

**74th OREGON LEGISLATIVE ASSEMBLY – 2007 Regular Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: HB 5049-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Jenson
Carrier – Senate: Sen. Johnson**

Action: Do Pass as Amended and Be Printed A-Engrossed

Vote: 19 – 0 – 2

House – Yeas: D. Edwards, Galizio, Garrard, Hanna, Jenson, Morgan, Nathanson, Nolan, Shields

– Nays:

– Exc:

Senate – Yeas: Carter, Devlin, Gordly, Johnson, Morse, Nelson, Schrader, Verger, Westlund, Whitsett

– Nays:

– Exc: Bates, Winters

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Reviewed By: Dallas Weyand, Legislative Fiscal Office

Meeting Date: 3/2/07

Agency

Treasurer of State

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Biennium

2007-09

Senators: Bates, Carter, Devlin, Gordly, Johnson, Morse, Nelson,
Schrader, Verger, Westlund, Whitsett, Winters

Senator Kurt Schrader, Co-Chair

Representatives: D. Edwards, Galizio, Garrard, Hanna, Jenson,
Morgan, Nathanson, Nolan, Shields

Representative Mary Nolan, Co-Chair

Representative Bob Jenson, General Government Subcommittee Chair

Budget Summary*

	<u>2005-07</u>		<u>2007-09</u>		<u>Percentage Committee</u>
	<u>Legislatively Approved Budget (1)</u>	<u>Governor's Budget</u>	<u>Committee Recommendation</u>	<u>Difference from Governor's Budget</u>	<u>Change from Governor's Budget</u>
Other Funds	23,844,759	31,779,191	28,545,325	-3,233,866	-10.2%
Other Funds Nonlimited	<u>3,500,000</u>	<u>4,001,000</u>	<u>3,500,000</u>	<u>-501,000</u>	<u>-12.5%</u>
Total	\$ 27,344,759	\$ 35,780,191	\$ 32,045,325	\$ -3,734,866	-10.4%

Position Summary

Authorized Positions	75	91	82	-9
Full-time Equivalent (FTE) Positions	74.60	83.10	80.10	-3.00

(1) Includes adjustments through the December 2006 meeting of the Emergency Board

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The Treasurer of State is financed with Other Fund revenues generated from the following sources: investment administrative fees, payments from state agencies and banks for banking services, reimbursements from state agencies for bond and coupon redemption and bond issuance costs, fees for certain services provided to local governments and fees from program participants. Costs of banking services are expended under the Nonlimited expenditure authority.

Summary of Subcommittee Action

Article VI, Section 1 of the Oregon Constitution, created the Office of the State Treasurer. State law establishes the powers and duties of the office. The Treasurer of State serves as a constitutional officer and statewide elected official. The mission of the agency is to provide financial stewardship for Oregon.

The Treasurer of State serves as the Chief Financial Officer for the state, with the responsibility for the sound financial management of the State's financial resources. The State Treasury is a multi-billion dollar investment, debt, and cash management center for the State of Oregon. The Treasurer of State receives, and is responsible for, all moneys paid into the State Treasury, as well as providing investment and debt services to local governments. The moneys received are managed and protected through prudent investment and cash management practices. In addition, the State Treasurer administers the Oregon 529 College Savings Network.

The Subcommittee approved a budget of \$32,045,325 Other Funds, a 5.9 percent increase from Essential Budget Level, and added six positions to address increased workload, new investment opportunities, greater expertise in debt management services, and resources to help manage the growing Oregon 529 College Savings Network.

Treasury Services

The Subcommittee added six full-time positions, five in the Investment Division and one in the Debt Management Division. The five Investment Division positions were provided to address workload needs due to growth in investment portfolios, particularly in the Public Employees Retirement Fund. The increased staff would help the division to take advantage of new investment opportunities in its private equity portfolios and search out other investment opportunities for up to three percent of the PERS portfolio, currently \$1.8 billion. Four of the five are budgeted to begin at the start of the biennium; one is scheduled to begin work in the middle of the biennium. The new debt management position would begin at the start of the biennium to address increasingly complex federal and securities laws and the application of innovative financial products in agency bond programs. The Subcommittee also provided funding to reclassify five existing positions and change one position from half-time to full-time.

During budget development, the Budget and Management Division (BAM) Department of Administrative Services left costs associated with back office support provided by Treasury Services to the Oregon 529 College Savings Network within Treasury Services. These costs were to be paid by transferring revenue from the College Savings Network, instead of recording the revenue and costs in the College Savings Network program. The Subcommittee adjusted the budget to restore the services and supplies expenditure for back office support in the College Savings Network. This technical adjustment reduces Other Funds expenditure limitation by \$358,904 in Treasury Services.

The Treasurer, effective May 1, 2006, implemented a new compensation plan for Investment Officers. This plan made additional Investment Division staff eligible for bonus compensation, increased compensation for all Investment Officers, and changed the potential bonus compensation factor from a maximum 10 percent of salary to a maximum of 30 percent of salary. In budget development, the budget system calculates Federal Insurance Contributions Act (FICA) personnel costs at a flat rate for all earned salary at a rate of 7.65% of salary. Because Investment Officers will earn more than the annual FICA maximum, the budget included \$111,000 Other Funds in employer costs that will not need to be paid. The reduction to personal services is \$111,000 Other Funds expenditure limitation to reflect this adjustment. The Subcommittee also provided expenditure limitation sufficient to pay one year of potential bonuses to eligible Investment Division staff. If in the first year, the maximum bonus compensation is earned, using all of the available limitation, the Treasurer is invited to return to the 2008 Special Legislative Session or subsequent Emergency Board after 2007 bonuses are determined to request additional limitation to fully fund the second year bonuses.

The Subcommittee also reduced the budget by \$437,556 Other Funds for investment advisory service expenditures identified by the Treasurer, that are not subject to expenditure limitation. In addition, the Treasurer identified \$424,400 of unneeded Other Funds expenditure limitation in the 2005-07 biennium. The Subcommittee recommended BAM unschedule \$424,400 of Services and Supplies Other Funds expenditure limitation in the 2005-07 biennium.

The Treasurer reported that collectively, the agency has managed to reduce Full Time Equivalents (FTE) and overall budget levels through technological advances. However, due to more demand for different services from its customers, increases in staffing levels would continue for the near future, in order to address workload demands and the organic growth that would occur. To accommodate this growth, and provide adequate office space for professional staff, the Subcommittee recommended that the Treasurer consult with the Capital Projects Advisory Board in conjunction with other Executive Branch offices to review future space needs. In the short term, the Treasurer will reconfigure the present office space to accommodate the new professional staff in a manner consistent with their responsibilities.

Oregon 529 College Savings Network

The Subcommittee approved \$366,316 Other Funds expenditure limitation for the Oregon 529 College Savings Network. This Other Funds expenditure limitation will enhance its oversight and audit activities and its ability to conduct additional marketing to increase public awareness of the program. No increase in fees is necessary to pay for these additional services. The Subcommittee also increased the budget to pay for professional services expenditures related to the back office support provided by Treasury Services. This technical adjustment ensures that the revenues and expenditures of the College Savings Network are correct. The change increases Services and Supplies by \$358,904 Other Funds expenditure limitation.

Nonlimited Funds

This Nonlimited fund is used to pay for the purchase of goods or services directly related to banking. The charges for banking are recovered from agencies on a fee-per-transaction basis. In the 2007-09 biennium, this fund will expend approximately \$3.5 million for banking services.

Summary of Performance Measure Action

See attached Legislatively Adopted 2007-09 Key Performance Measures form.