

State Treasury				
	2011-13 Actuals	2013-15 Leg. Approved*	2015-17 CSL LFO	2015-17 Governor's Recommended
Other Funds	33,698,125	47,996,510	49,103,524	57,336,453
Other Funds Non-Limited	3,542,141	-	-	-
Total Funds	37,240,266	47,996,510	49,103,524	57,336,453
Positions	85	96	92	114
FTE	83.48	91.30	90.60	111.08

*includes Emergency Board and administrative actions through December 2014.

Program Description

The mission of the Treasurer of the State (OST) is to provide financial stewardship for Oregon’s public entities through the management of the state’s liquidity requirements and intermediate and long-term investments. OST maintains all state agency funds and invests most state and some local government funds that are not needed to meet current expenditure demands.

OST is generally organized into the following programs: Investments; Cash Management; Debt Management; Oregon 529 College Savings; Public Funds Collateralization Program; Public Infrastructure Commission; West Coast Infrastructure Exchange; and Administration, although only the Oregon 529 College Savings program is discretely budgeted.

OST is an Other Funded agency, although revenues may originate as General Fund. The revenue is generated primarily from charges based on the value of managed portfolios, fees charged for the number and type of banking transactions it processes, the proportion of outstanding debt held by agencies and fees for new bond issuances and charges for bond and coupon redemptions, a transfer from the Governor’s Office, and on holdings of state funds in excess of FDIC insurance levels. The agency’s central administrative functions are financed by a portion of each program’s revenues that is internally assessed to support those functions.

CSL Summary and Issues

The 2015-17 current service level budget for the agency totals \$49.1 million Other Funds (90.60 FTE). The CSL is \$1.1 million, or 2.3%, more than the 2013-15 legislatively approved budget of \$48 million (91.30 FTE). The CSL budget includes \$2.7 million of

Investment Officer Incentive Compensation, which is an incentive based with bonuses of up to 30% of investment officer's base salary.

The CSL ending cash balance is \$18.3 million, equivalent to over nine months of operating reserves.

There are additional costs that occur as a revenue transfer rather than an expense and therefore are not subject to legislative expenditure limitation. They are related to the Oregon Investment Council (OIC):

1. An estimated \$452.2 million in calendar year investment expenses and brokerage commissions directed by OIC. Such costs have increased dramatically in recent years; and
2. Administrative expenses of OIC that total \$1 million. The Council's administrative expenses will increase into the future due to the Council's direct contracting for information technology and other services.

On a biennia basis, these charges are estimated \$906.4 billion or over 18 times the State Treasurer's 2015-17 current service level budget of \$49.1 million.

There are technical adjustments needed for the agency's current service level:

1. Technical Adjustment Package #1 - The CSL calculation does not include an Emergency Board action from May of 2014 for the Information Security program, which provided for two permanent full-time positions (2.00 FTE) and associated services (\$926,687; 2 position/2.00 FTE).
2. Technical Adjustment Package #2 - The CSL calculation does not include an Emergency Board action from May of 2014 for the 529 College Savings program, which provided for one permanent full-time position (1.00 FTE) and associated services and supplies (\$262,801; 1 position/1.00 FTE).
3. Technical Adjustment Package #3 - The CSL should have phased-out \$1,080,000 Other Funds for the West Coast Infrastructure Exchange. The revenue source for the Exchange was phase-out of the Governor's Office CSL budget.
4. Technical Adjustment Package #4 - The agency entered into an interagency agreement with the Department of Administrative Services – Shared Client Services – to perform budgeting, accounting, internal control, contract management, fixed asset record managements, and revenue services, which was work previously done internally by the agency. A transfer of approximately \$283,202 Other Funds needs to be reflected in ORBITS.

Policy Issues

The agency request budget includes the following policy option packages totaling \$6.9 million Other Funds (18 positions/16.56 FTE).

1. Package 101 – Investment Solutions – adds Investment Division staff - (\$5.8 million; 18 positions/16.56 FTE). ***NOTE #1:*** *This package may require a technical adjustment as it includes one Investment Officer that was previously approved and*

established by the Emergency Board in December of 2014 (Item #2). **NOTE #2:** Additionally, the agency has submitted a technical adjustment increasing the number of positions, FTE, and Other Funds limitation for this package by \$1.5 million (5.00 FTE).

2. Package 102 – Cash Mgt. Business Systems Renewal Project – (\$1). **NOTE:** This is a placeholder policy package. At the date of this analysis, no additional budget request information has been received by the agency.
3. Package 103 – Coordination of Higher Education Debt Issuance – (\$1.1 million Other Funds). This is a placeholder policy package. **NOTE:** This package is related to Treasury’s Emergency Board request in December. The Legislature in 2015 will need to consider a permanent agency (perhaps the Department of Administrative Services or the Higher Education Coordinating Commission) to oversee the administration of higher education bond sales. If a permanent agency, other than Treasury, can be found, then this package will no longer be necessary.

Other Significant Issues and Background

The proposed resourcing, and other changes, related to the agency’s Investment Division may need to be considered.

Co-Chairs’ Budget Framework Discussion

No specific budget details or issues were identified in the Co-Chairs’ budget framework for this agency.