

**76th OREGON LEGISLATIVE ASSEMBLY – 2011 Regular Session
BUDGET REPORT AND MEASURE SUMMARY**

JOINT COMMITTEE ON WAYS AND MEANS

MEASURE: HB 5048-A

Carrier – House: Rep. Nathanson

Carrier – Senate: Sen. Johnson

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

Vote: 23 – 2 – 0

House – Yeas: Beyer, Buckley, Cowan, Freeman, Garrard, Komp, Kotek, McLane, Nathanson, Nolan, Richardson, G. Smith, Thatcher, Whisnant
– Nays:
– Exc:

Senate – Yeas: Bates, Devlin, Edwards, Johnson, Monroe, Nelson, Thomsen, Verger, Winters
– Nays: Girod, Whitsett
– Exc:

Prepared By: Lyndon Troseth, Department of Administrative Services

Reviewed By: Steve Bender, Legislative Fiscal Office

Meeting Date: June 10, 2011

Agency
Treasurer of State

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Biennium
2011-13

Budget Summary*

	2009-11	2011-13	2011-13	2011-13	Committee Change from	
	Legislatively Approved Budget (1)	Current Service Level	Governor's Budget	Committee Recommendation	2009-11 Leg Approved \$ Change	% Change
Other Funds	\$ 32,541,377	\$ 34,959,580	\$ 36,636,840	\$ 35,094,890	\$ 2,553,513	+7.8%
Other Funds - Nonlimited	3,500,000	3,500,000	3,500,000	3,500,000	0	0.0%
Total	36,041,377	38,459,580	40,136,840	38,594,890	2,553,513	+7.1%

Position Summary

Authorized Positions	84	84	85	85	+1
Full-time Equivalent (FTE) Positions	83.10	83.10	83.48	83.48	0.38

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 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 \$38,594,890 total funds, which is a 7.1 percent increase from the 2009-11 Legislatively Approved Budget (LAB), and 83.48 full-time equivalent (FTE) positions. The agency is funded entirely with Other Funds.

Treasury Services

The Subcommittee approved the following packages:

- Package 084: December 2010 Emergency Board - Investment Officer Compensation –This package, with \$1,675,843 Other Funds as modified, allows for the payment of compensation for the agency’s Investment Officers that is not paid unless fund performance metrics are met under the State Treasurer’s revised Investment Officer compensation plan. The package establishes sufficient Other Funds expenditure limitation to pay Target Compensation to all agency employees under the State Treasurer’s Investment Officer compensation plan. The Subcommittee understands that the Department of Administrative Services will, at the State Treasurer’s request, unschedule \$1,675,843 of Other Funds expenditure limitation for Treasury Services. The Subcommittee further understands that the State Treasurer will request this expenditure limitation to be rescheduled only to the extent necessary to pay performance-based compensation that had been deferred, under the Investment Officer compensation plan, until fund investment performance metrics were met. The Office of State Treasurer will report the amount of deferred compensation earned to the Legislative Fiscal Office and to the Budget and Management Division, at the time it requests expenditure limitation to be rescheduled. The Subcommittee also discussed the value of the Department of Administrative Services independently reviewing the compensation plan for comparability with other states and reporting back on any recommended plan improvements.
- Package 086: Eliminate Inflation – This package reduces Other Funds by \$241,351 to eliminate standard inflation adjustments that had been included in budget development. The Subcommittee approved the package with modifications. The Governor’s recommended budget reduced Other Funds expenditures for state government service charges and Attorney General charges only. The Subcommittee modified the package to eliminate other increases in the Treasurer’s budget for a total of \$241,351 of reductions.
- Package 087: Personal Services Adjustments – This package reduces Other Funds by \$1,164,061 for a 5.5 percent across-the-board reduction in Personal Services expenditures. It is assumed that collective bargaining and policy decisions will facilitate the reductions in this package.
- Package 102: Maintain State’s Debt Tracking System – This package adds \$166,200 of Other Funds expenditure limitation for costs associated with the hosting, licensing, and maintenance of the new debt tracking system that was approved by the 2009 Session and brought on line during the 2009-11 biennium. The costs related to maintaining the new debt tracking system were anticipated when the Legislature approved it in the 2009 Session. Fees charged to state agencies and local governments that issue debt finance the expenditures.
- Package 103: Protect Public Funds in Credit Unions – This package allows for implementation of House Bill 3700 (2010 Special Session) which permits public funds, beginning in 2013, to be deposited in credit unions in excess of the amounts covered by FDIC insurance. The package expands the Public Funds Collateralization Program to include credit unions that will hold these public fund deposits. The package adds \$93,940 of Other Funds expenditure limitation and establishes one position, (0.38 full time equivalent). The limitation increase incorporates a \$2,587 reduction from the amount originally requested. The reduction applies the 5.5 percent Personal

Services reduction to the new position approved in this package. Costs will be recovered from the credit unions that accept deposits of public funds.

- Package 105: Investments Research/Analysis/Operations – This package adds \$470,689 of Other Funds expenditure authority in the Investments program to support purchases of credit risk monitoring and security analysis research services, and access to credit-rating agency information. The package also supports additional Attorney General costs relating to public information inquires, and additional rent for expanded office space at the Tigard office.

Oregon 529 College Savings Plan

- Package 086: Eliminate Inflation – This package reduces Other Funds by \$99,697 to eliminate standard inflation adjustments that had been included in budget development. The Subcommittee approved the package with modifications. The Governor’s recommended budget reduced Other Funds expenditures for state government service charges and Attorney General charges only. The Subcommittee modified the package to eliminate other increases in the Treasurer’s budget for a total of \$99,697 of reductions.
- Package 087: Personal Services Adjustments – This package reduces Other Funds by \$24,490 for a 5.5 percent across-the-board reduction in Personal Services expenditures. It is assumed that collective bargaining and policy decisions will facilitate the reductions in this package.
- Package 108, Network Specialist Legal Fees: This package adds \$100,000 of Other Funds expenditure authority in the Oregon 529 College Savings Network to finance the services of a securities attorney to interpret and give advice regarding the federal tax code in relation to the Oregon 529 College Savings Network, and to provide independent review of plan disclosure documents and participation materials.

Incentive Compensation

- Package 084: December 2010 Emergency Board – Investment Officer Compensation - This package is fully described in the Treasury Services section of this report above. In the Incentive Compensation program area, the package reduces Other Funds by \$841,768 to transfer of the full biennial amount allowed for the performance-based compensation for the agency’s Investment Officers from the Incentive Compensation – Summary Cross Reference (003) - to the Treasury Services – Summary Cross Reference (001), and to eliminate the Incentive Compensation Summary Cross Reference.

Non-Limited

- Package 811: LFO Analyst Technical Adjustments – This package, which has no impact on expenditures or revenues, contains technical corrections to accurately reflect Nonlimited Other Funds expenditures in the Treasury Services and Non-Limited areas of the agency budget.

Summary of Performance Measure Action

The Subcommittee discussed and approved the Treasurer's Key Performance measurements, which can be reviewed in the attached Legislatively Adopted 2011-13 Key Performance Measures form.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

HB 5048-A

Oregon State Treasurer
Lyndon Troseth - (503) 378-3105

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2009-11 Legislatively Approved Budget at March 2011 *	\$ 0	\$ 0	\$ 32,541,377	\$ 3,500,000	\$ 0	\$ 0	\$ 36,041,377	84	83.10
2011-13 ORBITS printed Current Service Level (CSL)*	\$ 0	\$ 0	\$ 34,959,580	\$ 3,500,000	\$ 0	\$ 0	\$ 38,459,580	84	83.10
2011-13 Governor's Balanced Budget*	\$ 0	\$ 0	\$ 36,636,840	\$ 3,500,000	\$ 0	\$ 0	\$ 40,136,840	85	83.48

SUBCOMMITTEE ADJUSTMENTS (from GRB)

Treasury Services

Package 084: December E-Board

Personal Services \$ 0 \$ 0 \$ 1,675,843 \$ 0 \$ 0 \$ 0 \$ 1,675,843

Package 086: Eliminate Inflation

Services and Supplies \$ 0 \$ 0 \$ (155,195) \$ 0 \$ 0 \$ 0 \$ (155,195)

Capital Outlay (10,150) (10,150)

Package 087: Personal Service Adjustments

Personal Services \$ 0 \$ 0 \$ (1,164,061) \$ 0 \$ 0 \$ 0 \$ (1,164,061)

Package 103: Protect Public Funds in Credit Unions

Personal Services \$ 0 \$ 0 \$ (2,587) \$ 0 \$ 0 \$ 0 \$ (2,587)

Oregon 529 College Savings Network

Package 086: Eliminate Inflation

Services and Supplies \$ 0 \$ 0 \$ (87,880) \$ 0 \$ 0 \$ 0 \$ (87,880)

Capital Outlay \$ 0 \$ 0 \$ (51) \$ 0 \$ 0 \$ 0 \$ (51)

Package 087: Personal Service Adjustments

Personal Services \$ 0 \$ 0 \$ (24,490) \$ 0 \$ 0 \$ 0 \$ (24,490)

Incentive Compensation

Package 084: December E-Board

Personal Services \$ 0 \$ 0 \$ (1,773,379) \$ 0 \$ 0 \$ 0 \$ (1,773,379)

*Excludes Capital Construction Expenditures

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
TOTAL ADJUSTMENTS	\$ 0	\$ 0	\$ (1,541,950)	\$ 0	\$ 0	\$ 0	\$ (1,541,950)	0	-
SUBCOMMITTEE RECOMMENDATION *	\$ 0	\$ 0	\$ 35,094,890	\$ 3,500,000	\$ 0	\$ 0	\$ 38,594,890	85	83.48
% Change from 2009-11 Leg Approved Budget	0.0%	0.0%	7.8%	0.0%	0.0%	0.0%	7.1%	1.2%	0.5%
% Change from 2011-13 Current Service Level	0.0%	0.0%	0.4%	0.0%	0.0%	0.0%	0.4%	1.2%	0.5%
% Change from 2011-13 Agency Request Budget	0.0%	0.0%	-4.2%	0.0%	0.0%	0.0%	-3.8%	0.0%	0.0%

*Excludes Capital Construction Expenditures

Legislatively Approved 2011-2013 Key Performance Measures

Agency: OREGON STATE TREASURY

Mission: To provide financial stewardship for Oregon.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2012	Target 2013
1 - Oregon Public Employees Retirement Fund Net Performance of 5-Year Rolling Average Compared to Policy Benchmark		Approved KPM	4.53	0.00	0.00
2 - Common School Fund Net Performance of 5-Year Rolling Average Compared to Policy Benchmark.		Approved KPM	2.29	0.00	0.00
3 - Oregon Short-Term Fund Returns Compared to Benchmark		Approved KPM	2.37	0.00	0.00
4 - Expense to Assets Ratio for the Oregon Short-Term Fund		Approved KPM	0.04	0.10	0.10
5 - Local Government Participation in the Oregon Short-Term Fund		Approved KPM	76.00	75.00	75.00
6 - Banking Services - Average Cost per Transaction		Approved KPM	0.04	0.17	
7 - Oregon School Bond Guaranty Program Bonds Outstanding		Approved KPM	3.19	3.19	3.19
8 - Number of Oregon 529 College Savings Network Accounts		Approved KPM	126,517.0	130,000.0	140,000.0
9 - Percentage of Oregon Counties with an Oregon 529 College Savings Network Participation Rate of at Least 1% of County Adults		Approved KPM	89.00	100.00	100.00
10 - Oregon Debt Issuance Activity: Levels of Transaction Volume and Total State and Local Government Debt Outstanding by Fiscal Year		Approved KPM			
11 - Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Accuracy	Approved KPM	97.00	100.00	100.00
11 - Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Availability of Information	Approved KPM	95.00	100.00	100.00

Agency: OREGON STATE TREASURY

Mission: To provide financial stewardship for Oregon.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2012	Target 2013
11 - Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Expertise	Approved KPM	97.00	100.00	100.00
11 - Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Helpfulness	Approved KPM	95.00	100.00	100.00
11 - Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Overall	Approved KPM	98.00	100.00	100.00
11 - Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Timeliness	Approved KPM	98.00	100.00	100.00
4 - Expense to Assets Ratio for the Oregon Short-Term Fund Compared to Institutional Money Market Funds.		Legislative Delete	0.06	0.39	0.39
5 - Local Government vs. State Agency Participation in the Oregon Short-Term Fund.		Legislative Delete	76.00	75.00	75.00
6 - Banking Service Costs Average per Transaction.		Legislative Delete	0.04	0.17	

LFO Recommendation:

The Legislative Fiscal Office recommends that the Subcommittee approve the Key Performance Measures and KPM targets as shown in the above table. The recommendation includes to approve replacing the existing KPM's #4, #5, and #6 with the Proposed New KPMs for those items, and approving some wording changes as shown. LFO also notes that a "0.00" shown for a KPM target means that no target is established for that KPM. It does not mean that the target is actually zero.

Sub-Committee Action:

The Subcommittee approved the Legislative Fiscal Office recommendation.