

**Legislative
Fiscal Office**

Oregon State Capitol
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**Joint Committee on
Ways and Means**

Sen. Betsy Johnson, Senate Co-Chair
Sen. Elizabeth Steiner Hayward, Senate Co-Chair
Rep. Dan Rayfield, House Co-Chair

Sen. Jackie Winters, Senate Co-Vice Chair
Rep. David Gomberg, House Co-Vice Chair
Rep. Greg Smith, House Co-Vice Chair

To: General Government Subcommittee
From: John Borden, Legislative Fiscal Office
Date: June 12th, 2019
Subject: HB 5042 – State Treasury
Work Session Recommendations

State Treasury

	2015-17 Actual	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 LFO Recommended
General Fund	1,904,631	5,361,270	1,463,607	--
Other Funds	24,259,279	82,003,898	88,422,190	93,512,995
Total Funds	56,163,910	87,365,168	89,885,797	93,512,995
Positions	123	160	162	166
FTE	117.85	150.09	161.00	164.47

Attached are the recommendations from the Legislative Fiscal Office for the Treasurer of the State. The budget is a \$93.5 million, or 7%, increase from the 2017-19 legislatively approved budget and a \$3.6 million, or 4%, increase over the 2019-21 current service level. The recommended budget includes 166 position (164.47 FTE).

Adjustments to Current Service Level

See attached "Work Session Presentation Report."

Note: Statewide adjustments and six-year capital construction expenditures are not included in these recommendations. Any needed adjustments will be made in end of session bills.

Accept LFO Recommendation:

MOTION: I move the LFO recommendation to HB 5042. (VOTE)

OR

Change LFO Recommendation:

MOTION: I move the LFO recommendation to HB 5042, with modifications. (VOTE)

Performance Measures

See attached "Legislatively Proposed 2019-21 Key Performance Measures."

Accept LFO Recommendation:

MOTION: I move the LFO recommendation on Key Performance Measures. (VOTE)

OR

Change LFO Recommendation:

MOTION: I move the LFO recommendation on Key Performance Measures, with modifications. (VOTE)

Budget Notes

#1 Budget Note:

In order to improve the public transparency and understanding of the State Treasury budget, the agency is directed to establish Summary Cross References in the Oregon Budget Information Tracking System for the following divisions or programs: Finance; Debt Management; Investment Management; Executive Services Division; Oregon 529 College Savings Program; Oregon 529 Achieving a Better Life Program; and the Oregon Retirement Savings Board; as well as any newly proposed or established program-activity or division. This structure is to be in place for the 2021-23 biennium budget development process and all subsequent budget cycles. Beginning with the 2021-23 biennium, the Legislature will establish line-item appropriations for each major State Treasury division or program.

State Treasury is to report to the Legislature in 2020 on how the agency has overcome any potential barriers related to implementing this change.

Accept LFO Recommendation:

MOTION: I move the LFO recommendation on Budget Notes. (VOTE)

OR

Change LFO Recommendation (any changes must be approved by the co-chairs):

MOTION: I move the LFO recommendation on Budget Notes, with modifications. (VOTE)

Recommended Changes

LFO recommends a budget of \$93,512,995 Other Funds, and 166 positions (164.47 FTE), which is reflected in the -2 amendment.

MOTION: I move adoption of the -2 amendment to HB 5042. (VOTE)

Final Subcommittee Action

LFO recommends that HB 5042, as amended by the -2 amendment, to be moved to the Ways and Means Full Committee.

MOTION: I move HB 5042, as amended, to the Full Committee with a do pass recommendation. (VOTE)

Carriers

Full Committee: _____

House Floor: _____

Senate Floor: _____

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2017-19 Agy. Leg. Adopted	3,490,552	-	80,418,025	-	-	-	83,908,577	160	150.09
2017-19 Ebds, SS & Admin Act	1,870,718	-	1,585,873	-	-	-	3,456,591	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2017-19 Leg Approved Budget	5,361,270	-	82,003,898	-	-	-	87,365,168	160	150.09
2017-19 Leg Approved Budget (Base)	5,361,270	-	81,048,693	-	-	-	86,409,963	160	150.09
Summary of Base Adjustments	151,275	-	4,096,740	-	-	-	4,248,015	2	10.91
2019-21 Base Budget	5,512,545	-	85,145,433	-	-	-	90,657,978	162	161.00
010: Non-PICS Pers Svc/Vacancy Factor	5,431	-	1,449,524	-	-	-	1,454,955	-	-
020: Phase In / Out Pgm & One-time Cost	(1,447,088)	-	(2,925,900)	-	-	-	(4,372,988)	-	-
030: Inflation & Price List Adjustments	166,676	-	1,979,176	-	-	-	2,145,852	-	-
050: Fundshifts and Revenue Reductions	(2,773,957)	-	2,773,957	-	-	-	-	-	-
2019-21 Current Service Level	1,463,607	-	88,422,190	-	-	-	89,885,797	162	161.00
Adjusted 2019-21 Current Service Level	1,463,607	-	88,422,190	-	-	-	89,885,797	162	161.00
Total LFO Recommended Packages	(1,463,607)	-	5,090,805	-	-	-	3,627,198	4	3.47
2019-21 Legislative Actions	-	-	93,512,995	-	-	-	93,512,995	166	164.47
Net change from 2017-19 Leg Approved Budget	(5,361,270)	-	11,509,097	-	-	-	6,147,827	6	14.38
Percent change from 2017-19 Leg Approved Budget	(100.0%)	0.0%	14.0%	0.0%	0.0%	0.0%	7.0%	3.8%	9.6%
Net change from 2019-21 Adj Current Service Level	(1,463,607)	-	5,090,805	-	-	-	3,627,198	4	3.47
Percent change from 2019-21 Adj Current Service Level	(100.0%)	0.0%	5.8%	0.0%	0.0%	0.0%	4.0%	2.5%	2.2%

LFO102 - Work Session Presentation Report
2019-21 Biennium

Version: L - 01 - LFO Analyst Recommended
Cross Reference: 17000-001-00-00-00000
Treasury Services

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2017-19 Agy. Leg. Adopted	-	-	74,049,584	-	-	-	74,049,584	151	141.25
2017-19 Ebds, SS & Admin Act	-	-	1,576,487	-	-	-	1,576,487	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2017-19 Leg Approved Budget	-	-	75,626,071	-	-	-	75,626,071	151	141.25
2017-19 Leg Approved Budget (Base)	-	-	74,675,616	-	-	-	74,675,616	151	141.25
Summary of Base Adjustments	-	-	4,049,929	-	-	-	4,049,929	2	10.75
2019-21 Base Budget	-	-	78,725,545	-	-	-	78,725,545	153	152.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	1,447,182	-	-	-	1,447,182	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(2,225,900)	-	-	-	(2,225,900)	-	-
030: Inflation & Price List Adjustments	-	-	1,756,005	-	-	-	1,756,005	-	-
2019-21 Current Service Level	-	-	79,702,832	-	-	-	79,702,832	153	152.00
Adjusted 2019-21 Current Service Level	-	-	79,702,832	-	-	-	79,702,832	153	152.00
Total LFO Recommended Packages	-	-	2,093,005	-	-	-	2,093,005	4	3.47
2019-21 Legislative Actions	-	-	81,795,837	-	-	-	81,795,837	157	155.47
Net change from 2017-19 Leg Approved Budget	-	-	6,169,766	-	-	-	6,169,766	6	14.22
Percent change from 2017-19 Leg Approved Budget	0.0%	0.0%	8.2%	0.0%	0.0%	0.0%	8.2%	4.0%	10.1%
Net change from 2019-21 Adj Current Service Level	-	-	2,093,005	-	-	-	2,093,005	4	3.47
Percent change from 2019-21 Adj Current Service Level	0.0%	0.0%	2.6%	0.0%	0.0%	0.0%	2.6%	2.6%	2.3%

	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 101 Investment Solutions

Package Description Increase Other Funds expenditure limitation by \$1.5 million, establish four position (3.55 FTE), and upwardly reclassify one position.

The package funds Phase-III of multi-phase expansion of the Investment Division staff. This is the final phase of a State Treasury plan (2015, 2017, and 2019) to significantly increased the staffing and resources devoted to the Investment Division to address the long-standing deficiencies within the Division and to reduce external investment costs through the in-sourcing of some investment management activities.

The following position actions are recommended:

Chief Investment Officer: One permanent full-time Investment Officer-3 at step 9 (0.92 FTE) for the Alternative Markets section.

Director of Investment Operations: One permanent full-time Investment Analyst 2 at step 5 (1.00 FTE); One permanent full-time Investment Analyst 2 at step 5 (0.88 FTE); and One permanent full-time Investment Analyst 2 at step 5 (0.75 FTE) for a newly established "Trading Operations " section.

Additionally, upward reclassify the Director of Investment Operations from a salary range 48 (step 9) to a salary range 57 (step 1).

Incentive compensation of 30% is increased by \$164,334, which includes \$131,868 of incentive compensation and \$22,378 of PERS and \$10,088 of Social Security line-item expenses.

The revenue to support this package is from charges based on the value of managed portfolios.

LFO Recommendation Approve the request.

LFO Analyst Notes HB 5042 (2019)

LFO Recommended	-	-	1,525,191	-	-	-	1,525,191	4	3.55
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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 103 Information Security

Package Description Increase Other Funds expenditure limitation by \$780,691 and establish one limited duration position (0.92 FTE). This package requests one position and limitation to purchase and implement additional information security tool and services.

LFO Recommendation Approve the package, as a one-time adjustment.

LFO Analyst Notes HB 5042 (2019)

LFO Recommended	-	-	780,691	-	-	-	780,691	1	0.92
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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 108 Core Banking Business Systems Renewal

Package Description Increase Other Funds expenditure limitation by \$1 for the Core Banking Systems Renewal information technology project.

LFO Recommendation Defer consideration of the request. State Treasury was unable to provide an updated expenditure limitation request at this time.

LFO Analyst Notes HB 5042 (2019)

LFO Recommended

	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 812 Vacant Position Elimination

Package Description Abolish one permanent full-time Principal Executive Manager-D (1.00 FTE) for \$212,877 that has been vacant since October of 2017.

LFO Recommendation Approve the package.

LFO Analyst Notes HB 5042 (2019)

LFO Recommended	-	-	(212,877)	-	-	-	(212,877)	(1)	(1.00)
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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)
2017-19 Agy. Leg. Adopted	1,302,778	-	6,368,441	-	-	-	7,671,219	5	5.00
2017-19 Ebds, SS & Admin Act	4,997	-	9,386	-	-	-	14,383	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2017-19 Leg Approved Budget	1,307,775	-	6,377,827	-	-	-	7,685,602	5	5.00
2017-19 Leg Approved Budget (Base)	1,307,775	-	6,373,077	-	-	-	7,680,852	5	5.00
Summary of Base Adjustments	62,573	-	46,811	-	-	-	109,384	-	-
2019-21 Base Budget	1,370,348	-	6,419,888	-	-	-	7,790,236	5	5.00
010: Non-PICS Pers Svc/Vacancy Factor	2,931	-	2,342	-	-	-	5,273	-	-
020: Phase In / Out Pgm & One-time Cost	(742,791)	-	(700,000)	-	-	-	(1,442,791)	-	-
030: Inflation & Price List Adjustments	17,533	-	223,171	-	-	-	240,704	-	-
050: Fundshifts and Revenue Reductions	(206,234)	-	206,234	-	-	-	-	-	-
2019-21 Current Service Level	441,787	-	6,151,635	-	-	-	6,593,422	5	5.00
Adjusted 2019-21 Current Service Level	441,787	-	6,151,635	-	-	-	6,593,422	5	5.00
Total LFO Recommended Packages	(441,787)	-	1,379,682	-	-	-	937,895	-	0.75
2019-21 Legislative Actions	-	-	7,531,317	-	-	-	7,531,317	5	5.75
Net change from 2017-19 Leg Approved Budget	(1,307,775)	-	1,153,490	-	-	-	(154,285)	-	0.75
Percent change from 2017-19 Leg Approved Budget	(100.0%)	0.0%	18.1%	0.0%	0.0%	0.0%	(2.0%)	0.0%	15.0%
Net change from 2019-21 Adj Current Service Level	(441,787)	-	1,379,682	-	-	-	937,895	-	0.75
Percent change from 2019-21 Adj Current Service Level	(100.0%)	0.0%	22.4%	0.0%	0.0%	0.0%	14.2%	0.0%	15.0%

	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 104 Oregon Savings Network

Package Description Reduce General Fund by \$441,787 and increase Other Funds expenditure limitation by \$1.4 million and increase full-time equivalents by 0.75 FTE for an existing position.

This package makes four requests: (1) restore the entire Oregon ABLE Savings Plan biennial budget; (2) restore the entire OregonSaves biennial budget; (3) make permanent the network consolidation and reorganization of the 529 College Savings, ABLE Savings, and OregonSaves, that was undertaken administratively during the 2017-19 biennium and without the knowledge of the Legislature or the Emergency Board; and (4) shift the ABLE Savings Plan and OregonSaves budgets from General Fund loans to Other Funds.

OST expects to start the repayment of outstanding General Fund loans during the 2023-25 biennium, based on revenue and expenditure forecasts from the initial program launch. The 2015-17 General Fund loan for the ORSB is \$1,257,591 and \$647,040 for the ABLE program for a combined total of \$1.9 million.

LFO Recommendation Approve the package.

LFO Analyst Notes HB 5042 (2019)

LFO Recommended	(441,787)	-	1,379,682	-	-	-	937,895	-	0.75
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LFO102 - Work Session Presentation Report
2019-21 Biennium

Version: L - 01 - LFO Analyst Recommended
Cross Reference: 17000-003-00-00-00000
Oregon Retirement Savings Program

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2017-19 Agy. Leg. Adopted	2,187,774	-	-	-	-	-	2,187,774	4	3.84
2017-19 Ebds, SS & Admin Act	1,865,721	-	-	-	-	-	1,865,721	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2017-19 Leg Approved Budget	4,053,495	-	-	-	-	-	4,053,495	4	3.84
2017-19 Leg Approved Budget (Base)	4,053,495	-	-	-	-	-	4,053,495	4	3.84
Summary of Base Adjustments	88,702	-	-	-	-	-	88,702	-	0.16
2019-21 Base Budget	4,142,197	-	-	-	-	-	4,142,197	4	4.00
010: Non-PICS Pers Svc/Vacancy Factor	2,500	-	-	-	-	-	2,500	-	-
020: Phase In / Out Pgm & One-time Cost	(704,297)	-	-	-	-	-	(704,297)	-	-
030: Inflation & Price List Adjustments	149,143	-	-	-	-	-	149,143	-	-
050: Fundshifts and Revenue Reductions	(2,567,723)	-	2,567,723	-	-	-	-	-	-
2019-21 Current Service Level	1,021,820	-	2,567,723	-	-	-	3,589,543	4	4.00
Adjusted 2019-21 Current Service Level	1,021,820	-	2,567,723	-	-	-	3,589,543	4	4.00
Total LFO Recommended Packages	(1,021,820)	-	1,618,118	-	-	-	596,298	-	(0.75)
2019-21 Legislative Actions	-	-	4,185,841	-	-	-	4,185,841	4	3.25
Net change from 2017-19 Leg Approved Budget	(4,053,495)	-	4,185,841	-	-	-	132,346	-	(0.59)
Percent change from 2017-19 Leg Approved Budget	(100.0%)	0.0%	100.0%	0.0%	0.0%	0.0%	3.3%	0.0%	(15.4%)
Net change from 2019-21 Adj Current Service Level	(1,021,820)	-	1,618,118	-	-	-	596,298	-	(0.75)
Percent change from 2019-21 Adj Current Service Level	(100.0%)	0.0%	63.0%	0.0%	0.0%	0.0%	16.6%	0.0%	(18.8%)

HB 5042-2
(LC 9042)
6/10/19 (DFY/ps)

Requested by JOINT COMMITTEE ON WAYS AND MEANS

**PROPOSED AMENDMENTS TO
HOUSE BILL 5042**

1 Delete lines 9 through 16 of the printed bill and insert:

- 2 “(1) Administrative expenses of
3 State Treasury operations \$ 81,795,837
4 (2) Administrative expenses of
5 the Oregon 529 Savings
6 Network..... \$ 7,531,317
7 (3) Administrative expenses
8 related to the Oregon
9 Retirement Savings Board \$ 4,185,841”.

10
