

OREGON STATE TREASURY

The Treasurer of State acts as the banker for the State of Oregon by maintaining all state agency financial accounts and by investing state funds that are not needed to meet current expenditure demands, including the state’s Trust Funds and bond fund proceeds.

The State Treasury operates five programs: (1) The Investments Program invests state-held funds including the Oregon Public Employees Retirement Fund, the State Accident Insurance Fund, the Common School Fund, and other smaller funds; (2) the Cash Management Program processes monetary transactions for all state agencies and over 1,500 local government accounts and operates the Oregon Short-Term Fund which manages and invests state monies that are not needed for immediate demands in short-term securities; (3) the Debt Management Program coordinates and approves issuance of state agency and authority bonds; (4) the Public Funds Collateralization Program assures that public funds held in financial institutions are properly collateralized and acts as pool manager for Oregon banks and credit unions; and (5) the Oregon 529 College Savings Network administers two tax-advantaged savings programs designed to encourage people to save money for future education costs. The State Treasurer is the investment officer for the Oregon Investment Council, which is responsible for establishing the state’s investment policy. The State Treasurer also chairs the State Debt Policy Advisory Commission and the Oregon Growth Account Board, as well as serves on the State Land Board.

OREGON STATE TREASURY	2009-11 Actuals	2011-13 Leg. Approved	2013-15 Current Service Level	2013-15 Governor's Budget	2013-15 Co-Chairs' Budget (1.0)	% Change 2011-13 LAB to 2013-15 CSL
Other Funds	31,773,270	35,248,684	40,020,642	47,945,247	0	13.5%
Other Funds Nonlimited	3,677,332	3,500,000	3,584,000	3,584,000	0	2.4%
TOTAL FUNDS	\$35,450,602	\$38,748,684	\$43,604,642	\$51,529,247	\$0	12.5%
Positions	84	85	85	0	0	0.0%
FTE	83.10	83.48	84.10	111.10	0.00	0.7%

Major Revenues	Budget Environment	Comparison by Fund Type												
<ul style="list-style-type: none"> Supported by Other Funds. Broad statutory authority to set fee levels administratively up to statutory limit(s). Most administrative fee revenues are based on the value of the portfolios managed Treasury. Majors sources of Other Funds revenue, include: <ul style="list-style-type: none"> Investment management fees Oregon Short-Term Fund fees and banking services charges Bond transactions 	<ul style="list-style-type: none"> The budget is driven by the number and complexity of financial transactions, the complexity and diversity of investments, the number and kinds of bond transactions, and the number of programs and participation levels. Processes an estimated 37 million financial transactions biennially, including deposits, electronic fund transfers, and check issuances. Manages \$75 billion in short and long-term assets under the direction of the Oregon Investment Council. Investment fees charged by private firms 	<p>OREGON STATE TREASURY</p> <table border="1"> <caption>OREGON STATE TREASURY Revenue (Millions of Dollars)</caption> <thead> <tr> <th>Year</th> <th>Revenue</th> </tr> </thead> <tbody> <tr> <td>2009-11</td> <td>\$35.5</td> </tr> <tr> <td>2011-13</td> <td>\$38.7</td> </tr> <tr> <td>2013-15 CSL</td> <td>\$43.6</td> </tr> <tr> <td>2013-15 GB</td> <td>\$51.5</td> </tr> <tr> <td>2013-15</td> <td>\$0.0</td> </tr> </tbody> </table>	Year	Revenue	2009-11	\$35.5	2011-13	\$38.7	2013-15 CSL	\$43.6	2013-15 GB	\$51.5	2013-15	\$0.0
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<ul style="list-style-type: none"> • Public Funds Collateralization • Oregon 529 College Savings Network fees • Distinctions/dedicated program funding: • Nonlimited expenditures (\$3.6 million) 	<p>exceed approximately \$670 million each biennium are off-budget and accounted for net of investment returns.</p> <ul style="list-style-type: none"> • Actual investment returns directly impact state and local budgets (e.g., PERS employer rates). • Investment officer’s compensation is incentive based with bonuses of up to 30% of base salary. • Increasing need for agency information technology investment and business process reengineering. • The Treasurer is a separately elected, constitutional office, and as such, is not subject to the Governor’s budget review or the allotment process. 	

MAJOR CHALLENGES AND DECISION POINTS

The 2013-15 current service level budget of \$43.6 million is \$4.9 million, or 12.5%, more than the 2011-13 legislatively approved budget (LAB) of \$38.8 million. The number of positions (85) has remained unchanged from the LAB while the FTE count (84.10) has increased modestly (0.62 FTE).

The CSL budget is comprised of \$26.2 million in personal services (60%), \$17 million in services and supplies (39%), and \$435,234 in capital outlay (1%).

At this time, no material adjustments to the current service level have been identified. However, the CSL calculation does include \$560,662 in budgeted merit increases, unlike other Executive Branch agencies.

The agency has requested several policy package enhancements, which were automatically included in the Governor’s budget, but without recommendation.

The Governor’s budget includes reductions for PERS savings, However there were no reduction for statewide administrative savings and the Treasurer’s Office was excluded by the Legislature from participating in the restructuring of state government business operations.

The Executive Branch makes no recommendation and exercises no budgetary control over the Treasurers’ budget since the Treasurer is a separate constitutionally elected official. The Governor neither reviews or approves the Treasurer’s recommended budget or monitors its expenditures. That responsibility falls solely to the Legislature.

The following is a list of currently identified challenges and decision points for this agency.

1. Expansion of the Oregon Investment Council’s authority to include autonomy over appropriations/resources and the hiring, evaluation, compensation of Chief Investment Officer and investment staff (SB 120).

SB 120, as proposed by the State Treasurer, is not reflected in the agency request budget or the Governor’s budget, however, it would have a major impact on the agency as investment, information

technology, and administrative staff, would move from OST to the newly formed corporation, if such a concept is approved by the Legislature. The fiscal impact of SB 120 is not known at this time.

2. The agency has requested a policy package to expand the staffing of its Investment Division and move some contracted functions in-house. This package is the first of a multi-biennia phased-approach to add investment staff (\$6.4 million; 21 positions/21.00 FTE). This package is included in the Governor budget, but without recommendation. If SB 120 becomes law establishing OIC as a public corporation, then this package would no longer need to be under consideration as OIC would independently make staffing decisions outside the budget process.
3. The agency has requested a policy package to modernize its cash management suite of applications by adding accounting (2), information technology staff (2), and program analysts (2). Since February of 2011, the agency has a limited duration position working on the project. (\$1.2 million; 6 positions/6.00 FTE). This package is included in the Governor budget, but without recommendation.
4. The agency has requested a policy package to undertake a public education and awareness campaign for the 529 College Savings Network (\$1.2 million)
5. If SB 14 (2013) becomes law, the Treasurer would no longer administer the Oregon Growth Account or provide support to the Oregon Growth Account Board [also see HB 4040 (2012)].
6. Review of current assessments/charges for service and any proposed changes relating to its budget.
7. Review of Investment Officer performance-based pay incentive compensation and its cost.
8. Standard review of the agency’s Nonlimited Other Funds budget to determine if such funds should be re-categorized as limited Other Funds.