

**77th OREGON LEGISLATIVE ASSEMBLY – 2013 Session
BUDGET REPORT AND MEASURE SUMMARY**

JOINT COMMITTEE ON WAYS AND MEANS

MEASURE: SB 5546-A

Carrier – House: Rep. Gomberg

Carrier – Senate: Sen. Whitsett

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

Vote: 20 – 5 – 1

House

Yeas: Barker, Buckley, Frederick, Huffman, Jenson, Komp, McLane, Nathanson, Read, Smith, Tomei, Williamson

Nays: Freeman, Hanna, Richardson

Exc:

Senate

Yeas: Devlin, Edwards, Hansell, Johnson, Monroe, Steiner Hayward, Whitsett, Winters

Nays: Girod, Thomsen

Exc: Bates

Prepared By: Lyndon Troseth, Department of Administrative Services

Reviewed By: John Borden, Legislative Fiscal Office

Meeting Date: June 14, 2013

Agency

Treasurer of State

Biennium

2013-15

Budget Summary*

	2011-13 Legislatively Approved Budget ⁽¹⁾	2013-15 Current Service Level	2013-15 Committee Recommendation	Committee Change from 2011-13 Leg. Approved	
				\$ Change	% Change
Other Funds	\$ 35,248,684	\$ 40,020,642	\$ 45,193,158	\$ 9,944,474	28.2%
Other Funds Nonlimited	\$ 3,500,000	\$ 3,584,000	\$ 0	\$ (3,500,000)	-100.0%
Total	\$ 38,748,684	\$ 43,604,642	\$ 45,193,158	\$ 6,444,474	16.6%

Position Summary

Authorized Positions	85	85	92	7
Full-time Equivalent (FTE) positions	83.48	84.10	89.89	6.41

⁽¹⁾ Includes adjustments through December 2012

* 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 (\$32.7 million), payments from state agencies and banks for banking services (\$5.7 million), reimbursements from state agencies for bond and coupon redemption and bond issuance costs (\$3.6 million), and fees from program participants (\$4.2 million).

The estimated 2013-15 ending balance is \$8.6 million, equivalent to over 4.6 months of operating reserves.

Summary of General Government Subcommittee Action

Article VI, Section 1 of the Oregon Constitution, created the Office of the State Treasurer, which is a statewide elected official. State law establishes the powers and duties of the office. 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 serves on the State Land Board and chairs the State Debt Policy Advisory Commission, among other duties and responsibilities.

The mission of the agency is to provide financial stewardship for Oregon. 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 Subcommittee approved a budget of \$45,193,158 total funds, which is a 16.6 percent increase from the 2011-13 Legislatively Approved Budget (LAB), and includes 92 positions (89.89 FTE). The agency is funded entirely with Other Funds, although some of the Other Funds originate as state agency and local government General Fund.

The agency's budget is divided into only two program areas: Treasury Services and the Oregon 529 College Savings Network.

Treasury Services

The Subcommittee approved a 2013-15 budget of \$40,366,429 Other Funds and 90 positions (87.89 FTE) for the Treasury Services program. This program includes the following 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; the (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 general administrative functions of the agency.

The current service level budget for Investment Officer Incentive Compensation is \$2,719,136, an increase of \$797,119 above the 2013-15 base budget.

The Subcommittee approved the following changes to current service level for the Treasury Services program:

Package 092 (PERS Taxation Policy) 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 percent, \$88,135 Other Funds.

Package 093 (Other PERS Adjustments) 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 percent. 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 percent. However, no employer rate is reduced below its 2011-13 biennium rate. This reduction totals \$704,242 Other Funds.

The Subcommittee also approved Package 102 – Cash Management Modernization. This package adds \$1,192,728 Other Funds expenditure limitation and seven permanent full-time positions (5.79 FTE). The state’s cash management system is a highly integrated suite of 19 cash management applications that operate as a conduit between financial institutions, state treasury accounts, the state’s financial management applications (accounting system), state agencies and local governments. This package provides resources to support the ongoing operations of the system and to develop foundational documentation, including a business case, for the eventual replacement of various components of the existing system.

The package does not include costs for cash management system replacement hardware or software, which will be part of a future request to the Legislature. Prior to making any subsequent request for these infrastructure investments, standard foundational project management documentation, with an accompanying independent quality control review, should be prepared by Treasury and submitted to the Legislature along with an agency-wide strategic business plan and information technology plan.

Most of the new positions in this policy package address the maintenance and support of the current cash management system as well as to provide for future demand. This portion of the package adds four permanent, full-time positions: one Accountant 2 (0.75 FTE), one Accountant 4 position (0.92 FTE), one Information Systems Specialist 6 (0.75 FTE) and one Information Systems Specialist 8 (0.92 FTE).

The remaining new positions address the planning aspect of the project by adding three permanent, full-time positions (2.46 FTE) to prepare standard foundational project management documentation related to the modernization of the cash management suit of applications. The positions tasked for that part of the program are: one Project Manager (0.95 FTE) and two Operations and Policy Analyst 3 positions (1.00 FTE, and 0.50 FTE). Due to the complexity of the upgrades and its intermediate-term nature, these positions are also permanent. However, the continued need for them as permanent positions will be evaluated on a biennium-by-biennium basis.

Package 810 (LFO Analyst Adjustments) converts the current Non-limited Other Funds expenditure limitation that the agency uses to pay for banking costs to a limited Other Funds expenditure limitation. This change reflects a more restrictive Legislative policy in granting Nonlimited authority, given its transition to annual meetings, and its ability to more regularly consider requests for limitation increases from agencies.

Oregon 529 College Savings Network

The Oregon 529 College Savings Network operates to increase the ability of Oregon families and individuals to save for qualified higher education expenses through flexible investment options that offer state and federal tax benefits. The 529 Network offers two plans for families to invest money for future higher education expenses: a state plan (direct-sold) with more than sixty five thousand accounts (total assets of \$796 million) and a plan sold through private financial advisors, also with more than sixty five thousand accounts (total assets of \$809 million).

For this unit the Subcommittee approved the 2013-15 budget of \$4,826,729 Other Funds and two positions (2.00 FTE).

The Subcommittee approved the following changes to current service level for this program:

Package 092 (PERS Taxation Policy) 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 percent, \$1,316 Other Funds.

Package 093 (Other PERS Adjustments) 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 percent. 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 percent. However, no employer rate is reduced below its 2011-13 biennium rate. This reduction totals \$10,519 Other Funds.

Package 201 – College Savings Network Marketing: This package provides \$1,200,000 of Other Funds expenditure limitation for the public awareness and marketing campaign for the Oregon 529 College Savings Network. This policy package provides funds for the direct-sold state plan and has been approved by the Oregon 529 College savings Network Board. The revenue for the package come from two sources; \$1 million from the plan’s manager TIAA-CREF Tuition Financing, Inc., and \$200,000 from the program’s Other Funds balance, and is expected to continue in 2015-17. The agency committed to providing reports to the Legislature on the progress of the enhanced marketing of the program on a regular basis.

Summary of Performance Measure Action

See attached Legislatively Adopted 2013-15 Key Performance Measures form.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

Corrected Copy SB 5546-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			
2011-13 Legislatively Approved Budget at Dec 2012 *	\$ 0	\$ 0	\$ 35,248,684	\$ 3,500,000	\$ 0	\$ 0	\$ 38,748,684	85	83.48
2013-15 ORBITS printed Current Service Level (CSL)*	\$ 0	\$ 0	\$ 40,020,642	\$ 3,584,000	\$ 0	\$ 0	\$ 43,604,642	85	84.10
SUBCOMMITTEE ADJUSTMENTS (from CSL)									
SCR 001 - Treasury Services									
Package 092: PERS Taxation Policy									
Personal Services	\$ 0	\$ 0	\$ (88,135)	\$ 0	\$ 0	\$ 0	\$ (88,135)	0	0.00
Package 093: Other PERS Adjustments									
Personal Services	\$ 0	\$ 0	\$ (704,242)	\$ 0	\$ 0	\$ 0	\$ (704,242)	0	0.00
Package 102 - Cash Management Modernization									
Personal Services	\$ 0	\$ 0	\$ 1,007,653	\$ 0	\$ 0	\$ 0	\$ 1,007,653	7	5.79
Services & Supplies	\$ 0	\$ 0	\$ 185,075	\$ 0	\$ 0	\$ 0	\$ 185,075		
Package 810: LFO Analyst Adjustments									
Services & Supplies	\$ 0	\$ 0	\$ 3,584,000	\$ (3,584,000)	\$ 0	\$ 0	\$ 0		
SCR 002 - Oregon 529 Savings Network									
Package 092: PERS Taxation Policy									
Personal Services	\$ 0	\$ 0	\$ (1,316)	\$ 0	\$ 0	\$ 0	\$ (1,316)	0	0.00
Package 093: Other PERS Adjustments									
Personal Services	\$ 0	\$ 0	\$ (10,519)	\$ 0	\$ 0	\$ 0	\$ (10,519)	0	0.00
Package 201 - 529 College Savings Network Marketing									
Services & Supplies	\$ 0	\$ 0	\$ 1,200,000	\$ 0	\$ 0	\$ 0	\$ 1,200,000		
TOTAL ADJUSTMENTS	\$ 0	\$ 0	\$ 5,172,516	\$ (3,584,000)	\$ 0	\$ 0	\$ 1,588,516	7	5.79
SUBCOMMITTEE RECOMMENDATION *	\$ 0	\$ 0	\$ 45,193,158	\$ 0	\$ 0	\$ 0	\$ 45,193,158	92	89.89

% Change from 2011-13 Leg Approved Budget	0.0%	0.0%	28.2%	-100.0%	0.0%	0.0%	16.6%	8.2%	7.7%
% Change from 2013-15 Current Service Level	0.0%	0.0%	12.9%	-100.0%	0.0%	0.0%	3.6%	8.2%	6.9%

*Excludes Capital Construction Expenditures

Legislatively Approved 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	1.94	0.00	0.00
2 - Common School Fund Net Performance of 5-Year Rolling Average Compared to Policy Benchmark.		Approved KPM	0.40	0.00	0.00
3 - Oregon Short-Term Fund Returns Compared to Benchmark		Approved KPM	0.10	0.00	0.00
4 - Expense to Assets Ratio for the Oregon Short-Term Fund		Approved KPM	0.06	0.10	0.10
5 - Local Government Participation in the Oregon Short-Term Fund		Approved KPM	77.00	80.00	80.00
6 - Banking Services - Average Cost per Transaction		Approved KPM	0.05	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	136,051.00	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	78.00	100.00	100.00
10 a - Oregon Debt Issuance Activity: Levels of Transaction Volume and Total State Government Debt Outstanding by Fiscal Year		Approved KPM	13.20	0.00	0.00
10 b - Oregon Debt Issuance Activity: Levels of Transaction Volume and Total Local Government Debt Outstanding by Fiscal Year		Approved KPM	20.60	25.00	25.00
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	96.00	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	93.00	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	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.	Helpfulness	Approved KPM	99.00	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	97.00	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:

The Subcommittee adopted the Legislative Fiscal Office recommendation.