

**75<sup>th</sup> OREGON LEGISLATIVE ASSEMBLY – 2009 Regular Session  
BUDGET REPORT AND MEASURE SUMMARY**

**MEASURE: SB 5550-A**

**JOINT COMMITTEE ON WAYS AND MEANS**

**Carrier – House: Rep. Nathanson  
Carrier – Senate: Sen. Winters**

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

**Vote:** 20 – 0 – 2

House – Yeas: Buckley, D. Edwards, Garrard, Gilman, Jenson, Komp, Kotek, Nathanson, Richardson, Shields

– Nays:

– Exc: Galizio, G. Smith

Senate – Yeas: Bates, Carter, Girod, Johnson, Monroe, Nelson, Verger, Walker, Whitsett, Winters

– Nays:

– Exc:

**Prepared By:** Lyndon Troseth, Department of Administrative Services

**Reviewed By:** Steve Bender, Legislative Fiscal Office

**Meeting Date:** April 24, 2009

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**Agency**

Treasurer of State

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**Biennium**

2009-11

## **Budget Summary\***

	<b>2007-09 Legislatively Approved Budget (1)</b>	<b>2009-11 Essential Budget Level</b>	<b>2009-11 Committee Recommendation</b>	<b>Committee Change from 2007-09 Leg. Approved</b>	
				<b>\$ Change</b>	<b>% Change</b>
Other Funds	\$ 30,162,234	\$ 31,195,709	\$ 32,085,209	\$ 1,922,975	6.4%
Other Funds Nonlimited	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 0	0.0%
Total	\$ 33,662,234	\$ 34,695,709	\$ 35,585,209	\$ 1,922,975	5.7%

## **Position Summary**

Authorized Positions	84	82	83	-1
Full-time Equivalent (FTE) positions	81.24	81.10	82.10	0.86

(1) Includes adjustments through the December 2008 meeting of the Emergency Board

\* Excludes Capital Construction expenditures

## **Summary of Revenue Changes**

The Office of the State Treasurer is financed with Other Fund revenues 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 General Government 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 State Treasurer serves as a constitutional and statewide elected official. The mission of the agency is to provide financial stewardship for Oregon.

The State Treasurer 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 State Treasurer receives, and is responsible for, all moneys paid into the State Treasury, and also provides 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 \$35,585,209 total funds, which is a 5.7 percent increase from the 2007-09 Legislatively Approved Budget (LAB), and 82.10 full-time equivalent (FTE) positions. The Subcommittee's recommended budget is a 2.6 percent increase over the

Essential Budget Level (EBL); including a 2.9 percent increase in Other Funds Limited expenditure limitation and no increase in Other Funds Nonlimited expenditure limitation. The agency is funded entirely with Other Funds.

### **Treasury Services**

The Subcommittee took the following actions:

- Approved the EBL calculations in the Governor's recommended budget as a base for approving funding for new initiatives or funding reductions.
- Approved Package 081, June 2008 Emergency Board – Chief Audit Executive - This package adds one position (1.00 FTE) and \$232,563 Other Funds expenditure limitation to support continuation through the 2009-11 biennium of a full-time Chief Audit Executive position approved by the Emergency Board in June 2008. The Emergency Board added this position too late in the 2007-09 biennium for it to be included in the agency's EBL.
- Approved Package 101, Oregon 529 College Savings Network, with modifications – This package supports enhancements to the Oregon 529 College Savings Network program. The Subcommittee approved a \$130,000 reduction in Other Funds in Treasury Services as part of an expenditure shift, to the Oregon 529 College Savings Network, for costs associated with shared agency services.

The Treasurer withdrew Package 102, Investment Officer Bonus Compensation, which would have added Other Funds expenditure limitation for potential calendar year 2010 incentive compensation for eligible Investment Division staff. The Subcommittee approved a budget note requesting the State Treasurer to review the performance-based component of his compensation plan and report the outcome of this evaluation to the Joint Committee on Ways and Means or to the Emergency Board.

The Subcommittee approved the following budget note:

### **Budget Note**

The approved budget includes \$604,826 of Other Funds expenditure limitation for payment of potential performance-based bonuses for agency staff eligible for such compensation under the State Treasurer's compensation plan, for the first year of the 2009-11 biennium. The Committee understands that the State Treasurer will review the performance-based bonus component of his compensation plan, and report the outcome of this review to the Joint Committee on Ways and Means or to the Emergency Board no later than November 2009. This report shall include information on performance-based bonus compensation plans available to employees with responsibilities similar to those of the office's investment officers, employed by other state governments and employed in the private sector. The report shall also include information on the general changes in the availability of performance-based compensation for those same employee types that have occurred since the State Treasurer adopted the current 30% bonus plan in 2005. The agency may request an Other Funds expenditure limitation increase if the State Treasurer's compensation plan proposes eligibility for bonus payments based on calendar year 2010 portfolio performances, or if additional limitation is needed for first-year bonus payments.

In addition, the Subcommittee recommended amending SB 5550 to establish an additional and separate Other Funds expenditure limitation of \$604,826, to be used exclusively for expenditures to pay performance-based compensation for agency personnel.

- Approved Package 103, Investments Program Enhancements, with modifications – The approved package includes \$986,157 Other Funds and two full-time positions (2.00 FTE) to enhance investment program services and address findings by the Secretary of State of material weaknesses in the agency’s financial reporting. The package funds salary and benefits for one additional Accountant 3 position and one additional Accountant 4 position, along with associated Services and Supplies costs. The package also funds an investment consultant who would advise the Public Employees Retirement System (PERS) on investment of the state’s deferred compensation plan (Oregon Savings Growth Plan) and advise the Oregon 529 College Savings Network Program. Half of the expenditures for the investment consultant (\$300,000) are included in this package and are funded by PERS. The approved package reflects a reduction to Services and Supplies of \$160,000 Other Funds from the agency’s original request. Fees charged to investment program participants fund this package.
- Denied Package 104, Banking Staff Reclasses – The request for \$45,718 Other Funds expenditure limitation to support the reclassification of two existing positions in the Banking program was not approved in compliance with a budget policy of denying position reclassification requests in the current economic climate.
- Approved Package 105, State & Local Government Debt Tracking System, with modifications – The Subcommittee approved a \$1 Other Funds expenditure limitation (of \$250,000 requested) to support acquisition of a Debt Management System, which will be available to customers over the Internet. If constructed, the new system will replace the 11-year old debt reporting system now in place. The agency may request restoration of the full amount of the package from the Emergency Board or Legislative Assembly upon review of a business case by the Legislative Fiscal Office (LFO) IT analyst. The package, including any Other Funds expenditure limitation added by the Emergency Board or Legislative Assembly, will phased out in the development of the agency’s 2011-13 essential budget level.
- Approved Package 803, LFO Statewide Budget Adjustments – To reduce agency expenditures in the current economic climate, the Subcommittee reduced the Other Funds expenditure limitation in Treasury Services by \$652,763, and eliminated two full-time positions (2.00 FTE) that have each been vacant for over seven months – one Information Specialist 6 (Position No. 1490001) and one Fiscal Analyst 2 (Position No. 1218001). The reduction in Personal Services expenditures of \$298,481; and the Services and Supplies reduction of \$354,282 should not impair the agency’s ability to perform its statutory duties, but will reduce the likelihood that the agency will have to further increase fees if the market values of its portfolios decline.

## **Oregon 529 College Savings Network**

The Subcommittee took the following actions:

- Approved the EBL calculations in the Governor's recommended budget as a base for approving funding for new initiatives or funding reductions.
- Approved Package 101, Oregon 529 College Savings Network, with modifications – The Subcommittee approved funding to support a contract for an investment consulting services contract. The package also funds one-time costs to transition the College Savings Network's plans to a new management company. The purpose of these expenditures is to improve the operation of the Network's plans and protect investors in those plans. The package supports reclassification of an Administrative Specialist 2 position to Program Analyst 1. The Subcommittee reduced the Other Funds expenditure limitation increase associated with this package by \$26,289, eliminating additional out-of-state travel included in the original request and requiring the agency to reduce Services and Supplies expenditures to finance the position reclassification included in the package request. Expenditure limitation of \$250,000 Other Funds included in this package for one-time manager transition costs will be phased out in the calculation of the agency's essential budget level for the 2011-13 biennium. Program administrative fees support these expenditures.

## **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 2009-11 biennium, this fund will expend approximately \$3.5 million for banking services.

## **Summary of Performance Measure Action**

See attached Legislatively Adopted 2009-11 Key Performance Measures form.