
MEMORANDUM

Legislative Fiscal Office
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To: General Government Subcommittee

From: John Borden, Legislative Fiscal Office
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Date: June 12th, 2013

Subject: State Treasurer – SB 5546
Work Session Recommendations

Treasurer of the State - Agency Totals

Fund-type Positions/FTE	2009-11 Actuals	2011-13 Legislatively Approved	2013-15 Current Service Level	2013-15 LFO Recommended
Other Funds	31,773,270	35,248,684	40,020,642	45,193,158
Other Funds N/L	3,677,332	3,500,000	3,584,000	0
Total Funds	\$35,450,602	\$38,748,684	\$43,604,642	\$45,193,158
Positions	84	85	85	92
FTE	83.10	83.48	84.10	89.89

Attached are the recommendations from the Legislative Fiscal Office for the *State Treasurer*. It contains the following:

- Package 092 – PERS Tax Policy (\$89,451)
- Package 093 – Other PERS Adjustments (\$714,761)
- Package 102 – Cash Management Modernization (\$1,192,728)(5.79 FTE)
- Package 201 – 529 College Savings Network Marketing (\$1,200,000)
- Package 810 – LFO Analyst Adjustment [Nonlimited OF to Limited OF] (\$0)

Adjustments to Current Service Level:

See attached "Work Session Presentation Report" dated 6/7/13.

Accept LFO Recommendation

Move the LFO recommendation to SB 5546.

Performance Measures

See attached "Legislatively Proposed 2013-15 Key Performance Measures" form.

Accept LFO Recommendation

Move the LFO recommendation on Key Performance Measures

Recommended Changes to Appropriation Bill:

The Legislative Fiscal Office recommends a budget of \$45,193,158 *Other Funds and 92 positions (89.89 FTE)* and that SB 5546 be amended accordingly.

In line 11, delete "\$43,118,518" and insert "\$40,366,429"
Delete lines 15 and 16.

SB 5546 Final Subcommittee Action:

Final Motion:

If the bill requires no changes

Move SB 5546 to the full committee with a "do pass" recommendation

Chair to assign carriers:

Full: _____
2nd Chamber: _____

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2011-13 Agy. Leg. Adopted	-	-	34,998,684	-	3,500,000	-	38,498,684	85	83.48
2011-13 Ebds, SS & Admin Act	-	-	250,000	-	-	-	250,000	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2011-13 Leg Approved Budget	-	-	35,248,684	-	3,500,000	-	38,748,684	85	83.48
2011-13 Leg Approved Budget (Base)	-	-	35,248,684	-	3,500,000	-	38,748,684	85	83.48
Summary of Base Adjustments	-	-	3,253,660	-	-	-	3,253,660	-	0.62
2013-15 Base Budget	-	-	38,502,344	-	3,500,000	-	42,002,344	85	84.10
010: Non-PICS Pers Svc/Vacancy Factor	-	-	759,248	-	-	-	759,248	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	250,000	-	-	-	250,000	-	-
030: Inflation & Price List Adjustments	-	-	509,050	-	84,000	-	593,050	-	-
2013-15 Current Service Level	-	-	40,020,642	-	3,584,000	-	43,604,642	85	84.10
Adjusted 2013-15 Current Service Level	-	-	40,020,642	-	3,584,000	-	43,604,642	85	84.10
Total LFO Recommended Packages	-	-	5,172,516	-	(3,584,000)	-	1,588,516	7	5.79
2013-15 Legislative Actions	-	-	45,193,158	-	-	-	45,193,158	92	89.89
Net change from 2011-13 Leg Approved Budget	-	-	9,944,474	-	(3,500,000)	-	6,444,474	7	6.41
Percent change from 2011-13 Leg Approved Budget	0.0%	0.0%	28.2%	0.0%	(100.0%)	0.0%	16.6%	8.2%	7.7%
Net change from 2013-15 Current Service Level	-	-	5,172,516	-	(3,584,000)	-	1,588,516	7	5.79
Percent change from 2013-15 Current Service Level	0.0%	0.0%	12.9%	0.0%	(100.0%)	0.0%	3.6%	8.2%	6.9%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2011-13 Agy. Leg. Adopted	-	-	31,479,854	-	-	-	31,479,854	83	81.48
2011-13 Ebds, SS & Admin Act	-	-	250,000	-	-	-	250,000	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2011-13 Leg Approved Budget	-	-	31,729,854	-	-	-	31,729,854	83	81.48
2011-13 Leg Approved Budget (Base)	-	-	31,729,854	-	3,500,000	-	35,229,854	83	81.48
Summary of Base Adjustments	-	-	3,238,515	-	-	-	3,238,515	-	0.62
2013-15 Base Budget	-	-	34,968,369	-	3,500,000	-	38,468,369	83	82.10
010: Non-PICS Pers Svc/Vacancy Factor	-	-	755,640	-	-	-	755,640	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	250,000	-	-	-	250,000	-	-
030: Inflation & Price List Adjustments	-	-	408,069	-	84,000	-	492,069	-	-
2013-15 Current Service Level	-	-	36,382,078	-	3,584,000	-	39,966,078	83	82.10
Adjusted 2013-15 Current Service Level	-	-	36,382,078	-	3,584,000	-	39,966,078	83	82.10
Total LFO Recommended Packages	-	-	3,984,351	-	(3,584,000)	-	400,351	7	5.79
2013-15 Legislative Actions	-	-	40,366,429	-	-	-	40,366,429	90	87.89
Net change from 2011-13 Leg Approved Budget	-	-	8,636,575	-	-	-	8,636,575	7	6.41
Percent change from 2011-13 Leg Approved Budget	0.0%	0.0%	27.2%	0.0%	0.0%	0.0%	27.2%	8.4%	7.9%
Net change from 2013-15 Current Service Level	-	-	3,984,351	-	(3,584,000)	-	400,351	7	5.79
Percent change from 2013-15 Current Service Level	0.0%	0.0%	11.0%	0.0%	(100.0%)	0.0%	1.0%	8.4%	7.1%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 092 PERS Taxation Policy

Package Description This package reflects the policy change in SB 822 that eliminates the increased retirement benefits resulting from Oregon income taxation of payments if the person receiving payments does not pay Oregon income tax on those benefits and is not an Oregon resident. This change reduces state employer contribution rates by approximately 0.30%.

LFO Recommendation Approve the policy package.

LFO Analyst Notes SB 5546 (2013)

LFO Recommended	-	-	(88,135)	-	-	-	(88,135)	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 093 Other PERS Adjustments

Package Description This package reflects the policy change in SB 822 that modifies the cost-of-living adjustment under the Public Employees Retirement System. This change reduces state employer contribution rates by approximately 2.2%.

An administrative action by the PERS Board, as directed by a budget note in the SB 822 budget report, will reduce state employer contribution rates by up to an additional 1.9%. However, no employer rate is reduced below its 2011-13 biennium rate.

LFO Recommendation Approval of policy package.

LFO Analyst Notes SB 5546 (2013)

LFO Recommended	-	-	(704,242)	-	-	-	(704,242)	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 102 Cash Management Modernization

Package Description The purpose of this package is related to the state's cash management services and information technology applications. This request does not seek approval or funding to purchase or upgrade the state's cash management applications, which is anticipated to be a future request to the Legislature.

The State Treasurer operates a highly integrated series of 19 cash management applications. The overall system operates as a conduit between financial institutions, state treasury accounts, the state's financial management system, state agencies, and local governments.

This policy package has three components: (a) two accounting staff would be added to support current cash management operations and to handle the growing demand of the program; (b) two information technology staff would be added to support current cash management applications; and (c) three positions would be added to continue an information technology cash management modernization planning initiative begun in February of 2011.

The revenue source to support this package is from cash management fees and assessments.

LFO Recommendation Approve the policy package, as modified by the Legislative Fiscal Office. The modified request includes the following permanent full-time positions: Accountant 2 (0.75 FTE); Accountant 4 (0.92 FTE); Information Systems Special-6 (0.75 FTE); Information Systems Special-8 (0.92 FTE); Project Manager 3 (0.96 FTE); and two Operation & Policy Analyst 3 positions (1.50 FTE). The package totals seven positions (5.80 FTE) for a Personal Services total of \$1,007,654. It also includes \$185,075 in Services and Supplies.

The three positions related to the cash management modernization planning initiative are initially recommended as permanent full-time given the complexity of the cash management suite of application and the five to six year period under which the planning and replacement may occur. The continued need for these positions, however, will then need to be re-evaluated on a biennium-by-biennium basis.

Budget Instructions The approval of this package is with the understanding prior to any investment in the cash management applications the State Treasurer will submit a comprehensive set of foundational project management documents accompanied by independent quality control reviews of those documents. Documentation also needs to include the Treasurer's agency-wide strategic business and information technology plans.

LFO Analyst Notes SB 5546 (2013)

LFO Recommended	-	-	1,192,728	-	-	-	1,192,728	7	5.79
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 810 LFO Analyst Adjustments

Package Description This package converts \$3,584,000 of NonLimited Other Funds to limited Other Funds expenditure limitation.

The justification for Nonlimited expenditure authority has become far more restricted given the Legislature's transition to annual Legislative sessions and thereby its ability to consider limitation increases during the course of the biennium.

LFO Recommendation Approve the policy package.

LFO Analyst Notes SB 5546 (2013)

LFO Recommended	-	-	3,584,000	-	(3,584,000)	-	-	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2011-13 Agy. Leg. Adopted	-	-	3,518,830	-	-	-	3,518,830	2	2.00
2011-13 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2011-13 Leg Approved Budget	-	-	3,518,830	-	-	-	3,518,830	2	2.00
2011-13 Leg Approved Budget (Base)	-	-	3,518,830	-	-	-	3,518,830	2	2.00
Summary of Base Adjustments	-	-	15,145	-	-	-	15,145	-	-
2013-15 Base Budget	-	-	3,533,975	-	-	-	3,533,975	2	2.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	3,608	-	-	-	3,608	-	-
030: Inflation & Price List Adjustments	-	-	100,981	-	-	-	100,981	-	-
2013-15 Current Service Level	-	-	3,638,564	-	-	-	3,638,564	2	2.00
Adjusted 2013-15 Current Service Level	-	-	3,638,564	-	-	-	3,638,564	2	2.00
Total LFO Recommended Packages	-	-	1,188,165	-	-	-	1,188,165	-	-
2013-15 Legislative Actions	-	-	4,826,729	-	-	-	4,826,729	2	2.00
Net change from 2011-13 Leg Approved Budget	-	-	1,307,899	-	-	-	1,307,899	-	-
Percent change from 2011-13 Leg Approved Budget	0.0%	0.0%	37.2%	0.0%	0.0%	0.0%	37.2%	0.0%	0.0%
Net change from 2013-15 Current Service Level	-	-	1,188,165	-	-	-	1,188,165	-	-
Percent change from 2013-15 Current Service Level	0.0%	0.0%	32.7%	0.0%	0.0%	0.0%	32.7%	0.0%	0.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 092 PERS Taxation Policy

Package Description This package reflects the policy change in SB 822 that eliminates the increased retirement benefits resulting from Oregon income taxation of payments if the person receiving payments does not pay Oregon income tax on those benefits and is not an Oregon resident. This change reduces state employer contribution rates by approximately 0.30%.

LFO Recommendation Approve the policy package.

LFO Analyst Notes SB 5546 (2013)

LFO Recommended	-	-	(1,316)	-	-	-	(1,316)	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 093 Other PERS Adjustments

Package Description This package reflects the policy change in SB 822 that modifies the cost-of-living adjustment under the Public Employees Retirement System. This change reduces state employer contribution rates by approximately 2.2%.

An administrative action by the PERS Board, as directed by a budget note in the SB 822 budget report, will reduce state employer contribution rates by up to an additional 1.9%. However, no employer rate is reduced below its 2011-13 biennium rate.

LFO Recommendation Approve the policy package.

LFO Analyst Notes SB 5546 (2013)

LFO Recommended	-	-	(10,519)	-	-	-	(10,519)	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 201 529 College Savings Network Marketing

Package Description This package provides for \$1.2 million for an increase to the annual public education and awareness marketing campaign for the 529 College Savings plan.

There are two 529 plans, which include a state plan (Oregon College Savings Plan with 65,598 accounts valued at approximately \$796 million as of 09.30.2012) and a plan sold through private financial advisors (MFS 529 Savings Plan with 65,473 accounts valued at approximately \$809 million as of 09.30.2012). This policy package would provide marketing funds for only the state plan, which has been approved by the 529 College Savings plan Board.

The revenue source would come from two sources. The first is \$1 million from the program's private third party administrator (TIAA-CREF). A contract amendment was signed in January of 2012 to provide for this funding.

The second source is \$200,000 from the program's projected Other Funds balance, which for the 2013-15 is \$3.2 million after this expense. The ending balance represents 15.72 months of operating reserves for this \$4.8 million program.

LFO Recommendation Approve the policy package, with direction that the \$1.2 million increase be a one-time expenditure and phase-out of the 2015-17 budget.

LFO Analyst Notes SB 5546 (2013)

LFO Recommended	-	-	1,200,000	-	-	-	1,200,000	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2011-13 Agy. Leg. Adopted	-	-	-	-	-	-	-	-	-
2011-13 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2011-13 Leg Approved Budget	-	-	-	-	-	-	-	-	-
2011-13 Leg Approved Budget (Base)	-	-	-	-	-	-	-	-	-
Summary of Base Adjustments	-	-	-	-	-	-	-	-	-
2013-15 Base Budget	-	-	-	-	-	-	-	-	-
2013-15 Current Service Level	-	-	-	-	-	-	-	-	-
Adjusted 2013-15 Current Service Level	-	-	-	-	-	-	-	-	-
2013-15 Legislative Actions	-	-	-	-	-	-	-	-	-
Net change from 2011-13 Leg Approved Budget	-	-	-	-	-	-	-	-	-
Percent change from 2011-13 Leg Approved Budget	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net change from 2013-15 Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2013-15 Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2011-13 Agy. Leg. Adopted	-	-	-	-	3,500,000	-	3,500,000	-	-
2011-13 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2011-13 Leg Approved Budget	-	-	-	-	3,500,000	-	3,500,000	-	-
Net change from 2011-13 Leg Approved Budget	-	-	-	-	(3,500,000)	-	(3,500,000)	-	-
Percent change from 2011-13 Leg Approved Budget	0.0%	0.0%	0.0%	0.0%	(100.0%)	0.0%	(100.0%)	0.0%	0.0%

Legislatively Proposed 2013-2015 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 2014	Target 2015
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	80.00	80.00
6 - Banking Services - Average Cost per Transaction		Approved KPM	0.04	0.17	0.17
7 - Oregon School Bond Guaranty Program Bonds Outstanding		Approved KPM	3.19	3.21	
8 - Number of Oregon 529 College Savings Network Accounts		Approved KPM	126,517.00	140,000.00	145,000.00
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		0.00	0.00
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.	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 2014	Target 2015
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

LFO Recommendation:

The Legislative Fiscal Office recommends approval of the proposed Key Performance Measures and targets with direction that the agency will work with the Department of Administrative Service and the Legislative Fiscal Office to conduct a review of existing KPMs and targets. LFO 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. LFO recommends that the Subcommittee direct the agency to update its actual results beginning with the year 2010 through 2012 and then continue to provide updated results.

Sub-Committee Action: