

Office of the
Legislative Fiscal Analyst

FY 2002 Budget Recommendations

Joint Appropriations Subcommittee for
Executive Offices and Criminal Justice

State Treasurer

Contents:

- 1.0 Summary
- 2.0 Issues
- 3.0 Programs
- 4.0 Additional Information

1.0 State Treasurer

Summary

The Treasurer is the Chief Investment Officer for the State and as such is authorized to invest State moneys at competitive market rates. The Treasurer's budget is divided into four different areas: Treasury and Investment, Financial Assistance, Money Management and Unclaimed Property.

	Analyst FY 2002 Base	Analyst FY 2002 Changes	Analyst FY 2002 Total
Financing			
General Fund	800,300		800,300
Dedicated Credits Revenue	188,100		188,100
Unclaimed Property Trust	1,119,000		1,119,000
Total	<u>\$2,107,400</u>	<u>\$0</u>	<u>\$2,107,400</u>
Programs			
Treasury and Investment	844,400		844,400
Unclaimed Property	1,119,000		1,119,000
Money Management Council	77,700		77,700
Financial Assistance	66,300		66,300
Total	<u>\$2,107,400</u>	<u>\$0</u>	<u>\$2,107,400</u>
FTE/Other			
Total FTE	26		26
Vehicles	1	0	1

2.0 Issues: State Treasurer

2.1 Initiative B

Initiative B – Utah Property Protection Act was passed by the citizens of Utah in the November 2000 general election. This new law requires the State Treasurer to “maintain an accounting of all properties which are either civilly or criminally forfeited and subsequently sold and all proceeds therefrom.” The statute becomes effective March 20, 2001. This requires the creation of a new division within the State Treasurer’s office to oversee this program. The State Treasurer is currently exploring how best to meet the requirements of the new law. The range of alternatives includes everything from contracting with other state agencies necessary services to hiring staff and renting office/warehouse space to store and maintain the property prior to disposal.

If additional funding becomes available the Analyst recommends funding a \$500,000 Supplemental and a \$1,000,000 ongoing appropriation in FY 2002. The ongoing funding will be subject to further review to determine actual workloads.

2.2 Nonlapsing Intent Language

It is the intent of Legislature that funding for the State Treasurer be nonlapsing.

3.1 Treasury and Investment

Recommendation

The Analyst recommends \$844,400 for Treasury and Investment.

	2000 Actual	2001 Estimated	2002 Analyst	Est/Analyst Difference
Financing				
General Fund	713,500	736,500	722,600	(13,900)
General Fund, One-time		(4,400)		4,400
Dedicated Credits Revenue	143,900	121,800	121,800	
Beginning Nonlapsing	49,900	70,000		(70,000)
Closing Nonlapsing	(70,000)			
Lapsing Balance	(56,900)			
Total	\$780,400	\$923,900	\$844,400	(\$79,500)
Expenditures				
Personal Services	639,600	651,700	636,400	(15,300)
In-State Travel	1,500	1,800	1,800	
Out of State Travel	3,800	5,400	5,400	
Current Expense	94,500	147,000	121,800	(25,200)
DP Current Expense	43,000	118,000	79,000	(39,000)
Capital Outlay	(2,000)			
Total	\$780,400	\$923,900	\$844,400	(\$79,500)
FTE/Other				
Total FTE	10	10	9	(1)
Vehicles		1	1	

Purpose

The State Treasurer serves as the custodian of bonds, warrants, securities, and all State monies. In this capacity the Treasurer's Office Serves as a depository for state funds. This involves the safekeeping, accounting, and investing of these funds.

Funds are invested at competitive market rates in bank certificates of deposit, commercial paper and other corporate obligations, notes and bonds of the United States and its agencies, housing authorities, Utah municipalities, and money market or mutual funds. The average investment rate for the past five years for the Public Treasurer's investment fund has been approximately 5.6 percent.

Performance Measures

The State Treasurer is a member of the State Bonding Commission that issues debt for the State. At his suggestion, short-term, variable rate bonds have been used to finance a portion of the highway reconstruction. The average interest rate paid on the variable rate bonds is about 3.8 percent compared to traditional fixed rate bonds of 4.8 percent. The savings resulting from this policy is approximately \$3,500,000 to \$5,000,000 per year for the life of the bonds which are anywhere from 7 to 12 years.

Additionally, the state was able to earn arbitrage on the bond proceeds because the borrowing cost were lower than investment earnings. Savings resulting from this were approximately at \$7,500,000.

The State Treasurer also manages the investments for the Permanent State School and Institutional Trust Land Funds. The investment income for the public school's portion of the portfolio funds the State Trust Lands Program. This money is appropriated directly to the schools for their use. For FY 2001, \$4,900,000 was provided to the schools from this program.

3.2 Unclaimed Property

Recommendation The Analyst recommends \$1,119,000 for Unclaimed Property.

	2000 Actual	2001 Estimated	2002 Analyst	Est/Analyst Difference
Financing				
Unclaimed Property Trust	937,000	1,130,400	1,119,000	(11,400)
Beginning Nonlapsing	104,300			
Lapsing Balance	1,900			
Total	<u>\$1,043,200</u>	<u>\$1,130,400</u>	<u>\$1,119,000</u>	<u>(\$11,400)</u>
Expenditures				
Personal Services	576,500	722,600	711,200	(11,400)
In-State Travel	700	2,000	2,000	
Out of State Travel	8,200	11,100	11,100	
Current Expense	298,300	330,600	330,600	
DP Current Expense	159,500	64,100	64,100	
Total	<u>\$1,043,200</u>	<u>\$1,130,400</u>	<u>\$1,119,000</u>	<u>(\$11,400)</u>
FTE/Other				
Total FTE	12	15	15	

Purpose The Unclaimed Property division is responsible for the disposition of unclaimed property of a variety of types. The costs of administering the fund are paid from the fund. Unclaimed property is deposited into the Uniform School Fund.

Performance Measures Below is a list comparing the expenditures for the Unclaimed Property Section to the total money reverting back to the fund.

Year	Deposits	Expenditures
1993	\$2,067,692	\$582,382
1994	\$3,828,725	\$551,244
1995	\$4,390,781	\$735,209
1996	\$8,434,953	\$562,072
1997	\$4,818,521	\$706,062
1998	\$7,053,789	\$844,400
1999	\$7,551,168	\$1,055,532
2000	\$8,451,514	\$1,043,232

3.3 Money Management

Recommendation The Analyst recommends \$77,700 for the Money Management Council.

	2000 Actual	2001 Estimated	2002 Analyst	Est/Analyst Difference
Financing				
General Fund	76,500	79,000	77,700	(1,300)
General Fund, One-time		(400)		400
Lapsing Balance	(15,700)			
Total	<u>\$60,800</u>	<u>\$78,600</u>	<u>\$77,700</u>	<u>(\$900)</u>
Expenditures				
Personal Services	55,200	65,300	63,500	(1,800)
In-State Travel		1,000	1,200	200
Current Expense	5,600	12,300	13,000	700
Total	<u>\$60,800</u>	<u>\$78,600</u>	<u>\$77,700</u>	<u>(\$900)</u>
FTE/Other				
Total FTE	1	1	1	

Purpose

The Utah Money Management Council is responsible for the oversight of the investments made by all Utah Public Treasurers. This involves dealing with over 500 public treasurers of varying professional skill levels. Additionally, the Council must affirm the trustworthiness of more than 60 financial institutions which hold public funds.

The council is comprised of five members appointed by the Governor and the advice and consent of the Senate. At least one member must be from banking, one must be an elected treasurer, one must be an appointed treasurer and one must be experienced in the field of investments. No more than three members of the council may be from the same political party.

3.4 Financial Assistance

Recommendation The Analyst recommends \$66,300 for Financial Assistance.

	2000 Actual	2001 Estimated	2002 Analyst	Est/Analyst Difference
Financing				
Dedicated Credits Revenue		66,300	66,300	
Total	\$0	\$66,300	\$66,300	\$0
Expenditures				
Personal Services		54,400	54,400	
In-State Travel		600	600	
Out of State Travel		1,500	1,500	
Current Expense		5,400	5,400	
DP Current Expense		1,400	1,400	
DP Capital Outlay		3,000	3,000	
Total	\$0	\$66,300	\$66,300	\$0
FTE/Other				
Total FTE	1	1	1	

Purpose The Financial Assistance section 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. The proposals are prioritized and a standardized response is made. The position is funded by the boards which utilize the service.

4.0 Additional Information: State Treasurer**4.1 Funding History**

	1998	1999	2000	2001	2002
Financing	Actual	Actual	Actual	Estimated	Analyst
General Fund	737,100	765,200	790,000	815,500	800,300
General Fund, One-time				(4,800)	
Dedicated Credits Revenue	138,000	138,700	143,900	188,100	188,100
Unclaimed Property Trust	982,700	996,700	937,000	1,130,400	1,119,000
Beginning Nonlapsing	107,400	73,700	154,200	70,000	
Closing Nonlapsing	(73,700)	(154,100)	(70,000)		
Lapsing Balance			(70,700)		
Total	\$1,891,500	\$1,820,200	\$1,884,400	\$2,199,200	\$2,107,400
Programs					
Treasury and Investment	909,400	811,700	780,400	923,900	844,400
Unclaimed Property	923,900	951,200	1,043,200	1,130,400	1,119,000
Money Management Council	58,200	57,300	60,800	78,600	77,700
Financial Assistance				66,300	66,300
Total	\$1,891,500	\$1,820,200	\$1,884,400	\$2,199,200	\$2,107,400
Expenditures					
Personal Services	1,222,400	1,285,300	1,271,300	1,494,000	1,465,500
In-State Travel	2,400	4,500	2,200	5,400	5,600
Out of State Travel	19,400	15,100	12,000	18,000	18,000
Current Expense	384,700	387,500	398,400	495,300	470,800
DP Current Expense	104,800	76,500	202,500	183,500	144,500
DP Capital Outlay	33,500			3,000	3,000
Capital Outlay	124,300	51,300	(2,000)		
Total	\$1,891,500	\$1,820,200	\$1,884,400	\$2,199,200	\$2,107,400
FTE/Other					
Total FTE	25	25	24	27	26
Vehicles				1	1