	25.5	0.5	26.0	0.0	26.0
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.

SUMMARY OF RECOMMENDATIONS

The Analyst recommends the Legislature:

1. Adopt the base budget shown in the budget detail table.
2. Approve the intent language on page 2.
3. Consider how to prioritize the 5% General Fund budget reduction item on page 3.